

## STANDING COMMITTEE ON PRIVATE MEMBERS' BILLS

March 9, 1995

**The Chairperson:** — We'll call the hearing to order, and the matter before us this morning is a continuation of the hearings on Bill 04, the Act to amend The Wheat Pool Act. Our first witness this morning is Aubrey Wood. Good morning, Aubrey.

Perhaps, Aubrey, you would introduce the other members of your delegation. And I'd just like to remind you that the microphones don't provide any amplification; they're just for the purposes of *Hansard*. So when you speak you have to speak to the room.

**Mr. Wood:** — Thank you. Good morning, Madam Chair, and hon. members, ladies and gentlemen. This morning I'd like, first of all, to thank you for this opportunity to give our thoughts on the issue of Saskatchewan Wheat Pool share offering.

I would like to start out by introducing my group: Marvin Dechryver from Denzil, Saskatchewan; Holly Kelsch, from Macklin, Saskatchewan; and Ed Blier, from Wilkie, Saskatchewan. I'm from Ruthilda, Saskatchewan, which is in the west-central area in between Biggar-Landis-Kerrobert area; that's my home town.

We're all members of the Saskatchewan Wheat Pool in district 12 and we'd like to take part, all like to take part, in the presentation which we've prepared.

**The Chairperson:** — If you're more comfortable being seated, Aubrey, you're welcome to be seated — whichever way you're most comfortable.

**Mr. Wood:** — I think better on my feet, but my wife says I talk longer.

I'd like to start out just by giving you some background in Saskatchewan Wheat Pool's democratic structure as we see it, and I'm going to use the flip chart behind me to give you some idea of how we see the democratic structure, elected structure, of Saskatchewan Wheat Pool.

It goes something like this. The Saskatchewan Wheat Pool exists for one reason only and that's to serve its members, and they are at the top of the circle. And they in turn elect a

delegate from their subdistrict. There are about 450 to 650 members in each subdistrict and they elect a delegate to represent them. When they elect that delegate they pass some of their power and responsibility along to the delegate.

Delegates in turn elect one of their number as a director; and the delegates in turn pass some of their power and responsibility along to the director. The directors in turn elect a president and vice-president. And you'll notice that the delegates are elected every second year, so they face an election every two years. Directors, the same — he faces an election every two years.

The president faces three elections every two years — election as a delegate, election as a director, and election as president. So there's no security of tenure, you might say, and there's no pension plan.

Now the local committees are outside of our structure. They're out here. And they are in a position of very great influence, and the members elect those local people. They're in a position of very great influence to all of the organization. They have direct contact with the members, with the delegate, with their local director, with the board if necessary, through their director.

They also have direct contact with the member relations division of the Pool. Through the member relations division, they can have contact with any operating division in the Saskatchewan Wheat Pool.

Now what took place in the last few months was the delegates discussed the share offering with the members through their local committees, and that went both ways. Directors also had direct contact with their local committee and with members at meetings. The presidents also had direct contact with members and committees throughout the province.

So that's the kind of system that has been in place for 70 years. It's served the Saskatchewan Wheat Pool very well. It's a type of representative and participatory democracy.

Now it's very evident that the committees and members of their communities who are outside of the formal structure still have immense opportunity to influence the total organization, and they do. The influence they have is very . . . it is quite remarkable.

The local committees, over the 70 years, have been responsible for developing all of Saskatchewan Wheat Pool's public policy. All of Saskatchewan Wheat Pool's public policy comes from local committees. Almost all of our operating policy as a company comes from local committees. That's the kind of influence the local committees have.

Delegates discuss and debate all of the resolutions that come in from the country from local committees and local districts. And that is where Pool policy — Pool public policy and Pool operating policy — comes from.

Now I think I've probably said enough about the democratic structure and I'd like to pass it on to Marvin to follow up. Thank you.

**Ms. Kelsch:** — I follow up. With less government involvement in agriculture from both the federal and provincial levels, this has forced change. We are going to see both rail line rationalization and elevator consolidation. We must maintain a farmer voice in agriculture. And Saskatchewan Wheat Pool has been that voice for over 70 years.

In order for Saskatchewan Wheat Pool to survive and serve their member shareholders into the future, we have to allow the company to get its financial house in order. Saskatchewan Wheat Pool must expand its finances to remain competitive in both the local and world markets for the benefit of the farmer customer.

**Mr. Blier:** — Okay. Also with the change in transportation and other government legislation, this will provide opportunities for further value adding to the farmers' products. These opportunities can be on the Prairies as well as beyond our borders.

Ours, and I emphasize our company, can be in the right place for these opportunities. We as farmer, member, customer, shareholder, can benefit from not only the sale of our product to a market, but also in the profits from that sale through a company in which we own a share

of. The share-offered proposal will allow our company to research and expand into the value added markets for our benefits.

**Mr. Dechryver:** — It's our understanding that two types of shares that are being offered, there will be a class A share which is a voting share, and these are the controlling shares. They're going to be made available only to the agriculture or active farmers. I shouldn't say active all the time, but related to farming. This will remain the same as the initial offering was when the Pool first started 70 years ago. And it will be a \$25 share, whereas when the Pool started, it was a \$1 membership. And this will not change; it is a voting share.

Class B shares will be used in the financing of new construction or investment into value added industries or ventures, whatever might come up, but only as our voting share authorizes under the guidance of the delegates and the board of directors. The equity fund will become part of the make-up of these class B shares, plus any added amount of shares that the delegate structure deems necessary to help the company keep a competitive edge and remain profitable.

**Mr. Wood:** — In conclusion, Madam Chair, and hon. gentlemen, the Saskatchewan Wheat Pool delegates have clearly followed the democratic procedures that have served the Wheat Pool for 70 years. Large capital requirements for future development of the Pool and member services, and value added processing of Saskatchewan farm products, will be needed in order to remain competitive. Saskatchewan Pool's democratic structure will be maintained by class A voting shares and the control of Saskatchewan Wheat Pool will remain in the hands of the farmer members.

Before we close, I'd just like to read section 504 of the Saskatchewan Wheat Pool by-laws, and it's entitled: The Delegates' Meetings in Lieu of Shareholders' Meetings. And it states very clearly:

The holding of either an annual general meeting of the shareholders of the corporation, or an extraordinary general meeting of the shareholders of the corporation, shall not be necessary; but all rights, powers, privileges, and functions of a general meeting of the shareholders of the corporation shall be

had, used, exercised, and enjoyed by a meeting of the delegates from various subdistricts in Saskatchewan as in this by-law provided. And without limiting the generality of the foregoing, any resolution or special resolution within the meaning of the Act shall, when passed by a general meeting of the delegates of the corporation, be as valid and effectual as if passed by a general meeting of all shareholders of the corporation.

Thank you very much.

**The Chairperson:** — Thank you.

**Mr. Wood:** — We'll be prepared to answer any questions you may have.

**The Chairperson:** — Thank you very much for your presentation. Mr. Roy has a question.

**Mr. Roy:** — Thank you very much, Madam Chairperson, and thank you, Aubrey, for that presentation, and good morning to the other presenters. I want to just ask a question pertaining to the democratic decision making here and as well the participation by the members in this particular decision.

