

STANDING COMMITTEE ON PRIVATE MEMBERS' BILLS

March 13, 1995

The Chairperson: — Being 7, and having a quorum of the committee present, we'll begin.

I'd like to mention that we are continuing to receive some written submissions from people who didn't ask to make an oral submission to the committee; but rather than reading the names into the record, at the end we'll compile all the names and locations of the people who have made written submissions, and make copies available for all of the members. So the ones that are received today, the committee will get copies of them tomorrow.

And I'd just like to welcome everyone here, and just as a reminder, that we'll need to keep adherence to the time limits. And in terms of the addresses, they've been of a very high quality throughout; but there have been a couple of exceptions where people ... petitioners have made derogatory personal references to individuals. And I'd like to say that, this being a legislative committee, that the same rules apply here as in the legislature in terms of parliamentary language and referring to individuals. I need to mention that, but on the whole the submissions have been of a very high quality and there's been very little of that.

So first of all tonight I would like to call on Arlee McGrath.

And just for the benefit of the presenters, too, the microphones don't provide any amplification; they're just a feed to the *Hansard* recording device. So in order to be heard you have to speak to the room. Thank you.

Mr. McGrath: — Thank you, Madam Chairman, committee members. I have someone who came with me to make the presentation as an observer, I guess. He's my father, Gerald McGrath, sitting back at the back.

The Chairperson: — Does he want to come up and share the ...

Mr. McGrath: — My name is Arlee McGrath. I'm a farmer from the Leroy district and I'm also a Sask Wheat Pool member and a Sask Wheat Pool delegate, and I am making this presentation on behalf of the three committees which I represent: Leroy, Watson, and Englefeld.

I'd like to express to this body my support for the intentions of the private member Bill pertaining to Sask Wheat Pool capital restructuring. Arriving at the position I state to you today has not been easy. For many Pool members, including myself, fundamental principles have had to be questioned. What is the goal? Why did Sask Wheat Pool grow and prosper? Can Sask Wheat Pool survive into the future with its present structure? And if we accept the proposed changes will the new structure be capable of delivering results consistent with the desires of Sask Wheat Pool members?

The following points seem to rise to the top as goals set out by the founding members of Sask Wheat Pool: fairness, honesty, open and above-board business ethics; and two, social considerations factored into grain, business, and farm policy decisions. Three, a share in earnings based on patronage; and four, to build for future generations.

To date, Sask Wheat Pool has delivered on the above points in a very real and effective manner. Having said that, we cannot ignore the forces at work as laid out in the explanatory notes to the proposed Act. Failure to address the problem areas will certainly diminish the ability to accomplish the ongoing task of working towards the original Pool member goals.

I believe the share structure, as set out in the proposed Bill, will certainly provide and enhance the opportunity to maintain control of Sask Wheat Pool by Saskatchewan farmers. It will allow the business, social ethics, and ideas developed around kitchen tables in rural Saskatchewan to be ever-present at the board table at Victoria and Broad.

Modifications to rules governing payments of interest for dividends on shares and the changes to patronage dividends as a means of distributing earnings are certainly the toughest changes to accept for a cooperative person.

It would seem, however, goal four, as listed — and goal four, if you look back, is building for future generations — when considered with the negative forces impacting Sask Wheat Pool and the desire to develop a Saskatchewan-based, world-class food

company, can only be attained with an amount of equity that the farm community would have a hard time in generating.

Provisions for a marketing program based on business volumes done with Sask Wheat Pool appears to be an acceptable compromise to address member concerns. The fact that the board, elected by farmers, uses their judgement as to the balance struck between investment return and patronage level return is positive. And when I refer to patronage there, I refer to the marketing programs that will return money to the A shareholders based on their business with Sask Wheat Pool.

In closing, I would like to restate my desire to work toward goals of cooperative members as set out in the points above. I believe the proposed Act allowing Sask Wheat Pool to raise equity on the capital markets will certainly challenge farmers to be diligent in the governance of their cooperative, but will also provide a major opportunity for development in Saskatchewan agriculture. Thank you very much.

The Chairperson: — Thank you, Mr. McGrath. Are there any questions that any members of the committee have to direct to Mr. McGrath?

Mr. D'Autremont: — Thank you, Madam Chairman. Mr. McGrath, welcome for coming in today. In your presentation here are you suggesting that the MVP (maximum value plan) program would be a suitable alternative to the current form of patronage pay-outs?

Mr. McGrath: — The marketing programs that are proposed are based on simply grain delivered and/or farm supplies . . . I guess and farm supplies. And there'll be a base . . . kind of a base amount for grain delivered, and the more business you do in the farm supply area and that, will enhance that up to a certain level. So based on the amount of business — and I guess the grain end of it is not tied to the farm supply — so there will be a certain amount of money brought back to the farmers' hands and I would have to say that that would have to be, you know, a reasonable balance struck there. At least I feel there's a reasonable balance struck, because without the farmer patronizing the company, the B shareholders are not likely to do very well on a return on their shares, so you know the board of directors will have the job of striking that

balance.

Mr. D'Autremont: — This is a major change though, is it not, from the concept of patronage based on participation in the company payable out to your A shares?

Mr. McGrath: — It's a change, yes.

Mr. D'Autremont: — It's been suggested that Section 3(1)(c) of the Act be withdrawn, where it says:

organized and governed by and adheres to co-operative principles in accordance with this Act and the bylaws.

Do you think it has value to leave that piece of the Act in or to take it out?

Mr. McGrath: — Can you read that again?

Mr. D'Autremont: — Okay. It reads, under organization and structure:

organized and governed by and adheres to co-operative principles in accordance with this Act and the bylaws.

It's been suggested that it should be withdrawn. Do you have a suggestion? Should it stay in or be taken out?

Mr. McGrath: — I haven't been present at the hearings. I wouldn't, you know . . . why is it suggested we withdraw?

Mr. D'Autremont: — Well the argument is that because patronage dividends will no longer be paid out, that the Wheat Pool would no longer be following cooperative principles. Therefore to use the terms cooperative principles in there would no longer apply to the Saskatchewan Wheat Pool.

Mr. McGrath: — Well I guess the question I would have is, did Co-op Implements follow cooperative rules when they didn't pay patronage dividends out?

Mr. D'Autremont: — I don't know. We're not . . . we're discussing the Wheat Pool today.

Mr. McGrath: — Yes, well Co-op Implements didn't pay patronage dividends out because

they couldn't.

Mr. D'Autremont: — So you have no impression one way or the other on this?

Mr. McGrath: — Well without a sound financial base that, you know, it's not an issue.

Mr. D'Autremont: — Okay. Thank you.

The Chairperson: — Mr. Johnson, you have a question?

Mr. Johnson: — No, I wasn't . . .

Ms. Stanger: — Thank you for coming to make a presentation to us. Do you think that producer considerations will diminish when Sask Wheat Pool has class B shareholders whose only interest would be return on their investment?

I'll give you an example of what I mean. If abandonment of short lines were economical yet would hurt farmers along these lines, wouldn't it make sense that class B shareholders would take precedence over the producers?

Mr. McGrath: — I guess as I pointed out, the board of directors will have to walk that line and, you know, if they don't do a reasonable job in keeping producers happy with how they are being treated, I think that'll have more effect on the B shareholders returns; then, you know, that'll be the major thing.

I guess there has been, through the process that has taken place here, you know, it's been said that the Wheat Pool hasn't looked after member concerns for a long time. But when you bring up, you know, the branch line question, you know, if you look at the system as it stands now, Sask Wheat Pool has 185 out of 221 elevators on branch lines, or 186. Sask Wheat Pool has been paying back, over a number of years when their earnings were very slim, large amounts of dollars to the membership. Over the last number of years they've been holding the handling tariffs down . . . basis, you know, comparing to Alberta or Manitoba. I don't see that changing with the change in capital structure.

Ms. Stanger: — I guess that was my question. I agree with you. I just wondered if you don't feel insecure about a change. Do you think it

will continue in this way?

Mr. McGrath: — Well certainly it's a little more insecure than being in a cradle, but, you know, because of a lot of those things is the reason we're here today. You know, it's protecting farmers' investment and doing it in a way that is possible or doable, yet gives us, as a farmer, as much ability to stay on top of the operation or to keep control of the operation as can be allowed.

Ms. Stanger: — Thank you very much.

The Chairperson: — Are there any further questions from any of the committee members? If not, then thank you.

Mr. Kowalsky: — I wasn't going to ask a question but I see we still have some time. Now what's . . . So maybe I would like to ask one, just to make sure.

Mr. McGrath, you made it very clear, I think, in your presentation that your motivation here is to save the company. Really. And you feel that the company can thrive better if the company switches its mode of operation to a corporation structure. I think that's what I got out of your message. And in order to do so you talked about that you had to question basic, fundamental principles. And then later on you mentioned the changes to patronage dividends as a mean of distributing earnings. I take it that that's one of the fundamental principles that you had to question.

And in your response to Mr. D'Autremont's question you mentioned that it simply had to be, take second . . . it had to play second fiddle, as it were, or be second to the primary concern which is to make sure this company stays liable. Am I interpreting you correctly?

Mr. McGrath: — I think there's been a lot of pressure on Sask Wheat Pool to make some changes that would see more cash end up in the hands of farmers quicker.

I guess in the long run, to see that money end up in their hands — period — is very important. But the pressure that has been there over the last few years, the changes that are made, to some extent, if farmers do retain their investment in Sask Wheat Pool, and also continue to patronize the company, I think they will do very — probably in the short, short term

. . . will be treated maybe somewhat better in that they will be getting a return, a dividend every year, and also will be getting the benefit of marketing programs that are there to be competitive, I guess, out there in the marketplace.

So I guess I'm thinking that it's not a whole lot different; it's a different structure but I'm still getting the benefits that I was getting before. I have the opportunity to still get the benefits I had before.

Mr. Kowalsky: — Well I'll ask you another question and it'll be very brief. Is changing the patronage dividend a change in the cooperative principles?

Mr. McGrath: — I guess I can't really . . . when I look at that question, share in earnings based on patronage, it is a change, but when I look at what we're changing to, I think as how I'm treated as a farmer, I don't feel that I'm . . . I still have the ability to realize on my business with Sask Wheat Pool through B shares and also as an A shareholder in marketing programs.

So you know, I guess I'm saying I feel comfortable with that.

Mr. Kowalsky: — Yes. It is a change but you're comfortable with it?

Mr. McGrath: — Yes.

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

The Chairperson: — Anything further from members of the committee? If not, then thank you very much, Mr. McGrath.

Mr. McGrath: — Thank you.

The Chairperson: — Next we'd like to call on Sandra Hill, please. Just make yourself comfortable, Sandra.

Ms. Hill: — Good evening. My name is Sandra Hill. I farm east of Swift Current and I've come to talk about the frustration and anger I'm experiencing as a member of Sask Wheat Pool. Like many other Saskatchewan farmers, I am a third generation Wheat Pool member. My grandfather, my father, my brother, and my husband have all been members of local

Wheat Pool committees. In 1988 my father received the Saskatchewan Co-operative Certificate of Merit for his work in building cooperatives.

As far back as I can remember, I knew it was important to support the Wheat Pool. My father often recalled an incident dating to pre-Wheat Pool days. He once drove a team and wagon load of grain to the elevator eight miles away, was told there was no more room, and watched as the farmer behind him gave the agent a bottle of liquor and proceeded to unload his grain. This incident is symbolic of the distrust felt towards the grain-handling corporations of that era and helps explain the farmers' determination to build a company they could control.

The result was the Saskatchewan Wheat Pool, which in the eyes of my family, was more than a grain-handling company. The Wheat Pool stood for something — equal treatment for individual farmers; one person, one vote; people working together for the common good; control in the hands of the members. These were more than trite slogans in our family; these were principles to be defended and supported.

The support came in the form of unswerving loyalty to the Saskatchewan Wheat Pool. Grain went to the Pool no matter what enticements there may have been at other elevators. No one complained about equity remaining in the Pool, even though we had to pay taxes on this money. We believed in the Pool and we matched our business to our beliefs.

Imagine our dismay then when our Sask Wheat Pool proposed becoming the very entity it was created to combat, by converting equity to shares and offering shares to non-farmers. The dog-eat-dog world of shares and stock exchanges is far removed from the cooperative ethic. Imagine our disbelief and then anger when we were told that we, the member-owners of Sask Wheat Pool, would not even be allowed to vote on this change — a change which will fundamentally alter the nature of Saskatchewan Wheat Pool.

I read with some interest Dale Eisler's column titled: "Pool must change with the times," in the March 3, 1995 *Leader-Post*. After description of events to date, and the opposing viewpoints in the present debate, Mr. Eisler states: "But

there is also little evidence of any significant opposition to the share offering."

Near the end of the article he says:

We can only conclude the lack of a groundswell at the membership level in the delegate elections is probably the best evidence available that most Pool members remain comfortable with the idea of the equity conversion.

I am here today because I want to dispel any such thoughts. Members like me, and there are a vast number, are not comfortable with the idea of equity conversion. We are betrayed, angry, frustrated, and disheartened. We are so upset because of the refusal of the Pool's head office to listen to us that we have decided to give up on the Pool.

This decision has not been made lightly or quickly. When rumours of the proposed share offering first reached us, our reaction was one of disbelief. I, as did many others, telephoned the office of the president, Mr. Leroy Larsen, to express my disapproval. I told my delegate and later my director of my opposition.

When the Pool held meetings around the countryside such as the one at Swift Current on May 31, 1994, I attended. At that meeting, as reported in *The Western Producer* of June 9, 1994, there were more than 100 members. The only people I heard expressing support for the share offering were representatives from Sask Wheat Pool's head office.