I think everybody recognizes today in the politics of the '90s, that there is a fair level of apprehension and cynicism towards the decision making not only at the public level, the private level, or the cooperative level. I mean people are apprehensive about the governance structures and the decision-making process. I know as an elected official I find that very difficult at times because although I try the best I can to inform my constituents, I can organize meetings and send out all kinds of notices and sometimes you just don't get a fairly good turn-out.

In speaking with some of the delegates, they expressed the same sentiment to me, the same feeling, that ... and certainly they observed the same in their process. They claim that it didn't matter if it was a large or small decision, and I'm not saying this was with every particular delegate, but there was some, the ones that I talked to. Although they tried to inform their members as well as they possibly could, whether it was a large or small decision, there didn't seem to be the participation and certainly the ... I guess the

members really actively getting involved and trying to inform themselves to the level that they would have liked.

Now my question I guess is, on a major decision like the one we're seeing here, do you think that the process and the process that you outlined — and even though there would have been a lot of members that certainly didn't take the time to come to meetings — do you think that the process was adequate and that it meets the necessary, I guess the litmus test, as far as getting the actual members' sentiments on this decision?

**Mr. Wood:** — To begin with, if I had to name the single biggest problem that Saskatchewan Wheat Pool has, it's communication with members. I don't know of any other organization that spends the time, money, and effort in trying to communicate with the shareholders of the organization. They do an excellent job. Responsibility is another thing. There is responsibility on the individual shareholder to make sure that he elects a delegate that will represent them properly.

The other thing is that he should make sure that he takes the time to communicate with, not only his local delegate and his director and the staff at the local points, but with his other members. It's a real big problem. You know, it's the old saying, you can lead a horse to water but you can't make him drink. But the opportunities are there.

And I know in my own community I'm really concerned, because when I looked at a map of my township the other day, we've got eight family farms in my township, and that's six children. And we have one colony, a hutterite colony. But that's all of the people we have in our community. And it's very, very difficult to get them out to meetings because if they're young, either one, the spouse or one or the other, or both are working off the farm, and they can't go to everything in the community. So some things suffer.

It's a big problem for us. However I think the exercise that the Wheat Pool when through in trying to communicate with the members, on the share offering especially, I think they did an excellent job, through their local structure as well as through the media and no doubt got plenty of media attention.

The other thing is that we've always had, and there's always room I'm happy to say, for dissension. But the majority rules in a democracy. And once a decision is made by the majority — over 80 per cent of our delegates voted in favour of this — once the majority has made a decision, then, you know, it has to be supported. You can still have input; you don't agree with it, you can still . . . the avenues are there for you to have input to try and change it.

I understand your problem. It's very, very difficult. It's a very difficult time for elected people in all categories.

**The Chairperson:** — We're glad you appreciate that. Are there any other questions?

**Mr. Britton:** — Good morning, Aubrey. And I have the pleasure of knowing this group.

One of the things that . . . or two of the things that we seem to hear as we go along is two major concerns, and that's to do with the class A and class B shares. And I'll ask you two questions in one and then you can carry on.

And the first thing is the control. Does class A shares have enough control over the class B shares in case of a push by class B to get control? And the other is the philosophical aspect and that is there seems to be a fear among some of the Wheat Pool members that the Wheat Pool will lose its identity as a cooperative. Could you tell us how these two concerns can be met for those that feel that way, and what you as members and the Sask Wheat Pool itself can do to allay those fears that the people seem to have?

**Mr. Wood:** — Number one, the delegates of Saskatchewan Wheat Pool from this day forth will have to work harder to maintain the democratic control system that we have. They'll have to work harder to maintain it. They'll have to work harder to communicate with shareholders, especially the class A ones, to make sure that everyone understands exactly how the organization will operate.

They will still maintain the democratic control structure. And it's obvious that class B shares will have something to say in the organization about the effects that class B share owners have. They'll have some concerns too. And they should have . . . be able to meet and

discuss their concerns.

I think as we go along, you'll see the Wheat Pool structure become stronger simply because farmers must maintain control of their organization. The class A shareholders must maintain control. You may see in some instances a better quality delegate elected. It could well be that we will have better quality people around the board table because of this.

It'll mean that the Saskatchewan Wheat Pool has more responsibility, not just towards the farmer members and owners but towards some of the other people that have money invested in the Wheat Pool. I think it will strengthen the organization as a whole.

**Mr. Britton:** — And the cooperative identity of it?

**Mr. Wood:** — The cooperative identity, I think . . . You know, cooperatives have changed and I think you and I have both seen — we're probably about the same age — and we've both seen changes in the cooperative system. The old system that we used to operate under, under the Rochdale principles, were fine for retailing cooperatives and that kind of thing.

Saskatchewan Wheat Pool is a little different kind of a cooperative. We're a producer-owned cooperative. We're in the retail business too, but our primary responsibility is to a production-oriented cooperative.

We've got to live in the real world. We face very real competition from international companies. We've got to have the kind of financial base in order to be able to compete. And we may . . . You know, if you look around the world, we've got some very, very outstanding cooperatives in the world. And one of them is Sunkist oranges. Another is called Senex in the United States. Very, very large cooperatives that have run a very, very large business, still maintain cooperative principles.

Does that answer your question, John?

**Mr. Britton:** — Very well, thank you.

**Ms. Stanger:** — I only have one question, Mr. Wood. We have heard from presenters that say if class B shareholders have a large investment, they will eventually want representation on the board of directors. What

is your opinion of this, Mr. Wood?

**Mr. Wood:** — That may well be that they want representation on the board. I think performance will come. I think if the kind of performance I foresee coming from the Saskatchewan Wheat Pool when this share offering takes place, I think performance will . . . if our performance isn't up to snuff, then sure, we'll get pressure from class B shareholders. If our performance is okay . . . and the Wheat Pool has a long history of outstanding performance in business. So I think, you know, sure the pressure will be there, but I think we can handle it.

**Ms. Stanger:** — Thank you, Mr. Wood, and thank you to the rest of you for coming today.

**Mr. Kowalsky:** — Thank you, Madam Chair. Mr. Wood, in your description of the existing structure there, do you think it's critical to the Wheat Pool to maintain that kind of a structure? Or is there a possibility that there may be a need for a change in that type of organization decision making and communication structure that you described?

**Mr. Wood:** — I think the structure, as we have it today, has served us well for 70-odd years. It's a democratic system. We may . . . like, for instance, if we can't keep our rural population up — and farms are getting bigger so we're going to have fewer members, that's pretty obvious — we may have to, say, reduce the number of delegates, although they may still represent 600-odd farmers, 5 or 600 farmers. We may have to reduce the number of districts and consequently the number of directors because of fewer farmers. Those are the kind of things that maybe will come along.

As for the control, the democratic control structure, while it's not perfect the opportunities are there. There are numerous opportunities for farmer-shareholders to participate, to give direction, and the delegates still have the power. I have an abiding faith in those 140 farmers that meet each year at the annual meeting of the Wheat Pool delegates. They're a hard-headed bunch and they have a real feeling for democracy. And had they wanted the board of directors to call a shareholders' meeting regarding the share issue, they would have asked the board of directors to call it. The board of directors cannot call a shareholders' meeting without the

delegates asking them to do it. The delegates have the real power — that's where the power lies in the Saskatchewan Wheat Pool.

**Mr. Kowalsky:** — Do the delegates now have the power to change the structure, or the membership to the directors, or the . . . I guess to the directors?

**Mr. Wood:** — Yes.

**Mr. Kowalsky:** — Under the by-laws?

**Mr. Wood:** — Yes.

**Mr. Kowalsky:** — And do the members . . . do the delegates now have the power to appoint people outside of their body to the board of directors?

**Mr. Wood:** — No.

**Mr. Kowalsky:** — Under this proposed power granted under schedule 5, an Act respecting the Wheat Pool — this would be 5(f) — would you interpret 5(f) as giving the directors the power to bring in . . . naming other people outside the delegate structure to this structure?

5(f) reads:

the corporation may: provide for the qualifications, election and removal of the directors by the delegates in accordance with the bylaws.

**Mr. Wood:** — Yes, the delegates have qualifications — they must qualify to be a delegate. There are certain qualifications that you must meet before you allow your name to stand as a delegate, and all delegates have to meet those qualifications. All directors sit in the annual meeting of the Wheat Pool as delegates. All directors meet the same qualifications as a delegate does.

You can remove a delegate if there are some by-laws to do it; you can remove a director, and there are some by-laws that clearly state the steps to take to remove a director or a delegate. And it's their peers that do it.

**Mr. Kowalsky:** — Well it talks about the removal of directors, but it also talks about providing qualifications in electing a director, so I would assume that would mean that they

could add directors as well, make provision to add . . . you know, remove a director or add a director as according to the by-laws. The by-law apparently has to be approved, according to section 12(2) of the new Act, approved by two-thirds of the delegates. Are you comfortable with that?

**Mr. Wood:** — Where are you on this?

**Mr. Kowalsky:** — Oh, well I'm just trying to put together these two pieces here. I was still on 5(f). But I think what the authority is, to do it under the by-laws, is given under by-law 2, where every by-law and every amendment or repeal of a by-law must be approved by at least two-thirds of the delegates.

So my interpretation then would be from that — and I just wanted you to clarify this — that that would mean that a two-third vote could change the by-law or set up the by-law so that you could exercise the power given to the delegates, to the corporation in 5(f), which is to elect or remove the directors.

**Mr. Wood:** — The removal of both delegates and directors is clearly in our articles of association and the by-laws.

**Mr. Kowalsky:** — That's the existing ones? You're saying that there is a provision in the existing by-laws.

**Mr. Wood:** — Yes.

**Mr. Kowalsky:** — My only question is, Mr. Wood, is I guess, are you comfortable with this provision, 5 (f), and do you agree with me that it would give the delegates an ability to add directors from outside the structure?

**Mr. Wood:** — Our directors are elected. Our directors are elected by local delegates. They're the only ones that have the power to have somebody sit around that board table. They elect one of their delegate members to represent their district at the board table. And they can remove them if they wish. And he's up for re-election every two years.

And if you have followed the Wheat Pool over the years, there's been changes around the board table through elections, anywhere up to five directors in a year. Most years it's one or two, but we've had as many as five sometimes, through retirements or electoral changes.

**Mr. Kowalsky:** — Because right now you can only become a director if you're a delegate.

**Mr. Wood:** — That's right; it's always been the same.

**Mr. Kowalsky:** — My question is, will it remain that way? Because under 5(f), the way I read it, this enables the corporation to provide for the qualifications of directors, which means I suppose the qualifications for being a director could change; you wouldn't necessarily have to have a delegate to be elected as a director.

**Mr. Wood:** — The qualifications of a director are clearly set out in our by-laws. Qualifications and job description are clearly pointed out.

**Mr. Kowalsky:** — Thank you.

**The Chairperson:** — I think essentially, if I can try to paraphrase it, that what the change does, or the proposed legislation does, is move . . . the power to elect or remove directors is still vested in delegates but it's moved from the authority under the Act into authority under the by-laws, which only directors . . . or the delegates can change.

**Mr. Kowalsky:** — Right.

**Ms. Stanger:** — Mine is just a very short follow-up on this. I just want to make this absolutely clear in my mind: then if the delegates were to have outside directors that did not meet the criteria of a delegate, you would have to change the delegate criteria.

**Mr. Wood:** — That's up to the delegates.

**Ms. Stanger:** — It would have to go through a two-step process then, because right now the delegates elect the director. Right?

**Mr. Wood:** — Yes.

**Ms. Stanger:** — So if you were to have people on there that were outside directors, you'd have to change the criteria; you'd have to have a two-step process there, wouldn't you?

**Mr. Wood:** — Yes. Madam, there have been numerous attempts over the years to change the qualifications of a delegate and they've never succeeded. The delegate qualifications are fairly stringent. The directors must first of

all qualify as a delegate, then as a director.

**Ms. Stanger:** — So for any changes to occur, you would have to change that criteria.

**Mr. Wood:** — Yes.

**Ms. Stanger:** — Am I clear on that?

**Mr. Wood:** — Yes. And the delegates have the power to change it.

**Ms. Stanger:** — And only the delegates have the power to change that criteria.

**Mr. Wood:** — Yes. Only delegates.

**Ms. Stanger:** — Thank you, Mr. Wood.

**Mr. Carlson:** — Thanks, Madam Chair. Mr. Wood, last fall I was at my own committee meeting and there were a few people who I consider as people who are not necessarily . . . and we all know somebody who's always against something, and I would not put these few people in that category, but were quite concerned of the fact that they felt that they should have had a vote; and I'm not even sure how they would have voted — I think there could have been a split on it — but did feel that they should have had a vote.

You've laid out the structure, the governance of the Wheat Pool there on the flip chart. Would have you been against a vote, quite strongly against a vote? Do you feel that that structure is solid? I guess my question is, you are or would have been fairly solid in opposing a vote of the members on this issue?

**Mr. Wood:** — No. I have a real thing about democracy. And number one, if I had my druthers, sure I'd go for a member vote. But we have 140 delegates in this organization that have the power to say . . . they have the power to ask the board of directors to call for shareholder plebiscite — and they didn't do it.

Our by-laws clearly state, as I read out, a delegates' meeting is a legally constituted meeting of the shareholders of this organization. Until that is changed . . . no, if the delegates want to change that or members put enough heat on the delegates to change that, then that's the time it'll be changed. I'd like to see all members have a vote, but it's not set up that way.

**The Chairperson:** — Anything further from any of the members? Thank you very much for your presentation and for travelling a considerable distance.

We'd now like to call on Mr. Laird.