As the evening progressed, it became apparent that Sask Wheat Pool's administrators were determined to proceed with the conversion to shares no matter what the members thought. Finally, with great regret, I came to the decision that no one was going to pay any attention to me.

At this point I decided my only course of action was to plan to take my money instead of shares at the time of conversion and deal with the Pool from hence forward as with any other grain-handling company. My loyalty has been betrayed. I am hurt and I am angry. My anger only increases when I receive propaganda from the Pool telling me why I should be in favour of the share offerings.

One reason put forward by the Pool officials for

changing to shares was that the Pool urgently needed money. How much money has been spent on mail-outs to every member trying to encourage acceptance of the share proposals? This is only one of many such items I have received, this one.

Either by design or ignorance, this brochure is entitled *Member Control*. Being a farmer, my mind immediately thinks weed control, pest control, mind control, member control. I very much fear that is where we are today. Our cooperative, once owned and controlled by members, has been turned upside down and members now are seen only as numbers to be informed of decisions after they have been made.

This brings me to another concern, use of the word cooperative to describe the corporation which is proposed. It will no longer be a cooperative in fact, and certainly must not be allowed to use the word cooperative in describing itself.

In conclusion I want to repeat I am not comfortable with the idea of equity conversion. Sadly, I have concluded that the Pool no longer is responsive to the wishes of its owner-members and I want no part of the publicly traded corporation it is to become. Silence in this case is not acceptance. Thank you for your attention.

The Chairperson: — Thank you, Sandra. Are there questions from any of the committee members?

Mr. D'Autremont: — Thank you for coming forward this evening. It's been described to us how the Pool's delegate structure works on up to the board. Has that power structure changed since the inception of the Pool and if so, when?

Ms. Hill: — I can't answer that. I'm familiar with the power structure since the time I've been farming and there hasn't been a change then.

Mr. D'Autremont: — Okay. So has the decisions made by the Pool based on the time that you've been farming and are aware of how the structure has worked . . . in that time have the members ever had the opportunity to vote?

Ms. Hill: — The members . . . not since I've been started farming. But there has never

been an issue which is a fundamental change to the nature of the Pool.

Mr. D'Autremont: — When the Wheat Pool purchased the Federal Grain Company was that not a major structural change to the Saskatchewan Wheat Pool?

Ms. Hill: — Not as far as the member-producers were concerned. It just meant there were more elevators to go to.

Mr. D'Autremont: — Well it's been suggested to us that that was one of the areas of major change to the Wheat Pool.

Ms. Hill: — That did not change the patronage allocation that I would receive. It did not change how I hauled my wheat to the elevator.

Mr. D'Autremont: — I'm not sure if you heard me ask the question to Mr. McGrath when he was up here about section 3(1)(c) on cooperative principles. Do you believe that this piece of legislation should remain in the Act or should it be withdrawn?

Ms. Hill: — As the proposed legislation wants to change the shares, it can't be a cooperative.

Mr. D'Autremont: — So you would disagree then with those people that suggested some form of patronage pay-out prior to year end, such as the MVP program, is not actually a patronage dividend?

Ms. Hill: — No, it is not. It depends on how much you are willing to go and spend on inputs. The patronage allocation depended solely on amount of grain you took, as a seller, to the Pool.

Mr. D'Autremont: — Okay, thank you.

The Chairperson: — Any further questions?

Mr. Johnson: — I believe at about page . . . I think it's on page 2, a list of four major items that you recognize as something that the Pool stood for: equal treatment, one vote, common good, and controls in the hands of the members.

The one that I would like to ask about is related to the one vote per member, how that was in place before and how it is . . . how you see . . . what you see the change now or

what's happening there.

Ms. Hill: — Well I'm quite concerned that with the sale of class B shares, sooner or later those class B shareholders will be allowed to vote. And those class B shareholders don't necessarily have to be farmer-producers, and their interests are not going to be the same as mine.

Mr. Johnson: — Okay.

The Chairperson: — Is that all, Mr. Johnson?

Mr. Johnson: — Yes.

The Chairperson: — Mr. Britton, you had a question?

Mr. Britton: — Yes. I have I guess one question in three. You mentioned that you didn't think there had been any major changes without consultation. You don't think Robin's Donuts, Biggar Malt, and the Poundmaker deal was not major changes to the Wheat Pool?

Ms. Hill: — They may have been. I'm not going to comment about whether they were major changes to the Pool but they weren't a major change to me in my selling of my grain.

Mr. Britton: — Well that brings us to another question. Do you believe the Wheat Pool can exist just as a handler of grain? Do they not have to change in today's world?

Ms. Hill: — Well you're talking, I think, about the changes about acquiring other sort of diversified interests. That's one kind of a change and that has already happened. The Pool says it's necessary. But the change that we're talking about, about going to a share option, totally changes the nature of the entity.

Mr. Britton: — It's the philosophy that you don't like then, primarily?

Ms. Hill: — Yes.

Ms. Stanger: — On page 6, you say, "Sask. Wheat Pool's administrators were determined to proceed with the conversion to shares, no matter what the members thought." Yet in our presentations, Sandra, we have been told by previous presenters that 80 per cent of the delegates voted in favour of the share offering. Sandra, are you saying that they did not reflect

the feelings of the majority of the Pool members?

Ms. Hill: — I think it's important to look at those delegates and at the vote. In the first place, the share offering idea was made public the day after elections were held for the new delegates in the spring, without any chance for the electors of those delegates to have discussions with the future delegates to see even where they stood on the matter.

Secondly, when it came to the time for the vote, I'm not sure why 80 percent would vote in favour. There are lots of suggestions. There are people who want their money out and want it now. Now that makes me worry a little bit because I read in the paper that Mr. Larsen has said that if too many people ask for their money instead of shares, then they won't be able to proceed. So I don't know how much too many is, and I'm also wondering what happens next. Is there a plan C or B behind this? I don't know. And as to why 80 percent of the delegates voted in favour, I don't know.

Ms. Stanger: — So you're saying that they didn't have time to really inform their members.

Ms. Hill: — In some cases. Spring's a busy time and this all happened during seeding.

Ms. Stanger: — Okay. Thank you.

Mr. Kowalsky: — Yes, thank you very much, Ms. Hill, for your presentation.

Now you've got . . . you state sort of two main reasons. You feel that the . . . that you're against this. You feel that the farmer or the . . . who's represented by the delegate will eventually lose control.

Ms. Hill: — Yes.

Mr. Kowalsky: — And secondly, you seem to object very strongly to this change in . . . to what you call, I think, a cooperative principle, you mentioned in here somewhere. Now the question is a little . . . and you go and you are very adamant about these because you say that you've pretty well decided that when the time comes you're going to . . . you're not going to retain shares.

Ms. Hill: — Right.

Mr. Kowalsky: — Is there anything in this Bill, that if it were changed, that might cause you to reconsider your loyalty? I believe that you had . . . you know, you state in here that you and your family have been long-time, full and lifetime loyal members of the Pool. Are there any changes in here — and please don't say throw out the Bill because you've already said that — are there any other changes in here that would cause you to reconsider?

Ms. Hill: — But I'd have to say throw out the Bill because that really is the nub of the matter for me. I also mentioned in here that the word cooperative just cannot be applied to this proposed entity.

Mr. Kowalsky: — When you're dealing with the word cooperative, that is because you have in your mind a different concept, and you believe that that's sort of the general concept of co-op, and that implies patronage dividends.

Ms. Hill: — Yes.

Mr. Kowalsky: — Or is there anything else about the word or is it mainly that aspect of it that's . . .

Ms. Hill: — Well in my mind, of course, it was always tied up with fairness. My neighbour down the road, who perhaps has a smaller operation, could go there and get the same treatment that I was going to get, and receive his allocation on the same basis. As soon as you get to MVP programs where things are based on volume — buying of chemicals is based on volume and rewards are — you're competing with your neighbours. It's not like being a consumer where you can go and pick stores and it doesn't really matter. But in a rural community when you're competing with your neighbours for selling it tears the fabric of the area.

Mr. Kowalsky: — So whatever principles they are, they're not cooperative is what you're saying.

Ms. Hill: — In a shareholding corporation with outside shareholders, yes.

Mr. Kowalsky: — Well if the word cooperative was dropped out of this Act, out of this Bill, do you think it would change anything in the Bill. I mean it would change your feelings toward it a bit but do you think it would change anything

substantial in the Bill?

Ms. Hill: — I think it would stop the pretence for the eyes of the public. You know, if it's a corporation, let's call it a corporation.

Mr. Kowalsky: — And how do you possibly think you could lose control, or the delegates could lose control, if it requires a vote of two-thirds the delegates to change the delegates structure. to change the directorate structure.

Ms. Hill: — Well as Mrs. Stanger said, there were 80 per cent of the delegates in favour of the share offering. So who knows how these numbers are swayed? I don't. But it can happen.

Mr. Kowalsky: — Okay.

Mr. D'Autremont: — Thank you. Mrs. Stanger brought up the delegates selection last time hadn't . . . there have been very few changes and I believe you said that it was because this program, this announcement, came out after the delegates selection. I believe that the process is in place right now, is it not, for selecting new delegates this spring?

Ms. Hill: — Yes.

Mr. D'Autremont: — In your impression, what is happening with that delegate selection?

Ms. Hill: — In my district?

Mr. D'Autremont: — Well across the piece.

Ms. Hill: — I don't know about the rest of the piece, but in my district now there are two people running for delegate. Neither of these people has been on a Wheat Pool committee before, which I find rather different. I don't have any other comments to make on it.

Mr. D'Autremont: — I believe that there is about half of the delegates are up for selection, is that not the case? Somewheres in that neighbourhood — 60 to 80 delegates — and most if not all of them are going in by acclamation.

Ms. Hill: — Yes. Well my explanation for that is that so many people are so annoyed they're not willing to put the time and the effort in that it takes to do a real job of being a delegate.

Mr. D'Autremont: — Is it the situation that the people aren't prepared to work as a Pool delegate, or is it a situation they're not unhappy with what's happening, or is it a situation that they are totally dissatisfied and therefore want nothing to do with the Pool?

Ms. Hill: — Probably some of all of that, but the people that I know of are in a situation where they: (a) feel betrayed; (b) don't want to put in time and effort working towards what they perceive as the principles that should be there only to have them countermanded by somebody in a managerial position.

Mr. D'Autremont: — Well as I understand the Pool structure, are not the delegates, and through the delegates the board of directors, in charge of the administrative officers of the company?

Ms. Hill: — Well that's how it's supposed to work. When I said our organization's turned upside down, I think perhaps I was alluding to that.

Mr. D'Autremont: — Well perhaps that reflects back on the membership of the Pool in who they chose then as delegates.

Ms. Hill: — Well I think that the membership of the Pool has gone along and been well served by delegates for quite a long time and probably been lulled, and so have the delegates, into thinking it's all right to come to meetings and say yes.

Mr. D'Autremont: — But again that goes back to the membership then, of being happy with what's going on and not being unhappy with these changes.

Ms. Hill: — Well I just have one further comment. My delegate resigned when he tried to oppose what he perceived as the thrust of the Pool management. He didn't do that lightly.

Mr. D'Autremont: — How many of the delegates did withdraw their services?

Ms. Hill: — I don't know.

Mr. D'Autremont: — Okay. Thank you.

The Chairperson: — Anything further?

Ms. Hill: — Nothing.

The Chairperson: — Thank you very much, Ms. Hill. Next is Mr. Edwin Altrogge from Saskatoon.

Mr. Altrogge: — Thank you, Madam Chairman. My name is Edwin Altrogge, a farmer from the St. Benedict area, a member of Sask Wheat Pool. I have served as a committee person and a delegate and am currently vice-chairman of the Saskatoon Inland Committee. This brief is presented to you for your consideration as a reflection of the views of the Saskatoon Inland Committee, which is often affectionately referred to as the Senate. Members are quick to correct any wrong impressions and explain they are more active and more productive than the Canadian Senate.

I would like to take this opportunity to introduce Max Shier, to my left here, a member of the committee, and Mich Ozeroff, our director, sitting in the back row, of Saskatchewan Wheat Pool, who accompanied me to these hearings.

A word about the Saskatoon Inland Committee. The committee currently has 42 members that have come to settle in Saskatoon from every area in the province. The common thread is they are all Sask Wheat Pool members. They have served as committee people, some as delegates, and some as directors of the Pool. Collectively, they span the historic time lines of their cooperative.

The chairman, Mr. Stan Dwornick, has accepted the position as chairperson for this, his 25th year. Stan is the only person I know that got his membership to Sask Wheat Pool in 1928, four years after the formation of the Pool, got married in 1928, and has remained faithful to both his wife and the Pool for this long period of time.

This will give you some insight into the background to this brief. It does represent the views of members that have experienced many changes, not only in the province, not only in their farms, but in their cooperative, and they remain optimistic for the future.

We are here to support the legislation that will provide the necessary change to Sask Wheat Pool Act. We support the direction taken by Sask Wheat Pool which will allow our

cooperative to convert the member equity to share capital.

This brief reflects a resolution passed in July of this year when the committee passed a resolution in support of the financial restructuring of Sask Wheat Pool. This financial restructuring allows for equity conversion and the authority to issue public shares. Thirty-two committee people voted in favour, one person abstained, and nobody was opposed to the resolution.

The Saskatchewan Wheat Pool Act, which is the subject of these hearings, will provide options for financial restructuring. It is critical that our cooperative has a secure financial base in order to provide service and products to a competitive member-customer. Members in Sask Wheat Pool have a high expectation of product and services and wish to be assured that this level of services will be maintained or enhanced.