**Mr. Laird:** — Committee members, I'm pleased to be here. Can I stand up for the demonstration?

**The Chairperson:** — Yes, by all means do. Turn the microphone up a bit so that your voice can be picked up.

**Mr. Laird:** — Thank you. I think maybe I should introduce myself. Who am I? Well I've been farming for 49 years in Saskatchewan. I'm a first generation Canadian. My father, like many other people in this country, immigrated to Canada to homestead particularly in the prairie west. That's the people we're interested in here.

My father was a contract signer of the Wheat Pool, and I'm very proud of the fact that he was a contract signer of the Wheat Pool. But I'll have to tell you a little story just to show why I'm proud he took part at that time.

Now you have to understand it was a pretty harsh country when pioneers come here, and they come from many parts of the world. And my father told me this story. He lived probably about 18 miles from the delivery point — this is south-west of Swift Current where he homesteaded — and of course in horse transportation the guy that was the closest to the delivery point is going to get there and back first.

So he said, I would be going to town and there was a fellow he knew, John Podolsky, who could speak very little English and didn't understand reading and writing. And he'd say, on the way in I would meet him coming home and I would say, John, how many bushels today? And John would say, 43 or 45. And my father said he thought that was amazing, because John had the same-sized wagon box as he had and he was getting 60 and 65 bushel.

This was the atmosphere, the environment that the Pool started in. And this is important to know — where did this thing begin. When the people that very quickly realized they had a

very good product to market, and that was wheat, but the enemies at that time were the line companies and the grain exchange. And so that's why they pulled together to form a co-op, so they could beat the elements that were against them, or at least control them.

And so when the Pool come in it was a great thing, because then John got 60 or 65 bushel when he went to the elevator. And he probably got the same grade as my father did, and he could get the same weight because the Pool at that time, one of the main objectives was, the buyers were definitely instructed that they were not to have overages; they were to buy on the lot. So that give farmers one of the big things they wanted. They also give them a quality of price for the product they were producing.

And these were the important things about the Pool. I'm 71 years old; so is the Pool. And so my father and I have spent that much time working through this organization. So that's why I got up at 5 o'clock in the morning to drive in here to talk to you, because it's important, and what happens to it.

But just so you understand what we're talking about, because the product is still the same — it's wheat. There's other products too, but in this world there's two staples: one is wheat and one is rice.

Now I brought this little mill in to show you what top quality grain is. And this is a little Lee mill; it's quite a simple mill. But this will put out the best . . . it'll make the best quality flour out of the wheat you have. I don't know, can you see it? Maybe you know about these mills. But this little deal here goes around at about 5,000 r.p.m. (revolutions per minute). It doesn't rub anything together. It beats the wheat against the stone at the side. So we have stoneground flour.

And the important thing about the stoneground flour is it . . . or the stone grinder, is that it grinds the flour cool enough that it doesn't go rancid. In fact it will probably keep for about six months without any preservatives. The wheat germ is what causes it to go rancid if you grind it too hot.

You could do the same thing with a farm chopper, but it's going to get hot and it's going to go rancid.

So that's what this machine does, it puts out a quality product. And it's important that we understand this because nutrition today is key. And that's what . . . We've lost our Crow, so if we want to stay in the markets of the world, we want to know what nutrition is.

Now I brought along the equipment so you can just see it. I cheated — I ground some flour ahead of time, but I wanted to demonstrate the mill.

Now I happen to be an organic producer. So you have here organic stoneground flour. I've very proud of this product — pass it around — it's a very good product.

And we don't seem to know much about organic stoneground flour here, but the people in the market-place of the world, they know about it. And so it doesn't matter whether it's 1924 or 1995, this is the product we have to get to market. The Pool is just the tool to get it, and it worked for the farmers back then; I think it will work now.

This bread is made in . . . baked in North Battleford. The wheat was grown on Bill Hingston's farm at Landis. This is a product of Danish Home Bakery. The flour is milled right in the bakery. This is what's coming in development. The flour is milled right in the bakery and is baked as quickly as possible.

Now I said this will keep for six months, but that's not the ideal thing to get the nutrition from the farmer's field to consumer's table. And I would suggest that this is probably the best quality bread anywhere in the province.

Now having talked about the best quality, I brought some sandwiches along, some cardboard and white bread. And I've read lots of researchers claim that if you run a test on rats and you feed one bunch cardboard and the other white bread, the ones eating the cardboard will live the longest.

Okay, if you turn to page 8, the front part of the summation is about our Back to Farm Research Foundation, the history of that; the Rochdale principles as they were updated in 1966; and the story that I've just told you about the bread.

But what is the Saskatchewan Wheat Pool? Too often we identify the Saskatchewan Wheat



Pool as what we see or are familiar with. It may be a local elevator, farm service centre, or livestock yard, or Wheat Pool committee. However the Saskatchewan Wheat Pool is a group of farmers and employees who over a period of 71 years have shared a common philosophy and vision and worked for a common cause.

There's little doubt that there have been hundreds of thousands of members over the past 70 years. We doubt that anyone has a complete total. Today there is an individual membership of about 85,000 farm men and women in Saskatchewan who participate in the Pool organization for some of its services. It has also, over the years, had thousands of dedicated employees who have worked with farmer-shareholders to make the Saskatchewan Wheat Pool the largest grain handling agency in the world.

Now in the next page — and I might be wrong on this — we've described the physical assets of the Pool. If you want to look at it like body and soul, we're separating the spiritual from the physical. And I think this is important. The main corporate body of the Saskatchewan Wheat Pool office is the head office, a country elevator system, and supply centres.

**Ms. Stanger:** — Mr. Laird, could you speak up, please? It's very hard to hear you. Could you speak up, please?

**Mr. Laird:** — How's that? Closer?

**The Chairperson:** — The microphone doesn't amplify, Mr. Laird. It just provides a feed to the recording.

**Mr. Laird:** — Okay. Anyway, listed here — and I'm not going in through them . . . Can you hear now?

**Ms. Stanger:** — That's better.

**Mr. Laird:** — Good.

The corporate body of the Saskatchewan Wheat Pool owns 21 totally owned or partially owned subsidiaries. The 1993 annual report lists the following and the percentage of ownership.

To date the Saskatchewan Wheat Pool shareholders have not been advised of

inventory value of the assets listed above. It is conceivable the assets are worth 4 or \$5 billion. However Saskatchewan Wheat Pool have reported that farmer-shareholder equity is between 285 million and 300 million. This means farmer-shareholders are going to lose several billions of dollars in equity when the Pool is privatized.

And I will go on to the next page, page 10. We'll just leave the Pool there.

Saskatchewan has some very grave economic problems. I don't think we can look at this privatization just in a vacuum. Saskatchewan has 43 per cent of the cultivated land in Canada; 4 per cent of the population. We have highly skilled farmers working in high-tech agriculture. However we have hungry children and adults. We have four new families applying for food at the Regina food bank every day. Last summer we had 80,000 people on welfare, of whom 20,000 were employable. It's appalling that we have all these agricultural resources and still can't feed ourselves.

In the last month we've had both a provincial and federal budget. Neither even acknowledged the fact there were hungry children. I'm sure we all understand something of the social costs of having hungry children and how it affects health and educational programs. And I might add in here, the Wheat Pool has been very interested in these things in the past over the years, the social effects on people.

Are the proposed amendments constitutional? Further to this, we believe there is some question to whether the proposed amendment is a proper one. We've always understood that the purpose of an amendment to a law was to add sections to, delete sections from, or correct errors in, without changing the original intention of the Act.

We submit that this amendment would in fact change the original purpose of the Act to incorporate the Saskatchewan Co-operative Producers Ltd., in that it would alter SWP (Saskatchewan Wheat Pool) from being a cooperative in the true definition of the word, to a public share trading corporation.

Perhaps in so sweeping a change as one contemplated, it would be necessary to rescind the complete Act and substitute a new one in

its place. We ask the Speaker also be asked for a ruling on this matter — the Speaker of the House.

Conflict of interest policies. Premier Roy Romanow is always saying: the Saskatchewan way is the cooperative way. In fact he said it in his TV address to the province on Sunday, February 12, 1995. February 23, 11 days later, the Bill to privatize the Pool was given first reading, and second reading followed on February 28.

When Bill No. 04 passes reading, will the Premier say: we privatized the Pool so it could function more effectively and efficiently during the globalization of the international marketplace, cooperate with GATT (General Agreement on Tariffs and Trade) and NAFTA (North American Free Trade Agreement) and the Free Trade Agreement.

We've had to . . . he could go on and say, we've had to give transnational corporations a better opportunity to exploit our agricultural resources. He will no longer be able to say, the Saskatchewan way is the cooperative way, particularly in the next election campaign.

2. England does not have a constitution. They are guided by precedent which is known as British common law. Our constitution is based on British common law. Saskatchewan Wheat Pool has been a cooperative for 71 years and there is no precedent for change.

3. Cooperatives in Saskatchewan have developed as a result of pioneers sharing a philosophy and a vision to use cooperatives to solve their problems over the last 70 years. Saskatchewan legislature can give away shareholders' physical assets to international investors, but will not be able to change the philosophy and the vision of the Pool members. In the same way, it would be impossible to legislate the Muslim religion to be the national religion of Israel, or Judaism should be the national religion of Arab countries.

Conclusion one: public hearing on privatization of the Pool started on March 7, 1995. The CBC (Canadian Broadcasting Corporation) Radio noon farm program for March 6 did not report the hearings, nor had any other media reported them previously. We cannot take these hearings seriously; that's because of the

time frame.

Regardless, we are making a very serious presentation. However, we think it's an exercise in futility because it is obvious the government is determined to ram their legislation, the privatization Bill, through the legislature. There is no way concerned Wheat Pool members from all parts of the province will have an opportunity to be heard. We don't know what the legislation says covering public hearings, but usually you get three to four weeks in advance to prepare.

Conclusion two: total number of Saskatchewan farms peaked at about 138,000 in 1936. Over the last 71 years it is reasonable to estimate 2 to 300,000 farmers have been members of the Saskatchewan Wheat Pool. It is unfortunate that 108 Wheat Pool delegates and 65 members of the Saskatchewan legislature are just defying the precedent established in the last 71 years of Saskatchewan cooperative history.

They do not have a mandate to privatize the Pool. It is unfortunate to interpret the lack of protest in the country as apathy. The truth is the energy of the rural community is stretched way beyond its physical and economic limits.

In many instances one spouse is working off the farm, and sometimes both, to keep body and soul together. One spouse has to be home to babysit or be home when the kids are home from school, besides operating the farm. They just don't have time to attend protest meetings or appear before any public hearings in far-off Regina. And that far-off means in their time frame, the time, the amount of time that they have in the day to spend.

Many have decided the best thing they can do is collect their shares in the Pool and look for service elsewhere. This present process certainly increases their cynicism of politicians and the democratic process.

Conclusion three: farmer-members of the Pool will get a vote on privatization in the next election. It may be too late to keep the government from giving away the hard-earned assets of the Pool, but it will be soon enough to remember who voted for it when the election is called.

Conclusion four: the Rochdale principles and

all legislation relating to cooperative state that all cooperatives are member owned and democratically controlled. The legislation to privatize the Pool without a membership vote is contrary to both membership owned and democratically controlled established principles. Privatization of the Saskatchewan Wheat Pool will be a very serious blow to the cooperative movement — internationally, nationally, and particularly provincially.

Conclusion six: the Pool is definitely not adhering to cooperative principles.

Seven: the government should employ a consulting firm paid for by the Pool to examine Saskatchewan Pool operations to see if they really need money, or if the corporate body of the Pool and its 21 or partly owned subsidiaries are efficiently managed. They should also look at the effects the absence of member participation will have on Pool earnings in the future.

Conclusion eight: the strike last fall that was orchestrated by Pool management to privatize their construction department has caused several divisions between employee and employee, employee and farmer shareholders, between shareholders and shareholders, and management. The internal strife created by the strike may destroy the Saskatchewan Wheat Pool as a workable business operation.

Conclusion nine: Saskatchewan Wheat Pool is the foundation of orderly market in the Prairies. Privatization of the Pool means the eventual collapse of our orderly marketing system.

Third reading of the Bill should not take place until an alternative plan, approved by a majority of Saskatchewan producers, is in place. The new plan must demonstrate, if not guarantee, that high quality Saskatchewan-grown cereals, legumes, and oilseeds will continue to flow into the national and international markets in a manner that is fair to both consumer and producer.

Conclusion ten. Every Act relating to cooperatives has a disposal section. The original Act incorporating the Saskatchewan Wheat Pool should be examined for disposal clauses before the Bill receives third reading.

Conclusion eleven. It is rather ironic that Saskatchewan farmers in 1924, with very few

resources, organized what has become the largest grain-handling cooperative in the world. The press reported a 40 million profit at the 1994 annual meeting.

The management say they can't run the co-op under these conditions. It would appear the management doesn't have the management ability the 1924 contract signers had. If they can't manage a large cooperative, it's doubtful if they can manage a stock share company.

Conclusion twelve. Privatizing the Pool will not solve the child hunger problem in this province. It would make more sense if this public hearing was on child hunger and poverty.

Thirteen. The provincial government does not have a plan to revitalize our rural communities.

And the last one: we can no longer afford the piecemeal decision making by power blocs in our province that is destroying our rural economy and our rural communities.

Recommendations. One: Saskatchewan Wheat Pool should not be privatized. It was built by farmers and employees of the Pool with the help of many other citizens over the last 71 years. It must continue to be controlled by Saskatchewan farmers to serve the needs of Saskatchewan people.

Example: if the Saskatchewan government decided to serve bread and pastry products made out of certified organic wheat to upgrade the diets of everyone eating in the restaurants of the Saskatchewan legislature and all government institutions in the province, including school lunch programs, to make them aware of the importance of good nutrition, the Pool facilities should be available to provide the service.