The option to convert our equity to share capital will enhance the financial status of Sask Wheat Pool. This change in equity/debt ratio will remove the level of debt and provide more flexibility in providing programs and services.

We feel this financial direction is essential to meet the challenges facing our members and to keep pace with their demands. It is critical that we continue to diversify in such a way that we can maximize the potential of agricultural production in our province.

We believe that the new sections, 32.1, 32.2, and 32.3 of The Saskatchewan Wheat Pool Act, will provide the flexibility to explore new diversification options. The financial ability achieved by this Act will allow our cooperative to explore further diversification, added value initiatives that allow the Pool to respond to members' needs.

Will Sask Wheat Pool remain a cooperative? This question was discussed and it is a concern to our committee. In reviewing the six cooperative principles, the committee concluded that the revised Sask Wheat Pool Act does maintain these principles.

An interesting point was made by one of our members. It was suggested that with the flexibility built into the class B shares, we have

strengthened the first cooperative principle — a principle of open and voluntary membership, established by the Rochdale Society in 1844.

The principle states: membership of a cooperative society should be voluntary, and available without official restriction or any social, political, religious, or racial discrimination, to all persons who can make use of its service and are willing to accept the responsibility of membership.

The word voluntary has been questioned in the past as being a voluntary entrance, but no option was available if a member would choose to withdraw a membership in Sask Wheat Pool and receive his patronage. The change in the Act does provide greater flexibility to the interpretation of this principle.

In conclusion, the committee believes the cooperative values and principles that have successfully guided Sask Wheat Pool for 70 years have responded well to the members' needs. And we believe that people will continue to accept these values that have served them well.

We do not accept the idea that changing the Act, which allows for share conversion, will change the fundamental values and principles of Sask Wheat Pool. This change can only happen if people decide to let it happen. Members will make the decision by their actions of keeping, buying additional shares, or selling their shares. If members wish to protect values and principles, they will. We feel confident that members will make the right decision. Thank you.

The Chairperson: — Thank you, Mr. Altrogge. Are there any questions from any member of the committee?

Mr. Kowalsky: — Well yes, thank you. Thank you. Mr. Altrogge, you have been one of the first people that indicated you've gone through all of the six principles, the cooperative principles. Sounds like you've had quite a discussion going through this with your committee, and that's something that certainly we found has become a controversial item here in the ... as we listen to these presentations.

And I noticed here, although I didn't count them, but I outlined them and I see four, five,

six, seven, eight — eight places where you used the word cooperative in your own ... so it must have a strong meaning for you itself, the word cooperative. Now in your understanding of cooperative principles, do you include in that the concept of patronage dividends?

Mr. Altrogge: — Well it's patronage dividends or a form of payment for business you do with the co-op, whether it be ... you alluded to MVP program to some former speakers, whether that was within the co-op principles. Certainly I believe so, and it's based on how much grain we deliver to the Pool, how much product we buy from farm supplies. That's what the MVP program is based on.

Mr. Kowalsky: — So the concept of patronage dividends is one of the cooperative principles?

Mr. Altrogge: — According to the amount of business that you do with it — a payment, a return of the surplus according to the amount of business you do with the company.

Mr. Kowalsky: — Is that one of the famous six cooperative principles?

Mr. Altrogge: — Well I wouldn't say the famous six. They're all equally entwined, I guess. It isn't the only.

Mr. Kowalsky: — But it's one of them?

Mr. Altrogge: — It's one of them.

Mr. Kowalsky: — Yes, and ...

The Chairperson: — If I could just interject for a minute, Mr. Kowalsky. The brief contains, on the last page, after the excerpts from the Act, and there at no. 4 it says, return of surplus to members. It doesn't use the words patronage refund.

Mr. Altrogge: — Yes. Return of surplus to the members.

Mr. Kowalsky: — Where is that?

Mr. Altrogge: — On the back page. On the very back page.

Mr. Kowalsky: — That's very useful. Okay. Return of surplus to members. Okay. Well that clarifies ... pretty well answers the question

that I wanted to ask in particular, because it's there in no. 4. So then you would disagree with one of the earlier presenters who suggested that yes, this did represent a change in cooperative principles but he was willing to live with the change. You're saying more that this really isn't a change.

Mr. Altrogge: — No, I don't see, I don't see . . . They have . . . from time to time our Sask Wheat Pool has come out with different programs during the year regarding delivery of grain and things like that, and as I see in the future, it will continue to do so — have various programs that . . .

Mr. Kowalsky: — Thank you very much.

Mr. Britton: — Thank you, Edwin. Good name — that's my second name. Good, solid name.

From your presentation I get the feeling you're not really too concerned about the class B shareholders taking control of the company.

Mr. Altrogge: — No, not really. I'm not really, no, because we will retain our \$25 membership fee which is the voting rights within.

Mr. Britton: — You feel that you can, by having the class A being farmer-members, you can hold control there? You've no concern there?

Mr. Altrogge: — Yes. I've no concern, no.

Mr. Britton: — Okay. Then the other thing I would like to ask you: it doesn't bother you to have the surpluses shared with people who do not buy from the company? The patronage, as I understand it, is when you share your surpluses with those people who purchased from the company.

Mr. Altrogge: — Yes.

Mr. Britton: — Now under this new system, there will be people who have only put their money in, if you want to use that term, and they will share in the surplus. That doesn't bother you as a cooperator?

Mr. Altrogge: — Well they will receive dividends. They will receive dividends on their shares, but they are also in a sense contributing to the overall well-being of the

company.

Mr. Britton: — I didn't question that. I'm just asking you do you feel comfortable . . . over the life of the company, of the Sask Wheat Pool, the surpluses or the patronage went to those people who supported the company. Now there will be some of that . . . some of the class B shares certainly will be farmers, but there could be people who don't buy anything from the company as a purchase.

Mr. Altrogge: — Yes.

Mr. Britton: — And that doesn't bother you to see them get part of the surplus?

Mr. Altrogge: — No.

Mr. Britton: — Okay. Thank you.

Mr. D'Autremont: — Thank you. Welcome this evening. Other presenters have suggested that this is perhaps the most major change that the Saskatchewan Wheat Pool has gone through and therefore the entire membership should have the opportunity to have a vote on this conversion of shares. Have there been other major changes in the history of the Wheat Pool?

Mr. Altrogge: — Well over the years certainly we've had changes, as you alluded to before, when they bought Federal Grain and when they made other various purchases. When we bought into CanAmara Foods and things like this where changes and . . . no it doesn't bother me that some of these changes are made. Every time you make a change in a company this large you can't always go back to the member and say, were you going to have a vote on it. Heck, you'd be left out in left field.

Mr. D'Autremont: — Would you consider this as major a change as moving the Saskatchewan Wheat Pool from a grain handling company to an international conglomerate?

Mr. Altrogge: — Pardon me?

Mr. D'Autremont: — Okay. Sask Wheat Pool is into newspapers; it's into Northco Foods; it's into malting; it's into export. I look through the annual report here and there are a lot . . . Pound-Maker, there's quite a few. And they

deal not only just in Canada, not only just in grains, but around the world with various products and commodities; fertilizers.

That changed Saskatchewan . . . in my opinion Saskatchewan Wheat Pool from a grain-gathering company to a multinational conglomerate.

Mr. Altrogge: — Yes.

Mr. D'Autremont: — Now is that a major change equal to what this proposal is?

Mr. Altrogge: — Is that major change as you go into this diversification equal to the change to . . . well it would be about the same, as far as I'm concerned.

Mr. D'Autremont: — Did the membership at the time that any of these . . . the change to a multinational conglomerate, did the membership at that time have the opportunity to vote on whether they wanted to, one, remain a grain handling system only; or to go to something else.

Mr. Altrogge: — No, they didn't have a vote on it then. No.

Mr. D'Autremont: — Okay, thank you.

Ms. Stanger: — This is just something that I want to clear up in my own mind, so be patient with me, Edwin.

Mr. Altrogge: — Can you speak a little louder?

Ms. Stanger: — Okay, sorry.

Mr. Altrogge: — I'm the senate; I'm hard of hearing.

Ms. Stanger: — All the farmers that have come here are hard of hearing.

Mr. Altrogge: — Yes, we've got tractor ears, all of us.

Ms. Stanger: — Will Sask Wheat Pool remain a cooperative? This seems to be really at the heart of a lot of the presenters. So I'm wondering in my mind, Edwin, were the cooperative principles decided upon by the original members, and therefore can they be changed by cooperative members, or in your

view is a definition of cooperative principles something permanent which can never be changed?

Mr. Altrogge: — No, no. I think cooperative and being in the business we are, change is constant. If you stand still today, you get left way behind and that's why some of these changes, I feel, had to be made. If we want to move out and be a force in the world today that we're living in, we have to make some changes.

I think some of these changes should have started a few years back; we should have evolved slowly. We've come to the stage where we, as far as I'm concerned, we either sink or swim. And I still want to swim; I don't want to sink. And I feel confident that the changes that we have to make will stand us in better stead down the road.

Ms. Stanger: — You're being much more practical than me. My question really is sort of much more nebulous. I'm saying, there is six cooperative principles. Are those principles that are permanent, for ever as long as you live, or can the members of the cooperative change what the principles of a cooperative is? Like I'll give you an example, say, in our field — democracy and what democracy is. There are basic principles of democracy. Now are those going to change? Are they changing?

What I'm saying to you is, do those six co-op principles, do they have to be absolutely the way they're written in 1844? Or can a definition of a cooperative and what it is change? That's what I'm asking.

Mr. Altrogge: — Yes, I think it can change. I think it has to change. I mean my daddy farmed with horses. Today my son, he's got a tractor with electronics on it that does . . . and if nobody would have changed along the way, where would he have been? Where would we be? I can't go back to the horse and buggy days and do my farming, you know.

I've got to change, and naturally at my age it's harder to change now, and goodness knows I've seen so many changes in my lifetime, because I did work with horses; I did work with four horses at one time.

And I always change, and change was always hard. Change is the hardest thing there is in

the world. We like to become secure with what is known, and afraid to step out over the line into the unknown. But I think we have to move and sometimes when we don't change often enough, the less we change the harder it is to change.

So this is a big step in what the Pool is doing, but I see it as our only way. If we want Sask Wheat Pool to be a market force in the grain-handling industry and the diversification that hopefully will come, and has to come as a result of the last budget, then we have to move on. We have to do things a little bit differently. We have to go with the times.

Ms. Stanger: — Thank you.

The Chairperson: — Thank you very much, gentlemen. Our next witness will be Robert Gehl from Regina. Oh sorry, I guess we're not working off the same agenda. I don't have anybody in this spot. What I should have . . . I'll just put this to the committee just before you . . . while you make yourself comfortable, Mr. Gehl. Is that the way to pronounce it? We have actually two people that have cancelled, for this spot and after this, so I guess what I want to ask you is — we have two more witnesses after this — whether you want to proceed or whether at some point you want to take a break. You want to keep going? Because I'm given to understand that all the witnesses, even the ones for after 9 o'clock, are already present. Okay. Thank you very much. Go ahead, Robert.

Mr. Gehl: — Okay. Thank you, Ms. Chairman. My name is Robert Gehl, as stated earlier, and I'm here as a Sask Wheat Pool delegate. I don't know how many other delegates have been here before me, but I'm a delegate who has spoken, or voted, against this share equity proposal at the meeting in Saskatoon. I feel it only fair that I come here and represent the thoughts and wishes of my members that I represent in my subdistrict. I am not a member of the Co-operating Friends of Sask Wheat Pool. I am here on my own volition.

I guess I'll begin by stating why I voted in the negative for the share equity proposal that was passed earlier this . . . or in the summer. And it was because, basically, it was my membership that told me that way to vote. It was their wishes that I vote in the negative against the proposal and also, I guess, personally I am

also opposed to the resolution. But the foremost reason I voted against it was on the wishes of my membership.

The fear that this step will lead to the, I guess, corporate making of Sask Wheat Pool away from the cooperative philosophy in which it was founded upon; the fear that a class B non-voting share offering has the potential to wrest control away from the membership of the Pool, although it is stated clearly and quite often by management that this will not be the case — I feel the door has been opened for that possibility to happen in the future and I don't like that happening to my Sask Wheat Pool. It's our company; our forefathers fought hard and long to get to where we are today and I guess many of them would roll over in their grave if they saw where we are today.

I guess the majority of delegates, though, have voted in favour of it. I feel that to be unfortunate and as a person, or a delegate who voted in the minority, I guess there is not too much more I can do about it, unfortunately. Many of my members also feel that they should have been given the right to vote as members of Sask Wheat Pool and the delegate body was given way too much leeway or power in this respect. It was a major shift or a change in our corporation or company and they feel it only fair that they should have had a say in that happening, but as it happened it did not. And basically, Madam Chairman, that is my presentation, short and sweet.

The Chairperson: — Are there any questions?

Mr. Britton: — Thank you, Robert. I just have one question kind of rolled into two and that is: do you feel the Sask Wheat Pool can survive in its present form, and if you think that it needs to change other than the change they're contemplating, can you tell us what you would think they could do instead of going this route?

Mr. Gehl: — Well I believe they could survive if they stayed the course, the way we have been in the last 70 years. My ideas of how . . . I'm not a financial wizard; we hire people for that one, but . . .

Mr. Britton: — Join the club.

Mr. Gehl: — . . . there are a few options that I heard of. One would be them to cease

allocating patronage to the members for a certain length of time. They would have to pay out the mandatory categories, I won't deny that one, but they could cease allocating patronage to the membership. And they could also perhaps . . . I don't know how, through the financial regulations, but they could perhaps have offered the members the opportunity, or the members only, the opportunity to invest in Sask Wheat Pool, above and beyond their allocation, like a cash injection from the membership themselves.

The Chairperson: — Anything further, Mr. Britton?

Mr. Britton: — Thank you, Madam Chairman.

Mr. Knezacek: — Thank you, Madam Chair, and thanks, Robert, for your presentation.

You, along with others, have expressed a concern about the fact that class B shareholders will somehow or other perhaps ultimately gain control of the Sask Wheat Pool. Would you suggest or would you go along with something to this effect, and I think Mr. Kowalsky has in previous questions alluded to the fact if you were . . . if you could change something in the Bill, what would it be that you would change that would make you feel more comfortable?

So what I'm asking you is this: if this concept of class B shares provide actually a threat in your way of thinking to the control of the Sask Wheat Pool, if there was some provision in the Bill whereby class B shareholders would not or could not gain that control, i.e., perhaps at some point sitting as an advisory committee to the directors, would you see that as being beneficial rather than the way that you see the Bill set up at this point?

Mr. Gehl: — I really can't see any outside investors . . . like the way it is now, the company or Sask Wheat Pool is owned entirely by its membership. And once you step outside that regime and offer it to outside investors, public funds or what have you, there is always a possibility in my mind that the rules and regulations that govern the stock market investment can be changed that give non-voting shares anywhere . . . It wouldn't be specifically addressed against Sask Wheat Pool, but any non-voting class B, or whatever class you want to call them, can be given the

power to vote in financial matters in the institution which they have the money in.

That is the problem, I think, that I have concerns with, that any . . . once you step into the publicly traded companies . . . like I don't know how true it is, but I understand there is some noise down in the U.S. (United States) financial circuits that non-voting shares be given some kind of voice in the companies that they are invested in.

Mr. Knezacek: — Yes.

Mr. Gehl: — And that is what I'm worried about. Like right now, no, there . . . like the way it's set up I understand from management, you know, stuff that I've read, that there is no way.

But once we cross over that line into a publicly traded share company, then we no longer make the rules. The rules are made for us by whoever — provincial, federal law. Even, you know, foreign law could maybe even dictate something to us in that respect. We no longer control the rules.

Mr. Knezacek: — Okay. Assuming that we do control the rules, would it be helpful to have that provision there, that class B shareholders would only play an advisory role as opposed to a direct . . . or as opposed to playing a director on the board of Sask Wheat Pool?

Mr. Gehl: — No, I would say it's either this way or no way. You know either you invest in the company as it is and accept . . . like it's going to be up front and centre that you have no voting rights. They should be given no advisory status whatsoever, because once you've taken that step, how much further does it . . . like where do they stop?

Mr. Knezacek: — Okay, thank you.

Mr. D'Autremont: — Earlier presenters have had some concerns with the delegates' voting procedures. Do you believe that there's a flaw in the delegate structure?

Mr. Gehl: — I don't know if I'd call it a flaw. I would maybe perhaps call it more outdated, given the time . . . It hasn't been changed, I don't think, since day one, since Sask Wheat Pool has been established, and that was in the time before telephones and, you know, good

travel conditions, and what have you. You know, it's . . . you can ask the question of any elected body, even the legislature, how democratic is that? I mean it's, you know, democratic I guess, until someone doesn't like it.

Mr. D'Autremont: — That's right. That's the way it always seems to work.

When you suggest that perhaps the delegate structure is outdated, what would you change it to? Would you have the entire membership vote on every issue, or would they only vote on selected issues? Or would the general membership perhaps elect a delegate prior to an annual meeting?

Mr. Gehl: — No. Basically the way the delegate system and that is set up, I have no quarrel with. I basically am like a bunch of you gentlemen here, and ladies, that represent your constituents, and I try to forward their ideas and concerns to the cabinet, or the board of directors in my case. But on a major issue such as this — you know, a major change in structure and everything, down to the foundation of Sask Wheat Pool — I believe it would only be fair that the membership would have a vote on this situation, much like you would have a plebiscite on major concerns from your point of view as legislators.

Mr. D'Autremont: — Has the Wheat Pool membership ever had the opportunity, in your knowledge, to have a general vote?

Mr. Gehl: — Not that I'm aware of.

Mr. D'Autremont: — Are there are other major changes within the Pool structure that in your opinion would have warranted such a vote?

Mr. Gehl: — The only time, I understand, that they called a special meeting of delegates was the time that they had to act rather quickly on acquiring the assets of Elder's grain company, that now we own as AgPro Grain. They called a special meeting of delegates for that, but that was before I became a delegate though, at that as well. But that's the only time that I'm aware of.

No, I'm not aware of any general membership vote on any major . . .

Mr. D'Autremont: — So this would be also a

major change then, to go to a general membership vote.

Mr. Gehl: — Well the provision is there, I understand, in the rules and by-laws of our organization.

Mr. D'Autremont: — I'm just wondering why in 70 years of the Wheat Pool's history that there has never been a demand, or a concerted demand, perhaps, for a general membership vote on any issue.

Mr. Gehl: — Well I think the membership . . . or like this is the first time in the 70 years that this change has come about that we are looking at right now, tonight, and I'm sure if this would have been 5 or 10 or 15 years ago, the same argument would have been made then — why wasn't a membership vote made, if indeed there wasn't one.

Mr. D'Autremont: — Well would you say it was a major change to go from a grain-handling company to a multinational conglomerate?

Mr. Gehl: — Well I think we're part way there already. And it's not one giant leap off the cliff; we've been acquiring value added companies and that for the last at least five or seven years; and our membership has endorsed it.

Mr. D'Autremont: — And the membership has been generally happy with that change?

Mr. Gehl: — I believe so.

Mr. D'Autremont: — Okay, thank you.

The Chairperson: — Perhaps I'm not hearing it or interpreting it exactly correctly, but I think I've heard a suggestion that there is a capacity for class B shareholders to act in an advisory capacity.

And the Act is quite clear on that, where the class B shareholders were existing Pool members or farmer-members, I guess in a sense, by talking to the delegates, they could give them advice, as neighbours or whatever.

But in terms of the shares that are publicly traded and owned by non-farmers, there isn't any provision for those people to act in any advisory capacity. There's very clearly set-out conditions under which two-thirds of those

class B shareholders could have a voice on certain . . . well A, B, C and D — four different, clearly set-out areas. But there's no provision for class B shareholders to be advisory to the . . .

Mr. Gehl: — Yes, on a steady basis.

The Chairperson: — Yes.

Mr. Gehl: — No, no.

The Chairperson: — I heard that word a couple of times, and I just thought I better make sure that we all understood what was being said.

If there's nothing further . . . oh, you have one?

Mr. Kowalsky: — Thank you, Madam Chair. By way of record, have we had anybody make a presentation or give specific indication of what was alluded to in this presentation? And that is that somehow the rules of the stock exchange are such that the non-voting shares will be able to exercise control?

And I'm asking you as Chair; actually it's a question right to everybody in a sense. I don't think we've had that concept made. It's been brought up . . .

The Chairperson: — Yes, it's been raised by many of the witnesses to the committee. But it was covered in the opening presentation by the Wheat Pool in terms of what sections of the Act apply, and it is section 12 of the proposed Act, which sets out clearly the number of days of notice, the kind of issues, and the percentage, the two-thirds vote, that would be required.

Mr. Kowalsky: — Where are you now?

The Chairperson: — Well it's page 8, section 12 of the Act.

Mr. Kowalsky: — Okay, I know what you're referring to now.

The Chairperson: — And it was clearly set out in the initial presentation. But that of course was some days ago, some 20 hours of hearings ago, so maybe people can't remember that clearly. But it was set out in that presentation.

Of course we'll have the opportunity to review it before we go to a clause-by-clause consideration.

Mr. D'Autremont: — Madam Chairman, Mr. Beke also gave an answer on this as a supplementary witness.

The Chairperson: — Yes, that's right.

Ms. Stanger: — Unless I'm wrong — and you can correct me, Mr. Kowalsky — I think he meant, could international rules or rules of the stock exchange supersede this Act? Is that what you meant, Mr. Kowalsky? Is that what you were asking?

Mr. Kowalsky: — No, not exactly. In this case, our presenter suggested that one of the reasons he's against this particular Act is that by going to a shareholding concept, that the farmers are eventually going to . . . the farmer-owners are going to lose control of the company. Why? Because of rules governing the stock market I guess, or the controls in the stock market which would supersede or which we're not aware of, I guess. I was trying to identify what those rules were.

The Chairperson: — Well I guess we shouldn't clarify this point in the time that's allotted to this witness, but I think that we'll take note of it and there will be an opportunity for people on both sides of the question, at the closing of the hearings, and the mover of the motion or the petitioner, if you like, will have an opportunity to make a summation at the very end in which we can ask them to address this particular point.

And I'm certainly no expert on the stock market but I mean this is . . . like once the insider trading is complete and then the creation of the balance of the B voting shares that will move through the stock exchange will be supervised by the Securities Commission and so, you know, all the normal rules of any stock exchange would then apply.

But we'll ask for that specific point to be addressed so that the members are all clear.

Anything further for Mr. Gehl. Thanks very much, Robert.

Mr. Gehl: — Thank you for your time.

The Chairperson: — I call on Gary Wellbrock now, Ponteix. Whenever you're ready.

Mr. Wellbrock — Well thank you, Madam Chairperson.

First, I would like to thank the committee for the opportunity to address you today, and I would say at the outset that I have included an appendix to my presentation, both the 1966 ICA (International Co-operative Alliance) co-op principles that I think has been the subject of much discussion, as well as the proposed 1995 draft statement on co-op principles that will be dealt with at the International Co-operative Alliance meeting in Europe coming up this fall.

I was born in Saskatchewan and raised on our family farm that my grandfather originally homesteaded near Ponteix. I received my education here and I am a graduate of both the Saskatchewan Technical Institute and the University of Saskatchewan. Farming is my profession.

It was apparent early in my farming career that much of what would impact my farming livelihood happened beyond the farm gate. It was also apparent that Saskatchewan Wheat Pool provided the best opportunity to influence those areas beyond the farm gate. I was elected a delegate in 1978 and have had the additional responsibilities as director since 1989. In that capacity I serve on three committees of the board: the member relations committee, the audit committee, and the compensation committee of the board. I also serve on the board of directors of Prairie Malt and as chairman of the meats and feeds group of the International Federation of Agricultural Producers. I also serve on the board of directors of the Agriculture Development Fund.

I would like to tell you a story about our house on the farm. It's of special importance to me because my grandfather built it and he added on when it was needed back in the '20s. And my father took over the farm and when he could afford it, he put on a major addition to our house. I now live in that house and have done major work on it myself. What's happened is that each generation has kept the farmhouse in a good state of repair but from time to time it has required major rebuilding to maintain it as an up-to-date family home.

Why do I tell you this personal story? Well you see, I look at Saskatchewan Wheat Pool in the very same manner as our farmhouse. It too was built in the '20s with a lot of hard work and determination. In 1929, a series of changes in the financial world rocked it to the very foundation and I would argue it was the most fundamental change that the Pool has seen. The Pool was exposed to excessive risk and a rapidly eroding debt/equity ratio which resulted in the banks calling the loan. This lesson should not be lost on co-ops today. Similarly the changes in the '80s, with poorer returns, international trade wars, and the globalization of business, has made it necessary for the major rebuilding of the Saskatchewan Wheat Pool farm home.

Picture a number of rooms in the house, each requiring some attention. One room is our work in farm policy, one is the relationship with our employees, one room is redefining the relationship with our members, and Saskatchewan Wheat Pool as a new generation co-op. However, before we can repair the rooms we need to shore up our financial base which is necessary as a strong foundation to our house.

So let's first address the issue of equity conversion.

Contrary to some viewpoints, this process is the safest and most secure way for members to each receive full value for their portion of ownership. The total value of the cooperative will be realized in the market-place which is the ultimate determination under any circumstance. In fact under the current structure equity holders have all the downside risk and minimal up side potential.

Upon conversion, each member will have a choice of accepting a cash value at or above 100 per cent of their current equity statement or to realize the value in the market-place and enjoy any benefits of an increased growth. And I want to stress that each member will have that opportunity to make a personal decision. In some of the discussion that has come before the committee here and certainly that's happened over the past year, a lot of people are worried what somebody else might be doing with their shares rather than what they're going to do with their own.

My vision for Saskatchewan Wheat Pool does

not include the doom and gloom scenarios we have heard at the hearings, telling of the downfalls of some other cooperatives. Suffice it to say that it happened, there were reasons for it, and perhaps decisions could have been taken early on to have prevented it.

Member equity in co-ops is controlled by and paid out at the discretion of the board of directors. If a co-op runs into difficult times, the first avenue chosen is to restrict or stop paying out equity so as to not weaken the working capital position. Even though this is not imminent for Saskatchewan Wheat Pool, there are significant changes in our business environment that will require capital dollars to address them in the most responsible manner.

I am a firm believer that when a cooperative commits to a member that they will be paid a dollar at some future date, it must be ensured if the necessary financial strength exists to live up to that commitment.

With the conversion, Saskatchewan Wheat Pool will be a new generation co-op. The ownership base will be broadened but control will be in the hands of our active farmer members. They will have the authority and responsibility to elect delegates to represent them and guide the organization. Delegates in turn elect the board of directors.

What better way than to have elected farmers from every corner of the province make those decisions? Does that include the possibility of electing or appointing outside directors? It may some day. There is no doubt that as farmers we bring many skills to the board table. However at the same time there are skills and knowledge we may not possess. I have a confidence that if and when it is necessary, the delegate body will make the right decision.