And two. There are many fundamental problems in the province at this time that are being addressed in a band-aid manner. The government should establish a royal commission, similar to the 1952 Royal Commission on Agriculture and Rural Life, with the help of the rural community, that would study and give direction to future development.

The commission should look at hunger, particularly child hunger; stress on the farm family; health care and wellness programs; soil

rebuilding and conservation; water quality and water conservation; environmental concerns; energy concerns and solar energy; rural services; rural repopulation; rural trading centres; rural roads and rail transportation; farm and rural self-sufficiency in foods that can be produced in Saskatchewan; horticulture industry and market gardening; farmers' markets; nutrition and value added processing. And I draw to your attention, Saskatchewan Wheat Pool officials and field staff took a very active part in the 1952 commission.

All this respectively submitted, Madam Chairperson.

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

**Mr. Kowalsky:** — Mr. Laird, you state in conclusion 10 here, that every Act relating to cooperatives has a disposal section and that the original Act incorporating Sask Wheat Pool should be examined for disposal clauses. What are you getting at there? Why should it . . .

**Mr. Laird:** — Well maybe that should be brought into place and a new Act introduced to, if you want, to establish . . .

**Mr. Kowalsky:** — In other words, you're saying instead of changing it, dissolve the old co-op, the old Pool.

**Mr. Laird:** — Right. I don't know what the Act says, but that should be looked at.

**Mr. Kowalsky:** — Okay.

**Mr. Carlson:** — Yes, Mr. Laird, in conclusion nine, you talk about Sask Wheat Pool, the foundation of orderly marketing in the prairies. And of course we all know about the Pool and the pooling concept when they were first incorporated. But you talked about the privatization of the Pool means the eventual collapse of the orderly marketing system. Could you expand on that?

**Mr. Laird:** — Well the Saskatchewan Wheat Pool has been the main foundation of orderly marketing in my farming time and before that. The Wheat Board didn't come in, I guess the voluntary board, until 1935, and I think it was '42 then when the compulsory board came in, but the Wheat Pool as an organization, as a

cooperative of people working together has kept that in place. And to me the changing of the Wheat Pool to a corporation is taking that strength away from orderly marketing.

**Mr. Roy:** — Thank you very much, Madam Chairperson, and thank you very much, Mr. Laird, for your presentation. Not only did we hear your concerns about this proposal, but we found out a lot about nutrition here this morning.

My question is . . . I'm not sure if you were here for the previous presentation by Mr. Wood in which he illustrated the process — the consultative process and the democratic decision-making process that the Saskatchewan Wheat Pool used to come to this particular decision — democratic process which has been used for many, many number of years, and as he stated, has served the Saskatchewan Wheat Pool very well over the life of this particular cooperative. Now you state that it is the duty, I guess, of the government to inject itself into the decision making of a democratically controlled institution such as this cooperative. Now I guess that is a pretty slippery slope because then if you do it in this particular decision, what happens when another cooperative or another situation arises and the government is again asked to intervene or inject itself.

Is it the responsibility of the government to do that? Or is it the responsibility of the corporation or the cooperative itself to figure its own affairs and manage its own affairs and come to a democratic decision which they say they have. How can we as legislators force this cooperative to do that.

**Mr. Laird:** — Well if you have the power to change it from a cooperative to a private company, I'm sure you have the legislative power to . . . not only Saskatchewan Wheat Pool, but any other co-op, I'm sure that in matters of, which almost I would say is disbandment, you certainly have a right to, the legislature, to say that there should be a membership vote taken. I think you have this authority.

There's lots more people who have studied the parliamentary system more than I have, but I think that members are entitled to a vote. And it's up to the Saskatchewan legislature to protect the interest of all the people of the

province. And giving a vote on this issue is certainly not going to take away from the democratic process of government, let's put it that way.

**The Chairperson:** — Are there any other questions? I'm going to just provide you with a copy of the Act, Mr. Laird, and another paper that is a clause-by-clause comparison of what the changes are. Because I think that . . . I know you to be a very learned man, and yet from your brief there's a couple of things that would indicate to me that you haven't had an opportunity to study the new Act. So I just want to make sure that you have a copy of it.

And if you're going to be around for a while, if you have any questions about it, Mr. Cosman, the Law Clerk would be happy to . . .

**Mr. Laird:** — I have the Act here.

**The Chairperson:** — You do.

**Mr. Laird:** — Yes. I've chosen not to discuss the Act in detail. Let's put it this way. You people as legislators, these are the terms you think in, you know, what precisely is this going to do and that's going to do. But that's your job as legislators.

To me, I want to see the broad principles that affect the rural community are going to do the right thing for the rural community. So that's why I've deliberately avoided discussing the Act. I have a general idea of what's in the Act.

**The Chairperson:** — Okay. The only other point that I wanted to make is that this committee is responding, in the case of this Bill, in the private members' Bill process which is different altogether than government-sponsored legislation. Private members' Bill comes before the legislature as a result of a petition from a private party, in this case the Wheat Pool being the petitioner. They prepare the Bill. They petition the legislature to look at it. So that's why we have the hearing process.

Where in a government-sponsored Bill, the legislation is initiated within government. It goes through caucus, cabinet, legislative review committee, and that process. And this Bill takes, and other private members' Bills take an entirely different route. But I just want to clarify that it's not a government-sponsored Bill. We're responding . . .

**Mr. Laird:** — I quite realize that. But it's a decision that the government must make whether they permit this Bill to go ahead or not. I understand that. But the decision rests here.

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

**Mr. McPherson:** — Point of order, Madam Chairperson. I think this committee is going to have to have an in camera session to perhaps examine or re-examine the role or the parameters of this committee. And I'm suggesting we can either do it now before any further presenters, or I guess there is a break coming up. But I think it's imperative that we deal with this question right away. So we can have a recess if you would so choose.

**Mr. Kowalsky:** — Speaking to the point, I was wondering if the member could at least give us a clue what he is referring to.

**Mr. McPherson:** — Well, I think I did give it to you.

**Mr. Kowalsky:** — Because I thought we spent a whole morning at the first meeting clarifying . . .

**Mr. McPherson:** — That's why I'm asking for this to be in camera.

**Mr. Kowalsky:** — Clarifying the . . . Well I mean I . . .

**Mr. McPherson:** — My understanding of what this committee should be dealing with, I sense this is going in another direction. I talked to other members; they have the same sense. So that's why I'm asking that it be in camera. Otherwise, if you would like to get political, Mr. Kowalsky, so be it. That's what this committee's going to turn into.

**The Chairperson:** — Well I guess we're in the situation where Mr. McPherson has been added to the committee after the initial meeting was held where the organization . . . the role and responsibilities of the committee were discussed. So in fairness, I guess, it is true that he wasn't a part of that discussion because he wasn't named to the committee until after the original meeting. So if there's a misunderstanding, we need to clear that up.

**Mr. McPherson:** — I don't think there's a misunderstanding, Madam Chairperson, because I've talked to other members who, I guess, also have a misunderstanding of what's happening. So I'm just saying for the committee, I think it's best that we have an in camera session to discuss some of these.