Another aspect of the new generation co-op will be employee ownership. This important group is a major stakeholder in the viability and future of Saskatchewan Wheat Pool. Having them as part owners will not eliminate employer-employee difficulties we encounter from time to time, but we will at least all be rowing in the same direction.

The future I see will not allow these businesses to survive who operate in a confrontational labour-management mode; and neither do I believe you can legislate

behaviour. It has to come from within. To succeed we will need to be nimble and quick acting. And the plan we have put in place will give all our full-time employees one opportunity to purchase shares that will receive proportional company assistance over a five-year period to complete that purchase.

Another group of stakeholders are the citizens of Saskatchewan and Canada who will be allowed to participate in one of the major agri-food businesses that will continue to maintain it's head office and its operations here in Saskatchewan.

Will we remain a cooperative? I believe so. And even stronger than we are today. Paul Lambert, a noted co-op theorist stated: "... democracy is the cardinal principle. It distinguishes cooperative business most sharply from capitalist business..." The class A, non-tradeable shares owned by only active farmer-members secures that democracy.

Successful cooperatives will need to maintain relevance for their membership. By definition, they need to contain a search for that relevance. They do this by adapting to their particular socio-economic environment. And that environment in Canada is changing. Many of our new members view the system of patronage allocation passively. They may want to wait until they retire from farming to collect their equity; but they want to make that decision for themselves. They want to look at their cooperative investment actively. They want to look at the Pool as an extension of their investments in agriculture with the same keen eye that they view their investment on the farm.

Cooperatives will also look to and be active in developing overall principles at the International Co-op Alliance, the ICA. I attach the principles of both the ones developed in '66 and the ones that are looked at for '95. And it's interesting to note that even in 1966 the ICA stated that the issue of outside capital in co-ops would need to be addressed in the future. In summary, co-ops do not exist to serve principles; they exist to serve people.

In my work internationally, it is clear that cooperatives are feeling challenged by the new social and economic environment that is changing worldwide. This is as true for the powerful co-ops in Denmark as it is for the

fledgling co-ops in Africa. They struggle not so much with internal issues but rather the internationalization of business and how they can maintain their cooperative enterprise in this business environment.

And there are other challenges. What is the future of the farm policy development and promotion? Where will the information highway lead farmers in the Pool? Who and how will control that information?

The cooperative can be likened to an individual standing in the water at the ocean's edge. A large wave is coming at you and you have a decision to make. You can dive under it until it passes and hopefully come up for air; you can climb on a surfboard and ride the wave; or you can stand still, curse it, scowl at it, point a finger at it. But the wave's coming and the results will be obvious.

I hope my presentation today shows you how I have a vision for my organization, a vision that requires a modernization of the Saskatchewan Wheat Pool farm home. I feel the responsibility that I have been given by my members, by my family heritage, and as a leader in the co-op movement. It's a responsibility I take seriously. It would be nice to go back to a simpler time like the '50s, the '60s, or the '70s. We don't live there; we live in the '90s and hopefully into the next century.

The challenges of the future are many but I look forward to meeting those challenges. We must go forward. There's no turning back.

Thank you.

The Chairperson: — Thank you, Mr. Wellbrock. Mr. Johnson, you have a question or comment?

Mr. Johnson: — Thank you for your presentation, Mr. Wellbrock. The appendix B, which includes proposed cooperative principles, I guess, for this fall, what will be discussed and talked about this fall, in some degree take into effect what happens with very large organization structures. And that's what this . . . the changes are there.

From what you've said, you're involved in a number of the . . . or at least one of the other companies that the Wheat . . . Prairie Malt, which is owned by Sask Pool.

Is it, and all other companies that Sask Pool is involved in, companies rather than co-ops? Like my memory, if it serves me correctly, says that Sask Wheat Pool, as a co-op, does not own or is not involved in a single other co-op except maybe as they own shares in some co-ops such as one that they . . . I don't know, say one or two — some shares in Federated or something like that, for services that they're providing.

Mr. Wellbrock: — Well we're probably . . . the number of cooperatives are probably some of the larger shareholders in the business we do with them. We're a shareholder in Federated, you're right. Sherwood Co-op, Co-op Trust, we're shareholder. We are active in Credit Union Central as a shareholder. We have in fact . . .

Mr. Johnson: — But those are not . . . none of the ones that you've just listed are ones that you'd be listing in your annual report?

Mr. Wellbrock: — I'm not sure if our involvement in Co-op Trust is listed in the report or not. But not in the context I think you're raising it.

Mr. Johnson: — Okay. The reason I bring this up is to ask this particular question: is the push for the change in Saskatchewan Wheat Pool from basically a co-op to a company, one that can be directed towards the fact of its size and diversity, rather than anything else; is that it has simply moved as a organization beyond what is easily administered as a co-op structure?

Mr. Wellbrock: — Number one, Saskatchewan Wheat Pool has always been a company. It's always been an Act of the Saskatchewan legislature that really gives it something, sort of a blend of . . . as a company that's chose to operate under co-op principles.

I guess I don't follow where you say the need to change from a co-op to a company. I see the control structure as being the fundamental necessary underpinning to maintain a co-operative in the system that we've been into and the system that we're going into. We will be a company that operates throughout the piece, but also a cooperative.

Mr. Johnson: — Okay, the reason I'm asking is that at the present time the Pool is basically

patronage return, which patronage of grain and cattle and purchase of goods and services, irregardless of whether that's generated in the actual handling of those goods or the providing of those services and that that funds could be generated in companies, other companies, but the allocation of it eventually goes back as a patronage.

Mr. Wellbrock: — There's . . . okay, go ahead; I want to hear your question.

Mr. Johnson: — There may be some other, but mainly that's the way.

Secondly, that as it is structured, it basically transfers wealth because of that from one generation to the next, because the generation that's coming in will receive the benefit of all of the wealth that the older group of people involved in the Pool have in there because of the fact that the patronage is to use and not to . . . investment.

And these are the things that show . . . that I look at and say are the key things based in a co-op, not the structure. And that's why I've asked the question, whether what has taken place is relative to the size and the diversity of the organization, where it has simply gotten into a position where this no longer applies and makes an easily operated organization?

Mr. Wellbrock: — Okay, number one, I guess I don't agree with the premiss that you make, the assumption of size or not. Saskatchewan Wheat Pool I think is in a process of evolving as an organization and as a cooperative. And you know, if you make hard and fast definitions of your interpretation of it, you know that's acceptable. But you know when you talk about transferring wealth from one generation to another, I don't know how you'd envision that that actually happens. You know you have the size of the cooperative, and you make an allocation over the years to them, and then when the member retires from farming — or ceases farming — they receive their equity out. But they don't give it to anybody else, they receive it themselves. So it's not really a transfer.

Mr. Johnson: — Okay, let's do it very quickly in a vehicle. If you purchase a vehicle and put 95 per cent into it; and I put 5 per cent into it; and we both drive it as we will. Quite frankly, I will get the benefit of the wealth to a greater

degree that's involved than what you will, even though you would use it, let's say, in identically the same amount of miles. And in that sense, the benefit of that wealth that's tied up in organization is shifted to me, the beginner, or the person who has the least amount involved in it. And that's the . . . (inaudible) . . . But these are the two areas that make the basis of what takes place in the financial side of a cooperative.

The reason why I'm asking that is that if the structure — because as you look at what appendix B, as it says that as organizations get bigger, and what the Pool has done itself, is it's gotten bigger — it is moved to a company structure rather than the co-op one, because there's some very problematic situation with a large co-op. Is that one of the driving forces behind requiring this change, in that as the structure has come to a certain point, it no longer functions well?

Because I can say the same thing occurs with the credit union structure. Some of the companies and that . . . that they are involved in, at a secondary level, are companies and not cooperatives. Because quite frankly, in the credit union system, some of their investment organizations aren't cooperatives and no one would put up with doing it, because of the fact that people who have a lot to lose in it want also to have a lot to say in how these organizations work.

Mr. Wellbrock: — Well I guess you keep coming back to the issue that, you know, we're moving from a cooperative to a company and I guess you'll have your opinion on that. You know I don't follow that.

One of the things that you'll see if you look at the two different sheets, is that there's really been a much stronger emphasis on a business thrust that is total . . . not absent, but almost absent from the six principles that were adopted in '66. And you'll see if you look at where there, you know . . . sections 3 and 4 of the appendix B, you'll see that they make comments like: now they're going to share in the results of its prudent operation; now they're getting a lot closer to saying that if you're going to operate a business in the business world, whether you're a cooperative or you're not a cooperative, you've got to operate under some business principles, and to do that you do it at the peril of the organization board.

So I think what the Co-op Alliance . . . and this may get changed, and it's been changed a number of times in the past. You know there was, I think, 14 or 15 principles after the Rochdale Co-op got started, and it's been as low as 5 and up to 7 or 10. But, you know, the principles have fluctuated to reflect society along the way and to reflect . . . you know, really sort of as a guideline for your operation. So, you know, to get really hung up, I would say there is a shift in really identifying that you're going to have to operate as a business in the business world, and you better pay note to it.

Mr. Johnson: — Okay. Then what would section number . . . whatever it is — 1(c), where would you stand on that if that section wasn't there?

Mr. Wellbrock: — What section?

Mr. Johnson: — What is the one number?

The Chairperson: — 3(1)(c).

Mr. Johnson: — 3(1)(c).

Mr. Wellbrock: — Which is? I'm sorry I don't have it memorized.

Mr. Johnson: — Sorry.

organized and governed by and adheres to co-operative principles in accordance with this Act and the bylaws.

Then, from what you've said, would there be any problem with that not being there?

Mr. Wellbrock: — Yes. I would see it as a problem not being there. I think it needs to be there.

Mr. Johnson: — Okay.

Mr. Wellbrock: — See where . . . if I can just try and . . . maybe I'm not sure if I'm explaining myself clearly to you.

Mr. Johnson: — Okay.

Mr. Wellbrock: — We're a separate Act in the Saskatchewan legislature. We're not incorporated under The Co-operatives Act so we have always had . . . we've been a

business incorporated under an Act of the Government of Saskatchewan that chose to operate as a cooperative. You see . . . you know, like initially, really, Saskatchewan Wheat Pool really started to be a Canadian Wheat Board, and not what we are, after the crash in '29.

Mr. Johnson: — A pool. A pool rather than . . .

Mr. Wellbrock: — A Canadian Wheat Board.

Mr. Johnson: — Yes, a pool. It is a pool.

Mr. Wellbrock: — Okay. Whatever your definition is.

Mr. Kowalsky: — Thank you. Madam Chair, I would like to first of all echo something that you've already mentioned earlier, maybe twice, and that is about the quality of the presentations we've got. And I want to express my opinion here that I really appreciate the work you've put into this and the background that you're giving us because it's making this very much a good learning experience for everybody and I think anybody that's on the committee and maybe even listening or reading the occasional remark. It gives us a good perspective of the reason for some of the changes that are being proposed here.

I want to, first of all, refer to the comments you made about your analogy of the farmhouse where the one room is a work on the farm policy. And so I take it from that that it's important to you that the Wheat Pool remain as a strong voice for the Saskatchewan farmer as opposed to a strong voice for a ordinary corporation or in addition to.

Mr. Wellbrock: — That's correct. I think what I'm addressing here is that I think . . . because I think farmers' attitudes are changing, which I addressed later on, I think we need to rethink in how we take forward farm policy and how we achieve the goals that farmers have, and so I see it as really going . . . I think what we need to do is sort of revisit the issue with members in saying, what do you think is the best way to achieve farm policy goals on your behalf. But certainly to, you know, directly to your question, certainly to maintain our involvement, yes.

Mr. Kowalsky: — Is *The Western Producer* a very important vehicle in this aspect?

Mr. Wellbrock: — We are very careful — even though the editor of *The Producer* has sort of a dotted line to the board of directors and I guess we have some influence maybe on the editorial page that it doesn't go too far askew — really we're very careful that anything other than that, on the total newspaper, our reporters are pretty well allowed to go and report as they see fit, to try and keep a balanced view of the news, farm news in Saskatchewan.

So we don't use that as a . . . we hope that our reporters report on broad farm policy issues so that members become informed, but we don't have influence in determining what they put into the paper. And I think if you . . . all you have to do is look at some of the issues and see what they say sometimes about the Pool. You wonder . . . it's pretty clear that we don't tell them what to say.

Mr. Kowalsky: — Well I guess I believe that the . . . what one of the consistent themes is that they are always on the topic of agriculture.

Mr. Wellbrock: — That's right.

Mr. Kowalsky: — And always on the topic of farming.

Mr. Wellbrock: — Yes.

Mr. Kowalsky: — And not straying too far into the topic of diamonds or what's happening in Chechnya. I mean they'll cover it a little bit but that's not their primary area.

Mr. Wellbrock: — Their focus is to be a major agriculture and farm weekly newspaper.

Mr. Kowalsky: — Now this has been consistent even though the Pool has gone into other areas, that is ag products and products that are secondary, not primary in production. You know, products made from wheat and so on . . . (inaudible) . . . value added products.

Mr. Wellbrock: — Yes.

Mr. Kowalsky: — That's been consistent and I expect that that's still the current view of the Wheat Pool and the Wheat Pool membership that that is an important portion.

Mr. Wellbrock: — Yes.

Mr. Kowalsky: — Now I want to ask you the

question then of how far do you think you can go with respect to appointing outside directors, outsiders to the board of directors, so that this fundamental concept would not change and that farmers wouldn't feel that they're losing their voice?

You have opened up in your page 3, I think, that you think that yes, someday you'd probably be appointing outsiders to the board of directors. How far can you go without losing that very fundamental concept, or a concept I think is fundamental to the Wheat Pool and certainly is one of the rooms of your house, and that is of being, you know, your working farm policy?

Mr. Wellbrock: — I guess I would think that you would, you know, at probably an outside limit, you'd want to make sure that the majority of directors on the board represented the class A shareholders in any event, the farmer-members. I guess the problem with some of these things is that, you know, automatically the extreme or the scare story is created.

You see if you look at the class B shareholders, I think for the success of the Pool, people talk about it in terms of outside investors, but I see the investors as being the farmers, for the vast, vast majority of those shares.

Mr. Kowalsky: — You do?

Mr. Wellbrock: — And the spectre's created about, you know, somebody's going to represent these class B shareholders, but if the vast majority of farmers are the class B shareholders and representing those interests of shareholders, you know, I guess I'm not . . . it brings . . . it certainly lessens the concern.

But I think as far as how you'd set up the structure, I would think that you'd want to make sure that the class A had the majority of directors on the board. You know I think it would be erroneous though to assume that as farmers coming to the board and when my term is done, someone else will step in and it will be a farmer that will come with a lot of farming skill. But there's a lot of skills in running a major agribusiness corporation that you don't have and maybe you can acquire. But it's sometime . . . and I think it's best that the delegates, the ones that decide that, sometimes it may be necessary to add one or

two or three members on the board that may bring in some other expertise to make sure you're making the right decisions.

Mr. Kowalsky: — Well I'd be of the view that there may be an occasion that you might want to bring somebody in outside, beyond the class B shareholder. You may want the expertise of somebody that's over and above. But then there is still that concept of how far do you go.

Mr. Wellbrock: — Well I think I've . . . Have I responded to that in your mind clearly enough?

Mr. Kowalsky: — Well you said majority.

Mr. Wellbrock: — I think the majority of board members should continue to be representatives of the class A farmer-member shareholders.

Mr. Kowalsky: — Now there are a lot of Wheat Pool members who have expressed the opinion that, you know, once you sort of open the door here, you push the thin edge of the wedge in by just . . . through legislation, that you could open the door and you don't know where it's going to stop. Now, and if I try to marry those two ideas, that means the only way to stop it is to put something into the new Act that would limit the number. How would you react to that?

Mr. Wellbrock: — Well I guess certainly the authority for, you know, writing and eventually passing this Act, sits with the members of the legislature in Saskatchewan here. So that authority sits there with you to make that decision.

I guess I would . . . I certainly don't want to make an opinion on whether . . . you know, who's best able to make that choice. But it's a daunting task for, I would think, for the legislative people to, you know, to set in regulations rather than having the farmer-elected delegates provide that regulation, even though . . . So I guess I see that the . . . In my experience, and it's been a few years I've been involved, I've seen the delegates make decisions on a number of issues from time to time, and guiding the organization, and I didn't always agree with them. But sometimes I wasn't on the right side of the issue but I accepted that by the time it takes two-thirds of the delegates to pass something, it's not a 50

per cent, it's two-thirds. Boy if you have the right issue, you better have explained it pretty well or they aren't going to go for it.

Mr. Kowalsky: — Yes. You see in some of the presentations thus far, you know, when they raise the same question the answer has been, well there have been 80 per cent of the delegates — or whatever the percentage is, I'm not sure if 80 is the exact one — that are changing the whole concept of the Wheat Pool by bringing forward this Act.

So I'm wondering whether there is some middle ground of being able to, you know, keep the confidence of those delegates — of those members, pardon me, not delegates — but of those members who I think believe in the Pool and have worked at the Pool for a long time and they've lost one battle, whether there's some way of reassuring them that all Pool principles are not being lost.

And if you want them to continue, to stick with the Pool and you want them to convert and not withdraw and put a drain on the equity, and that one way might be by assuring them that there never will be a majority of directors which will be non-farmers, non-delegates. And the only way to do that would be for the Wheat Pool to request an amendment.

Mr. Wellbrock: — Do you want me to respond? Number one, I'm not sure how you have arrived at the conclusion that the members have lost this battle.

Mr. Kowalsky: — Well, I . . . I should clarify that. By that I mean what are referred to as . . . well those people who are against this proposal, those members.

Mr. Wellbrock: — Well like, I've . . .

Mr. Kowalsky: — They've lost the battle at the Wheat Pool.

Mr. Wellbrock: — There's some members who are not in agreement but to categorize that as members in total I think would be inaccurate.

Mr. Kowalsky: — I agree with what you say. I didn't mean to imply that the members in total. I meant those . . . there are members who have come to this committee who feel they've lost the battle.

Mr. Wellbrock: — Yes. Okay. . . .

Mr. Kowalsky: — I don't want to go beyond on that.

Mr. Wellbrock: — I think in any democracy you're always going to have some that will not be in favour of whatever course of action you choose, so I respect other people's right to dissent and have their opinion. I also respect that the wishes of the majority need to be taken, you know, taken forward. And you know that's been clearly specified a number of times here.

I myself have gone through . . . you know a lot of times I've come through acclamation, but as recently as two years ago I had an election as delegate where we talked about a lot of issues, the membership, and I've talked at least three years with the membership in my district about the needs that are coming, the waves that are coming at us. And I was re-elected as a delegate, and if I would have lost that I would have automatically lost my position on the board of directors.

And now just in the time we're through now, I was also up for election as delegate again and I didn't have opposition as delegate. So I guess if my members that I represent as a delegate in my particular area would have felt that I had seriously misrepresented them I would suggest that they would have probably done something about it, at least set up a candidate to oppose me, and they didn't.

So what I'm saying is by members making the decisions for delegates, I think maybe sometimes there has been a lot of acclamations and maybe more elections would satisfy the process. But I'm very comfortable with the members; maybe some haven't seen their responsibility to make sure they have the right delegate in place. But I feel comfortable that the process, the democratic process, is in place to make the right decisions.

The Chairperson: — That okay, Mr. Kowalsky?

Mr. Kowalsky: — Well, I still have a couple of questions for the mike.

The Chairperson: — Well we're running quite a bit overtime on this witness. We're ahead overall, so I sort of let it go on, but maybe we

could get a tiny bit briefer.

Mr. Kowalsky: — Well okay. I just got a couple of very quick questions.

The Chairperson: — Very important questions, I know.

Mr. Kowalsky: — Very important.

Ms. Stanger: — I forget what I was going to ask.

Mr. Kowalsky: — On your appendix B, the new generation co-op.

Mr. Wellbrock: — Yes.

Mr. Kowalsky: — Item 5, autonomy:

Co-operatives are autonomous, self-help organizations controlled by their members.

Controlled by their members. Would you feel that that's consistent with this new Act from the point of view if you leave the Act the way it is, it's open that the board of directors could someday not be all chosen from the members, or controlled by the members.

Mr. Wellbrock: — Well what I would say is that it would be the members' decision through the delegates, the representative democracy that we have to make those decisions, so they would control it.

Mr. Kowalsky: — Yes.

A Member: — Go ahead . . .

The Chairperson: — Well sorry, other people can only speak in answer to a question from a committee member.

Mr. Kowalsky: — I think I'd better pass to the next member, Madam Chair.

Ms. Stanger: — Thank you for coming, Gary. You have addressed co-op principles in a manner that sheds some light on my original question to Edwin Altrogge.

In looking at appendix B, I see that co-op principles are being adapted, though very similar to the original principles. But under principle 3 in appendix B, member controlled

finance is the heading, I read: "A portion of its capital should be owned collectively". But this principle does not say all capital should be owned collectively. Am I correct in my interpretation?

Mr. Wellbrock: — Yes, you are.

Ms. Stanger: — So this is what you alluded to when you said that even in the co-op principles that they are changing and adapting.

Mr. Wellbrock: — That's correct. In addition to that, one thing that's . . . you know, you're talking about the issue of member-controlled finance. One of the concepts that I don't think has been expressed at these hearings — at least while I've been attending — is the issue of alternatives. And any time you look at how you control the cooperative, you know, or your autonomy, any time you are operating a business where you owe somebody money, you're beholden to make sure that you pay that money back. And if you go and borrow money from financial institutions as your source of financing, you — and this is exactly what happened to the Pool in 1929 — you can end up in a position that they will tell you what to do.

And that's why in my address to you this evening, I've identified and I truly believe that the conversion process is the best way to secure the member equity that's there today.

Ms. Stanger: — Thank you. My second question is one I've asked previous presenters. On page 5 you say successful cooperatives will need to maintain relevance to their membership. By definition then, they need to continue to search for that relevance. My contention is if you do not remain relevant, you will fail. Can you convince farmer-owners that they will be . . . that their concerns will be paramount to the company?

Mr. Wellbrock: — Well I think if . . . number one, if we don't have those farmer-members supporting the activities of the cooperative, whether it's in delivering grain or livestock or whatever, you will very quickly find out that you're not relevant to them. They'll vote with their trucks, so to speak, and then you'll obviously be in a business in decline.

So you certainly have to do that, but there's so many avenues that we have to . . . you know,

there's the farm policy avenue, that we need to represent our producers; there's the business of the primary elevators; and there's also making sure that we're relevant as an agribusiness in the environment we operate in now.

I see some things from the board level that maybe I didn't see as a member. The world of business is changing dramatically. The competitors for the Pool are not Pioneer Grain, or P&H (Parrish and Heimbecker Ltd.), or those companies that you may see driving down the road. The competitors for the Pool, and certainly of a concern for farmers, are the ConAgras; the Archer, Daniels, Midland; Cargill; IBP (Iowa Beef Processors).

You know, just Iowa Beef Processors and Cargill, which are . . . they're companies in the States, control well over 65 per cent of the slaughtering capacity of beef in the United States. Those two plants now at Brooks and at High River can slaughter all of the cattle from Manitoba to B.C. included, which is over 85 per cent of the beef herd in Canada, those two plants.

Business has changed, and the names of the businesses that a lot of people aren't even familiar with because they've been mostly States based will be front and centre before the turn of the century in Western Canada and Canada. And if the Pool doesn't get mobile quick — and maybe this should have occurred five or ten years ago — we will not have the capacity to take these waves of change that are coming at us.

Ms. Stanger: — Thank you, Gary.

The Chairperson: — Thank you very much, Mr. Wellbrock.

Mr. Kowalsky: — How are we doing on our time frame?

The Chairperson: — We just have one witness left. Are you asking for a break?

Mr. Kowalsky: — No, but I'd like to ask Mr. Beke if he would . . . either after the next speaker or before.

The Chairperson: — Could we maybe hear the last witness and then have some redirect? Do members wish to do that? Mr. Smith. We'll

call on Dean Smith.

Mr. Smith: — Thank you, Madam Chairperson, and thank you to the committee for making time for me to make this presentation tonight. I feel a lot more comfortable. I'm going to be able to go back home and tell all my people back there that their elected representatives are working overtime and are adamantly earning their pay.

The Chairperson: — It happens every day.

Mr. Smith: — Well probably most of them don't know so I'll put in a good word for you.

I'm speaking here tonight against this Bill, and I'm here as a farmer and a member of Saskatchewan Wheat Pool. I'm third generation on my family farm and I farm north-west of Swift Current with my wife, Rheanne. We have raised the fourth generation on our farm.

I've served on the RM (rural municipality) council for 11 years; had a couple different terms. I'm past president of the Saskatchewan Soil Conservation Association. I'm also an operating manager of the Wheatland Conservation Area; councillor on the PAMI (Prairie Agricultural Machinery Institute) board; and a member of the Farm Support Review Committee. I was a founding director and still on the board of director of Focus on Inputs.

I have listed these posts not to show you how much time, spare time, I have on my hands, but rather to make a point that I'm involved in activities that give me access to the opinions of farmers from all over the province.

Throughout the years I've served on numerous Wheat Pool committees and the Pool has been a way of life for our family. My father, my uncle, were steadfast Pool supporters and my uncle, James McCallum, was on the board of directors of the Sask Wheat Pool for a number of years.

I have never questioned the Wheat Pool's motives on business affairs, but when they talk about changing the philosophy and the financial structure, it bothers me in several ways. Are they going to give away my faith, trust, money, to shore up profits of some investor and leave me holding the bag? Are they trying to take my equity in what they

consider to be a business fashion? Why have they turned to outside interests instead of coming to farmers and shareholders first, when they are looking for new money? Is our money not good enough any more or are farmers just insisting on too much control?

These are questions that really bother me because it makes feel like the Wheat Pool would rather deal with investors than with farmer-owners.

In my mind, the ordinary Saskatchewan Wheat Pool member has always viewed the stock exchange and that world with some anger. And I don't think the ordinary member is familiar with all the new regulations and restrictions that will apply to the Sask Wheat Pool under the new plan. I don't even think that some of the delegates are aware of what they're getting themselves into.

I'm concerned about the level of understanding of the delegate body as a whole when it comes to this question: were the delegates encouraged to interview or question disinterested third parties with this expertise in the area of stocks and investments? To the best of my knowledge, the delegates did not have access to anyone other than Sask Wheat Pool officials or RBC Dominion at their meetings. And these are not disinterested third parties.

If the delegates are not totally aware of all the ramifications of this proposal, then it is reasonable to assume that they will take the lead from their directors and managers and simply try to sell the plan to their members.

At a public meeting in Swift Current, sponsored by the Pool, on May 31, 1994 — and I think it's been related to before — when I asked Leroy Larsen to have a show of hands on how many members would leave their equity as shares to be traded in Toronto, he simply ignored the question, much to the dismay of the crowd.