**The Chairperson:** — Okay, let's call a break until 10:30. And we would ask for everyone else in the room, and we would respectfully ask your indulgence in clearing the room so that we can have a short in camera session. Thank you very much, Mr. Laird.

**Mr. Laird:** — Madam Chairperson, is this the end of the questions for me then?

**The Chairperson:** — Yes, thank you.

**The committee continued in camera.**

**The Chairperson:** — Consideration of Bill 04; and you're Mr. Pavlik?

**Mr. Pavlik:** — Yes. Thank you, Madam Chairperson. Good morning. My name is Steve Pavlik. I'm going to speak in favour of the proposed changes to The Saskatchewan Wheat Pool Act.

I'm going to begin with some background on myself. I live in the town of Eatonia in west-central Saskatchewan, and operate a 6,200 acre straight grain farm in that area. I have a strong co-op history. I've been a director of three local co-ops and president of two of them.

I was a Saskatchewan Wheat Pool committee member for 16 years and I have been a Saskatchewan Wheat Pool delegate for six years. My commercial commitment to the Pool has resulted in an equity balance of about \$14 per cultivated acre. I think I'm a significant stakeholder in Saskatchewan Wheat Pool's conversion of its members' equity to shares because of my high level of participation in both the commercial side and in the democratic structure side of the organization.

I'm really excited about the conversion. I think it's a win-win situation for both Saskatchewan Wheat Pool and for member-owners. For Saskatchewan Wheat Pool, it improves our financial position and increases our ability to be competitive. It positions us well to deal with

the tough multinational competition in the deregulated world that we're moving towards.

It also makes employee ownership possible along with all of the benefits which that can bring to us. For members, conversion means that at the stroke of a pen on conversion date we'll take their equity, which is a long-term asset of questionable value, and will turn it into a current asset with good liquidity and a return on investment. How can that not be good for members?

We're also giving members control over their equity. They will have the option of withdrawing their equity in cash during the in-house trading period. And once the shares are listed on the Toronto Stock Exchange, they can in effect get their equity out any day of any week of the year. Currently the only way to access your equity is to die, cease farming, or to reach retirement age.

The conversion of equity to shares also allows disenchanted members to withdraw their membership, something which isn't presently possible. This is good for those members who wish to leave, and for Saskatchewan Wheat Pool, as it allows us to clean up our membership rolls and determine our true support levels in the country. I believe that this will increase our credibility in the policy arena.

For members, the conversion of their equity into common shares will provide them with an investment opportunity that they know and understand. Think about it. They will be holding shares in a company that they are familiar with, within an industry that they know and understand. They can see the company's physical assets, they know the employees, and they can influence management through their delegate and director.

Most of their friends will hold Saskatchewan Wheat Pool shares. Investment strategies will be discussed in coffee shops, curling rinks, and elevators everywhere. In my mind, this will be a unique investment opportunity for farmers and, perhaps more importantly, will provide them with an easy, comfortable way to get their feet wet in the investment market.

For members, equity conversion does not mean loss of control of their company. The important cooperative principle of one member, one vote, is retained. And the

restrictions placed on the class A voting shares mean that only farmers will control Saskatchewan Wheat Pool. We will continue to have the same familiar democratic structure with our local committees, delegates, directors, and the executive members of the board of directors.

If we as members retain our equity shares, we will be retaining ownership of Saskatchewan Wheat Pool. As owners we will then share in any profits through dividends paid on those shares. The dividends and the benefits that will flow from the new marketing incentive programs will replace what we now know as our patronage allocation. The main difference being that members will see the money up front rather than at retirement.

Those are some of the reasons that I'm excited about the equity share conversion and why I say that it's a win-win situation.

As a Pool delegate, I feel strongly about the protection of the value of members' equity. I'm concerned that if we don't do this now, we may in the future find ourselves in the same position as Alberta Wheat Pool. That cooperative is unable to repay equity to some eligible categories due to insufficient earnings and a need for permanent capital. I lost my equity in one local co-op and in Co-operative Implements Ltd. I don't want my equity in Saskatchewan Wheat Pool to be at risk at some point in the future.

So, will we still be a cooperative? In my mind, yes. We will be different, but different doesn't have to be bad. I like to think of the new Saskatchewan Wheat Pool as one of the first of a new generation of cooperatives — a hybrid co-op that has the financial strength and structure that will allow it to move successfully into the next century.

One thing I do know, after the equity share conversion takes place, Saskatchewan Wheat Pool is a lot more likely to still be here 50 years from now and to be a financially strong company able to serve the needs of the Saskatchewan farmers that are its members, its customers, and its owners.

That concludes my remarks. I appreciate the opportunity to present my views. Thank you for listening. And I'll be glad to try to answer any questions you have. If there is a few more

minutes after questions, I have some additional remarks that I would make regarding the democratic process that I used in my subdistrict to consult members on this, on the equity conversion issue.

**Mr. McPherson:** — Could we hear that now?

**Mr. Pavlik:** — Sure. We sometimes hear the comment made that members weren't consulted or made aware of plans to investigate the equity financing options. I want to give you a feel for the efforts that I made in my subdistrict to make my members aware and obtain input from them. I first mentioned equity financing and the possible issuance of shares at committee meetings in the fall of 1991. After that, it was discussed at committee meetings and annual membership meetings as new information and alternatives came to light.

In the spring of 1994 I held a series of three subdistrict meetings to review the current plan and receive input from my members. Of the members attending those meetings — and I polled them, so these are actual results — 65 per cent were in favour of equity conversion and 14 per cent were undecided. Only 21 per cent were against the proposal. That was in the spring of 1994, prior to the decision that was made by delegates in July.

The issue was again discussed at the subdistrict annual meetings in the fall of 1994. Most recently, in January of this year, I held a series of one-day informational sessions at each of the five elevators in my subdistrict. Members were advised of the meetings by both a bulk mailing and a selective direct mailing program, so that every member in the area was aware that I was holding those meetings.

I was in the elevators from 9 a.m. to 4 p.m. each day. Members were advised that it was an opportunity to speak one-on-one with their delegate about the equity conversion process and how it would affect them individually; 67 members responded by attending.

I'm satisfied that my members have had sufficient opportunity to gain information and provide input. And the comfort level that my members have with what we're doing supports that.

I want to thank you once again for listening,

and I'll be glad to answer any questions.

**The Chairperson:** — Are there questions that any members of the committee have?

**Ms. Stanger:** — I just have one brief one. Thank you for coming and making your presentation. We've heard from other presenters that the issue of share conversion was not heard of or mentioned until after the delegate elections in 1994. Could you comment on that?

**Mr. Pavlik:** — Well that's simply . . . In my mind it's simply untrue. I mean we've discussed it and studied it early on. There were no concrete proposals, but there were proposals that we looked at, and we looked at the concept, just the concept of doing something in the way of a share issue. We discussed that. There were delegate meetings, regional meetings, at which we discussed different equity financing options. I mean the information was there.

There was nothing concrete that we could present to members early on, but it was incumbent on each of us, as delegates, to make our members aware that this was something that was being discussed, talked about, and looked at; and I did that.