I was not trying to downplay the Pool's efforts, but I was trying to find out what type of support they could expect from the members. I have a considerable investment in this and I do not want to be left out in the cold.

It has never been reasonable for the Sask Wheat Pool to proceed with this plan without having the support from most of the

membership. And I don't think they've done their homework on this most important question of the memberships' financial support.

Talking with people, I'm really concerned that many shareholders are going to withdraw their money as soon as possible, and for some of them it is the only reason that they are supporting this plan. Because the existing shareholders have been shut out of the system, they have lost faith in what the Pool was supposed to be all about. The delegates are putting the company first, instead of their members' rights. Most of the directors and delegates seem to be sold on the idea, and they keep saying there's no alternative.

In my opinion, it is more important to have the service of the Pool than it is to create a mini-Cargill. If the Pool has decided that it must become a large corporate player, how will this benefit the average farmer in Saskatchewan? There are already six or seven huge agribusiness companies in the world, any of them which could buy and sell the Sask Wheat Pool before breakfast. So if there's a place for Sask Wheat Pool, if it is not providing something extra for the membership, and that is being fairness, trust, and service at cost.

At the same public meeting referred to earlier, and it was in Swift Current, Sask Wheat Pool director for district 4 said: of those 85,000 members, I would estimate 20 per cent maybe, maximum — I doubt if that many — will even understand the issue. According to this theory, 80 per cent of the shareholders are being manipulated at this time. This needs to be addressed. I think the government has an obligation to make sure that any changes are fair and equitable. Such a change away from the cooperative way of life is an unwelcome change for a lot of membership of the Sask Wheat Pool. And at this time, they're relying on their elected officials, the MLAs, to make sure they're not taken advantage of.

Where's our common sense approach to this? If the Pool has made a mistake in anticipating the number of shareholders withdrawing their equity, why not approach it with an open mind and ask the membership of its financial support. If they are right, it only reaffirms their position. The only thing that is unforgivable is if you repeat the mistake by surging ahead without confirming the intentions of the

shareholders.

I would hope that as our leading public servants you would not proceed with plans until you've analysed all the possible consequences, thus avoiding another huge mistake. From the people I've been talking to, I think that there are many Saskatchewan Wheat Pool shareholders out there who do not realize that this kind of massive change is being considered. I think that you must sympathize with existing shareholders who are not aware of this drastic change. They just assume that the Pool will be there as they've always known it. It is up to us and you, people who have been following these events, to make sure that things are done in a manner that is fair and equitable for all.

A membership vote would help to raise the awareness in the countryside because there would be more discussion on the pros and cons, and a membership vote would also help the members feel more like being part of the organization.

And then something that I wanted to add when I was thinking about it, when you get this gut feeling of what you see happening with the Pool, and I believe Gary mentioned it about his house, and I guess I have to say something. If you've been raised on a farmhouse and you've got fond memories of the good old days, and that knot kind of forms there and you feel sad when you think that house has to go — outlived its usefulness, you will say — well that's progress. Replace it with something bigger, better, and more useful. Well this is all fine but you don't have to destroy the memories, the good time, and the past history of that era. Pool is in a very similar situation. Don't tarnish what cooperative is all about. If the Pool no longer can be of use, change it, but don't destroy the belief and the trust.

Finally, if this Bill is passed, it is important that this new organization not be able to call itself a cooperative. I've been on enough boards to know that one person holding \$30 million worth of stock is going to have more influence on an organization than a farmer with a \$25 share. It will not be a cooperative. I thank you for your attention and I'm open to questions, providing you don't get too technical.

The Chairperson: — Thanks, Mr. Smith.

Mr. D'Autremont: — Thank you. Welcome, Mr. Smith. Do you believe that Saskatchewan Wheat Pool should make a profit?

Mr. Smith: — In any business venture, it makes a profit, and I guess the theory of cooperation is that you do business, you conduct business in a way that's fair and equitable and at a reasonable cost. And if there's a surplus, you divide it equally amongst its shareholders. So yes, you have to operate at a profit, you've got to look for expansion. There's a difference between making a profit and having to pay *per se* an interest on a return of such a profit though.

Mr. D'Autremont: — Is it your belief then, that if this conversion takes place, that Saskatchewan Wheat Pool will direct its profits to the class B shareholders?

Mr. Smith: — Well certainly with the new sharing, they will be compelled to pay a rate of interest to entice anybody to stay invested in it. There's no doubt about that. But that will not leave you room to return an equity pay-out though.

Mr. D'Autremont: — Well I believe that there's a difference though between interest and dividend. If Saskatchewan Wheat Pool goes out and borrows money, they agree to pay a fixed rate of return, which would be an interest rate.

To my knowledge, there's nothing in this Bill that says that they're going to pay any of the class B shareholders any particular value of dividend or interest.

Mr. Smith: — My interpretation is — and some numbers were thrown around — that there would be a minimum of 3.7 per cent interest paid on these type of class shares.

Now if you were going to invest in Sask Wheat Pool and they did not have some form of interest, would you invest in it?

Mr. D'Autremont: — Well that would all depend on my expectations of the rules of the company. Now if I had the full expectation that the company was going to make a profit, which one would normally expect a corporation to do, and that's why investors invest in it . . . and those investors should be able to expect to realize a return.

But when you hold those shares, you also run the risk of a loss, a devaluation of your shares. Outside investors, and farmers included, are not apt to buy Wheat Pool shares on the market with the expectation that those shares are going to be devalued.

So if they're buying it because they expect them to increase — and it's been your contention in here that you felt they were going to "give away my faith, trust, and money to shore up the profits of some investor" — if that's the case, why wouldn't the farmers invest and get that extra money?

Mr. Smith: — I don't think that the Pool really will make money. When they make their share offering . . . and most times when a new company goes onto the stock market, the shares will drop. You have to have some form of topping it up or being able to show that you have some record of performance to be on there.

Now the Wheat Pool does not have that because they've not been on the stock market. They have their value added companies which perhaps are maybe in a position to pay in some type of refund to top up this share offering.

Now my contention is that that money is money that should have been paid on equity, because it was equity borrowings that bought these value added companies.

To be able to say that they're going to turn a profit on their investment — yes they can. If they want to up the handlings — and I mentioned that they can become another Cargill — they can go out and entice rates to go up, and charge and make a larger profit, which is totally away from the cooperative philosophy, which is to give service at a reasonable price. And then there is a difference whether it's a reasonable rate or an unacceptable rate of which you return a profit on, and I think that's the difference being a cooperative and being a business person.

Mr. D'Autremont: — Well when I haul my grain I don't see a lot of difference between the Wheat Pool and anybody else when it comes to handling costs. They're basically equal across the board no matter where you go to. So I don't . . . I would have to disagree with you there that the Wheat Pool is going to be

the same as Cargill because basically Cargill charges the same price as the Wheat Pool does today.

Mr. Smith: — Well but you've got to remember that certainly the Wheat Pool has had that motive up till now but there has been other . . . I think your MVP has been one of the things that's not fair and just for everybody. There's some people get preferential treatment, special prices, and that is not cooperative. That is not an equal treatment.

Mr. D'Autremont: — Well if that is then not an equal treatment and not a cooperative, then the Wheat Pool today is not a cooperative, without these changes.

Mr. Smith: — But certainly we don't want to entice more changes and still call it a cooperative.

Mr. D'Autremont: — So would you argue then that the Wheat Pool's not a cooperative today?

Mr. Smith: — No, I wouldn't say it is, because in most cases and in general like you're saying, the elevation charge and these type of things are shared equally, any dividends retained from that, but it probably is questionable on some of the other tradings that on go.

Mr. D'Autremont: — Would not the added-value companies such as Northco and the *Producer*, etc., add value to the Wheat Pool?

Mr. Smith: — It doesn't reflect it in our equity. I guess maybe that if you read the total financial statement and looked at the assets, the accrued assets, it has some value. And in most of these companies or quite a few of the companies they are not the major shareholder, they're minor shareholders, so I'm not sure how that reflects or how it's reflected in the actual financial statement of assets and liabilities.

Mr. D'Autremont: — Well is it your belief then that the equity that the Wheat Pool has invested in these outside-of-the-grain-handling companies increased or decreased the value of your holdings in the Wheat Pool?

Mr. Smith: — It certainly hasn't increased my holdings.

Mr. D'Autremont: — Has it provided a profit though for Saskatchewan Wheat Pool that it allowed them in turn to turn around and pay you out a larger dividend, a patronage dividend, at the end of the year?

Mr. Smith: — No, it's never been reflected on my dividend and I'm not . . . because I'm not a delegate so I'm not aware of the internal ongoing or how that's handled or administrated. That would be a management decision.

Mr. D'Autremont: — Is it your belief that the majority of farmers or a significant portion of farmers will not retain their class B shares if this Bill goes ahead and the conversion takes place?

Mr. Smith: — Well in my area it's going to be a drastic withdrawal. This is why it's bothered me. At this same meeting in Swift Current, they're talking about 100 people, which is a pretty small number, and I have quite a few friends in that bunch and we got together afterwards and put what our retained equity holdings were together and it was around a million and a half dollars. And we've all agreed that if they go ahead this way without some changes or without some consultation with the members, that money will be withdrawn. And that's in a small area.

Mr. D'Autremont: — So it's your belief then that if this goes ahead that those people who are opposed to this change should withdraw their equity funds no matter what impact that might have on the Wheat Pool?

Mr. Smith: — I don't think you have a choice. If the money is available that they can pay out, and I'm not sure . . . if the masses withdraw, which I think they will, and this is my interpretation, I'm not sure what's going to happen to their trading, in-house trading. I'm not sure what will happen when people withdraw the significant amount. I think some figures were tossed around us earlier that it was going to be a very small percentage of people withdrawing and I think they had somewhere 30 or \$40 million which was not a problem to pay it out. I think it's going to far exceed that. If that happens, I'm not sure what's going to happen.

But if you're a new investor in the stock market, and if you have \$50,000 in equity, are

you going to leave it there and take a chance on a company that has no record, or are you going to take and withdraw it and put it into somebody's business that has some market ability?

Mr. D'Autremont: — Well I guess whenever you look at a prospectus of any new company coming on to the market, you look at their asset base and their record of profitability over the years.

Mr. Smith: — But at this point in time, we haven't seen a prospectus and we don't know what they're doing with the money.

Mr. D'Autremont: — Well I'm sure that once the shares go on the market though, I would have to assume that the Wheat Pool will be putting out a prospectus which will go to all class A, class B shareholders.

Mr. Smith: — But you're going to have the law changed before that happens though, right?

Mr. D'Autremont: — Well if it passes through the legislature.

Mr. Smith: — Right.

Mr. D'Autremont: — It's not done yet.

Mr. Smith: — And I guess that's what I'm saying, is why don't we see a prospectus. Let's be up front.

Mr. D'Autremont: — If it's your contention then that farmers — a significant portion of them — are going to sell their class B shares; are not they in turn saying that yes, they agree to give a significant portion of any dividends that would be paid out to outside investors?

Mr. Smith: — I think they're really saying that if this goes ahead they are going to lose control, so why not take the money and withdraw and form a real co-op.

Mr. D'Autremont: — So you're advocating forming a new cooperative grain company outside of the Saskatchewan Wheat Pool?

Mr. Smith: — Well I think if you lose control of what you've got, you don't have much alternative.

Mr. D'Autremont: — Would it take a form

much different from the existing Saskatchewan Wheat Pool?

Mr. Smith: — I think you would have an organization similar to what we had before this proposed change, yes. I certainly have no qualms. You know the Wheat Pool's done . . . had their day-to-day business handlings before. I think when you change the whole philosophy and Wheat Pool . . . If you look at strategic thinking, Wheat Pool's whole . . . it's real strength is its people, is its customers. And I think they're really going to severely jeopardize those customers and I think therefore they're going to lose business. And if they lose customers, your shares are not going to be very secure.

Mr. D'Autremont: — If you would create a new cooperative grain handling system that mirrors the Saskatchewan Wheat Pool, are you not also bringing into place the same delegate structure that voted for this change?

Mr. Smith: — I would assume that you would, yes. You would want . . . The whole thing about cooperatives is, you know, you could talk about the six basic principles. I think it's good common sense really. You can sum it up in three words — good common sense — will make those principles work. You can reword the principles and make it any way you want, but it all comes out to good common sense and what's fair. What you wish for yourself, you demand for your neighbour.

Mr. D'Autremont: — Well if the delegate structure has been good enough for 70 years in Saskatchewan Wheat Pool, if it would be good enough in your new grain company that you would form, what was wrong with the decision they made in this conversion?

Mr. Smith: — Well I think I alluded to it, that I'm not sure that our delegates were all fully up to speed on this. You know I hear some of the delegates questioning; we didn't realize that we were going to lose shares, that we would maybe have to some day give up positions as directors on the board.

And I think some of the delegates were not really fully aware of all the ramifications, just as certainly all the people are out there. And I guess these are the people that I'm fighting for. I think the ones that are following this fairly close and up to speed on it, they probably are

going to make the right decision. They're either going to get their money out at the right time, either at the start, or if the shares do go up — and I would hope they would, but I just got a feeling they aren't going to — those people are going to ship for themselves.

But there's probably more than 50 per cent of the people out there just really believe that the Wheat Pool is . . . is . . . you know, we were born and raised Wheat Pool and they would never do anything to hurt us or to — and I'm saying hurt us — but to risk our money or our faith or our trust in them. And I think it will be after the fact when these people realize it and then it's too late to turn it around.