**Ms. Stanger:** — That's what I was trying to get a feel for, Mr. Pavlik, is whether people even had heard about such an idea or concept. I wasn't so concerned about the concrete proposals, but I've gotten the impression that this wasn't even a concept that anybody heard of until after the delegate elections. So that's what I was trying to get a handle on.

**Mr. Roy:** — Thank you very much, Madam Chairperson, and thank you, Mr. Pavlik, for your thoughtful and eloquent presentation.

The major concern I think of a lot of the opponents of this particular proposal are about the future control of the Saskatchewan Wheat Pool and whether or not that that control will remain in the hands of the members. Because that is a major concern and a very valid concern.

The concern I guess stems from the fact that in the sale of class B shares, if you have a large amount of money, of capital, that is going to reside in the hands of class B shareholders

that are non-farmers, really do not have any kind of attachment to the Saskatchewan Wheat Pool other than the fact as an investment vehicle, that someday they may well try to influence and try to gain control and direction of the cooperative. And ultimately that will undermine the principles of the cooperative because they will then use it for their own purposes.

And I think that there is a valid concern when you look at the amount of capital here that could lie in the hands of class B shareholders that are non-farmers. So I think there is a valid concern there.

Do you believe — and it's impossible to accurately predict what will happen; it's impossible — but do you believe that that is a valid concern and theoretically could happen in the future?

**Mr. Pavlik:** — Well no one can know what the future will hold. And I've given this a lot of thought because when we first heard about equity financing three or four years ago, I was opposed to it because I was concerned about the control issue and I was concerned about the protection of the equity issue.

I've set those issues aside in my mind, and the reason I've done that with the issue of the class B shares is because we're going to start out with a group of individuals who are farmers, who will own the class B shares. We're going to take those class B shares, and in order for another group of individuals other than farmers to gain control, they first have to control the class B shares. We're assuming then that more than half of the B shares will be held by farmers.

Now I don't know why we would assume that. I'm a farmer. I own Saskatchewan Wheat Pool. I intend to maintain my ownership of Saskatchewan Wheat Pool, and a lot of other farmers do as well. I mean I'm very pleased that Saskatchewan Wheat Pool is doing this; I think it's a good move for us, and I think a lot of other farmers are prepared to stay with Saskatchewan Wheat Pool, a good, strong company with good financial results. Why would you give up ownership of something that was so positive for you?

**Mr. Roy:** — Just a supplementary to that. But the shares will be traded?



**Mr. Pavlik:** — Yes.

**Mr. Roy:** — Of course there are restrictions that no individuals or no affiliate — I'm not sure of the legal terminology here . . . but will be restricted to 10 per cent, and I would imagine there'll be a registry. But they will be traded and eventually a good percentage of those shares, maybe of far greater percentage that 50 per cent, could eventually end up in non-farmers.

I think that's the concern. And whether it is valid or . . . I think it's something that we have to consider.

**Mr. Pavlik:** — I've actively traded shares on the Toronto Stock Exchange for about 20 years, both as an active trader at some times and as an investor long term. And I have absolutely no interest in taking control of any of the companies that I own shares in. If I'm unhappy with the management or the performance of those shares, I simply sell them, as do almost all other investors unless they're interested in taking a controlling share of that company — a buy-out or something like that. And those are things that occur in the business world and I mean we don't know what the future holds, as I said.

But as far as the shares themselves and individual shareholders or individual groups of shareholders trying to take control of Saskatchewan Wheat Pool, I don't see it. I see them selling their shares if they're unhappy.

**Mr. Roy:** — Can I just ask one more? It was one that . . . because you stated that you have experience, direct experience in the stock market.

There was a suggestion yesterday that when these class B shares are offered that they could be undervalued artificially. And the response from the legal counsel of Saskatchewan Wheat Pool was that no, the market would basically set the value of those shares.

Do you believe that the argument that the shares can be undervalued artificially is a valid one?

**Mr. Pavlik:** — Undervalued as for a listing price?

**Mr. Roy:** — Listing price.

**Mr. Pavlik:** — I would think that that would not be something that any responsible management group would want to do. And I would think that it would be something that the regulatory body that controls the Toronto Stock Exchange would not allow to happen.

**Mr. Roy:** — Thank you.

**The Chairperson:** — Any further questions? If not, well thank you very much, Mr. Pavlik, for your presentation and for answering our questions.

I'd like to call now on Mr. Gidluck.

**Mr. Gidluck:** — Well good morning. I'd like to thank the committee for permitting these procedures to go through.

I'd like to say that I'm proud to take a part in the co-op movement. My Ukrainian heritage started in southern Manitoba in the early 1900s. My grandfather homesteaded in the rocks and hills at Krydor. They moved to the Biggar area in 1923 where my father mostly, and the family, took part in helping build Sask Pool. I'm quite proud of that.

I look around the halls of this building and think of the men that helped the co-op movement through the '40s and '50s build their local co-ops and credit unions. My father worked with that a lot.

Myself, I got into the co-op school and was taught that co-ops were the way to go, and the corporation was the opposite direction. I worked on local committees and on local co-op boards; worked a great deal of time with Canadian Co-op Implements; and just recently have been a delegate at Sask Wheat Pool. My co-op schooling said that co-op was an opposite direction from corporation and that's where my heart is. Ownership is what the pioneers wanted — ownership in the local co-ops, for better or worse, have been the saviour of western Canada.

The conversion — I can argue on both sides of the conversion; my heart is on the one side. But my bone of contention is whether the membership had a vote on this. And you've heard the arguments that yes they have or no they haven't. I believe that the by-laws say that

the membership should have had a vote.

If this goes through, should they be allowed to call themselves a co-op? And I'll say to you that if you legislate this, you are legislating . . . making legislation for the co-ops of the world, saying that they can be a share capital operation. I think that should be left to the co-ops to make that decision themselves.

What's the value of Sask Pool and it's shares? Will they be blue chip or will they be penny stock? This meeting won't decide. The management of the organization will later, but whatever, the holders of these stocks will come back.

CCIL (Canadian Co-operative Implements Ltd.) was mentioned — they played with this as far as being partnerships in a corporation. It was a little different; we took the attitude that CI was a . . . cooperatively owned 22 per cent of the corporation. So there was only 22 per cent of that operation was actually, you could say, was owned by the farmers. It went down the pipe also.

There's a lot of high-priced help here from the Pool and delegates getting per diem, I imagine. Myself and most of the people that are arguing on the opposition are walking on our own back pockets.

I just hope that you remember the fact that I don't believe it's a co-op and it should not be allowed to call itself a co-op if this happens. Thank you.

**The Chairperson:** — Are there any questions for Mr. Gidluck? No questions? I guess you've made yourself clear, Ken. Thank you very much.

That actually concludes the scheduled presenters this morning and we don't have . . . no one has registered as a walk-in without an appointment. So I guess at this point we'll recess until 7 o'clock tonight. Thank you everyone.

The committee adjourned at 11:15 a.m.