Mr. D'Autremont: — In your estimation, was the entire 80, 84 percent, whatever the vote was, that were misinformed or only those from 65 percent up.

Mr. Smith: — Well I haven't been involved in it. You mean . . . you're talking about the delegates now.

Mr. D'Autremont: — Right.

Mr. Smith: — I have not been involved with the Pool at the level . . . I mean you're not allowed to go to the meetings as a delegate. I just simply, in my travels and people I've talked to, when you try to bring out some of the pitfalls and some of the things that you can see happening, certainly the delegates were not able to answer the questions to my satisfaction.

Mr. D'Autremont: — Well I fail to understand how the delegate structure could be right for 70 years. It would be right if you formed a new cooperative, and yet on this decision, they were wrong when you're saying that the structure is right.

Mr. Smith: — But they're taking a drastic change when you go from a cooperative principle to — and I think one of your members stated this — it's going to privatization. And I fail to see how the delegates, elected or not, and whether you call it democracy or not, how you can make that drastic change without consulting your members.

The Chairperson: — Thank you very much, Mr. Smith. Now I understand that Mr. Kowalsky had a question that he wanted Mr. Beke to

answer.

Mr. Kowalsky: — Madam Chair, my understanding is that Mr. Beke is legal counsel to the Wheat Pool.

The Chairperson: — Saskatchewan Wheat Pool.

Mr. Kowalsky: — Well, Mr. Beke, I think you gave some kind of a signal that you had an urge to respond to one of the questions or comments I made.

Mr. Beke: — A number of them.

Mr. Kowalsky: — So, would you go ahead.

Mr. Beke: — Well the one question that arose was the matter of whether some outside regulatory body could permit the class B shareholders to elect people to the board so it could take it over. And this was raised before, in the newspapers, before the July 13 meeting of the delegates.

So at that time, I investigated the matter, and I talked with the Ontario Securities Commission and the Toronto Stock Exchange, and in fact that had been considered 10 years ago. They had done a study of it and they had discarded the notion because they are of the view that there is a place for non-voting shares.

For example, Canadian Tire, a very successful — not just Canadian — company; they're into the States as well — have a non-voting share. Non-voting shares exist in the preferred share category too. So it's an important investment vehicle and there is no plan by the stock exchange or the Securities Commission to give the class B shareholders the right to take over because, of course, that would probably push that out as a possible investment vehicle. It would not be attractive to some companies. They want to be able to get people to invest but not to have a control of the company.

Now when we come to the question of the modest change to the by-laws, which a lot of talk has centred around this as well, and that is it makes it possible for the delegate body to appoint a director other than a director right from the districts. Well legally that could be done now under the current Act, but we would have to reformat and change the delegate structure significantly. But I could do it. I

wouldn't have to come to the legislature to do that.

But the Saskatchewan Wheat Pool, the delegate body, the board of directors, don't want to do that. They want to continue with the same delegate structure. And the only reason that we put the amendment in there — and it was at my suggestion — is that, after all, the whole purpose of going public and restructuring is to get the funding and the finances to keep this moving into the future, a new generation co-op.

If, for example, the shares are not saleable because you don't have at least one director representing the class B's, and it would be the delegate body that would make that appointment that would make it more attractive in the market-place, that may be the circumstance. So rather than have to come back again and wait another year, which would be disastrous in terms of getting the funding in place, the financing in place, that is a possibility. But it requires a two-thirds vote by the delegates, which is, again, the delegate body.

And I did hear you speaking of amending this to put some kind of restriction. Well, Mr. Kowalsky, I suggest that the best answer is to let democracy work because the structure of this co-op is not different than the way the legislature is structured through its elected basis. And it is the most democratically controlled organization in North America that is a business organization. And so if you can't trust the delegate body to make those decisions, then in effect what you're doing is the government is imposing a control which I submit is not the role of government with a private Bill because it is the Wheat Pool that has decided that it wants to remain a co-op.

Because I would remind you that under the current Act, section 2(2), the Wheat Pool, if it wanted to become a private co-op, would simply use that section and continue itself under The Business Corporations Act for Saskatchewan as an ordinary business, not a cooperative, or it could go under the federal Act because this section provides it can go under the federal Act. And I'm sure the Government of Saskatchewan does not want us to escape to the federal business corporations Act, so I'm just simply pointing that out. If there was an intention to make this

into a private corporation, that would be the simple route. We'd just simply convert it to a business corporation. The present Act permits that. And so I think that you can see what they're doing is they are bending over backwards to remain a cooperative and adhere, and the adherence to co-op principles in the Act, I submit, is very important that that remain and that not be taken out.

Mr. Kowalsky: — Okay. I want to ask a couple of questions now.

First of all, with respect to your interpretation of my remarks about the amendment, I think if you read the record I was asking whether the Wheat Pool might consider amendment. I was not suggesting that the government was going to come up with an amendment.

Mr. Beke: — Very good. I'm glad to hear that.

Mr. Kowalsky: — Then I want to go back to the first concept and that is the concept of the control and the veto, because earlier in the questioning at one stage I think we had determined that the class A shareholders would be making the decisions, but if there was a major decision, somehow or other the class B shareholders could exercise a veto on it.

Mr. Beke: — Yes.

Mr. Kowalsky: — Now that's a little bit different than what you heard today but I think the context is also different.

Mr. Beke: — Yes.

Mr. Kowalsky: — Could you comment on that and explain the difference?

Mr. Beke: — Let me just briefly review that. If you're going to sell a share on the market, you've got to give them some minimal rights, and these minimal rights are in The Business Corporations Act — that an ordinary shareholder group has the right to be consulted if there is going to be a sale of substantially all of the assets, say 75 per cent of the assets are going to be sold off. And the reason for that is obvious. If I make my business investment decision knowing that there is this business in place and then they go and sell all the business off, I should be consulted about that because that was ...

that's a change, a fundamental change, to the basis on which I invested. That's one ground which is — as you can appreciate with the Saskatchewan Wheat Pool having been here for 70 years — is very, very, very remote and an impossibility, probably.

The second ground is if there were an amalgamation and the control changed. For example, if Alberta and Manitoba Pool and Saskatchewan Wheat Pool joined forces; now it happens that the Saskatchewan Wheat Pool is larger than the two of them put together, but supposing they weren't and those two Pools then got control. Well again, control shifts from the group that are presently running it in Saskatchewan. Again that's a ground on which the class B shareholder would have to also have a vote because you're changing fundamentally the investment vehicle into which the class B shareholders invested. But before either of those two significant events happen, the delegate body, being the class A shareholders, would have to vote to approve that by a two-thirds vote. But then they would have to have a class B shareholders' meeting and you'd have to have a two-thirds vote there. So you see there's two major obstacles there.

The third category . . .

Mr. Kowalsky: — Would you mind just repeating that?

Mr. Beke: — Well the class A, which is the delegate body, would have to approve that sale . . .

Mr. Kowalsky: — Right.

Mr. Beke: — . . . of substantially all the assets or the amalgamation first. If it's not approved by them, it never goes anywhere else. If it is approved by them, it requires a second vote by the class B shareholders, and you need a two-thirds vote there again. And remember now, more than 50 per cent, a significantly larger number than 50 per cent of the class B's, will be owned by the farmers as well. People treat the class B's as some alien force from Mars, but they're going to be the farmers largely that own the class B shares.

So you have that double approval in that remote circumstance, so that's hardly saying that the class B shareholders are going to take over and run this company. They're given very,

very modest participation in the decision making.

The last case was if you changed the shareholder rights. For example, the class A share is membership share, \$25 share. It can't grow in value so if they decided to change it to make it like the class B, which does increase or decrease with the fortunes of the Wheat Pool, you would be hurting the class B shareholder. So you'd be there . . . you couldn't make that change without the class B shareholder approving it. So those are the narrow areas in which this so-called veto power exists.

Mr. Kowalsky: — Are there any other restrictions on the control structure of the . . . provided in this Bill that are requirements or generated by the Toronto Stock Exchange or the Saskatchewan Securities Commission?

Mr. Beke: — No. The other one I did mention when we first appeared was that if the majority of the controlling group, which is really the delegate body and the directors, in some way abuse the class B shareholders, there is the right for that group to go to court and seek an oppression remedy, we call it, saying that we're not being treated fairly because they are doing such and so and it is strictly one-sided in favour of the class A shareholder.

But that right is in the Act. It's in this Act now, so we haven't changed anything in that respect. In all corporate law, non-profit corporations, co-ops, that remedy exists that one group can't abuse somebody else. We haven't changed that.

Mr. Kowalsky: — Thank you, Madam Chair, there may be somebody else . . .

The Chairperson: — Mr. D'Autremont has indicated a desire to ask a question.

Mr. D'Autremont: — Thank you. One question. You're suggesting that class B shareholders would get a vote in the corporation if there was going to be a fundamental change in their investment vehicle. Is that correct?

Mr. Beke: — Yes, but those are very specific that I've outlined. It's not anything else.

Mr. D'Autremont: — Okay. If that's the case,

that a class B shareholder should get a vote because of an investment structure change, why then, what's the justification for not giving the current equity holders, which will be the class shareholders, a vote?

Mr. Beke: — The class A's? The equivalent to that now?

Mr. D'Autremont: — Well the equity holders today.

Mr. Beke: — Or the class A's in the new structure. Well the simple answer to that is that the shareholders . . . let's take the corporation as it now exists. Those shareholders elected to set up the structure we presently have. And that is a delegate, democratic, representative form which is more democratic than Imperial Oil's structure. The strange position being taken now by those that oppose this Bill is they want to go to a less democratic form of structure, when the democratic structure said 80 per cent approved this. That's the answer.

That is, when you have a district meeting and you have delegates going out . . . and you heard Mr. Gehl himself say that he voted against it because he had his meetings, and his group in his district were against it, so he voted that way. And you'll find that's the circumstance. That is, there was that consultation process and people did allow the democratic process to work. The problem is, is that someone lost — and there's always going to be a loser — and they didn't like the answer. So they want to go with a plebiscite. And someone said, well at one time they had a plebiscite. And that's right.

But back in 1928 the Act provided for a plebiscite. In the wisdom of the shareholders, they took that out of the Act. And that's why there isn't a plebiscite there now. The structure now is for the delegates. And the present Act says the delegates are the shareholders, so the shareholders are getting a vote by that method.

Mr. D'Autremont: — Are you saying then that there is no structure in place today which would allow a one-member, one-vote without a change of the Act?

Mr. Beke: — That's right, it would be an illegal step. There's nothing in the Act that permits that, and the section they refer to is in the

by-laws. And as you know, you cannot give yourself power by going to the by-laws; you've got to find the provision in the Act. And there is no such provision in the Act. The provision in the Act says, the delegates have all of the power and authority of the shareholders. The only power reserved for the shareholders is to elect the delegates.

Mr. D'Autremont: — Okay, thank you.

Mr. Kowalsky: — In the old Act, existing Act, there is no reference to cooperation or cooperative principles, I understand?

Mr. Beke: — That's right. It was historically in the name of the different, preceding cooperatives.

Mr. Kowalsky: — So does the inclusion of that in this Act make it . . . is it a substantive thing in the Act, or is it more of a philosophical approach, given the philosophy of the new company, as it were? Or is it essentially the substance of what's going on?

Mr. Beke: — Well I've always wondered why it wasn't in the original Act. Because from the time I started practising law, I did work for the credit union league that existed in the early '60s, and the Sherwood Credit Union, and the Credit Union Central, and the Wheat Pool, and I've reviewed the history and the co-op principles in many textbooks and so forth.

This is the most cooperative of cooperatives, and yet it never said in the Act that it was a cooperative. And I never understood why that was not so. And therefore it was on my suggestion that we put that in there.

And you will notice it doesn't say it's a co-op; it says it adheres to co-op principles. And the fact of the matter is, as I said earlier, if we want it to be a private corporation, we don't need an amendment to the Act. We simply continue the existing corporation under the private corporation or public corporation statutes, the business corporation statutes. It's because it wants to remain as a cooperative, with the one member, one vote, and the democratic delegate structure. We could not have that form of organization under any of the private corporation Acts, the federal or the provincial. It just is not provided for.

So that, I submit, illustrates why we are still a

cooperative. The democratic side of this organization, the delegate structure, the one member, one vote — all of that is not affected one iota by what we're doing. And that, if you study any of the co-op literature, that is what is vital to being a co-op. It's the democratic control by the members that cooperative serves. And that has not changed.

Mr. Kowalsky: — So the purpose of the addition would be to clarify the sort of philosophical position, not the workings of the co-op itself.

Mr. Beke: — Well I think it does both, because you see it says, pursuant to the Act and the by-laws, the Act provides for a delegate structure. There's no such thing as a private corporation with a delegate structure. It just doesn't exist. And this Act provides for that.

The by-laws also provide for an elaboration of that delegate structure. But the by-laws could not be enacted to provide for that delegate structure unless the Act provided for it. So therefore, that aspect, everything is being made out of the fact that we have outside investors. And historically, I concede that co-ops were never with outside investors, but if we really go back far enough, the Rochdale principles would never envisage a co-op like the Saskatchewan Wheat Pool. Those were little consumer co-ops that just could not survive today.

Now the federal model co-op Act that is drafted by all of the co-ops in Canada is providing for outside investors. So we talk about change — the very co-op Act that will create co-ops at the federal level will be doing exactly what the Saskatchewan Wheat Pool is doing. We're getting rid of the interest limitation, the 8 per cent limitation, which has been historically another limitation and an attribute of a co-op. But you notice in one of the submissions, the international alliance has gotten rid of that.

We are adding a co-op attribute in that because we had to force people to leave their patronage in to fund the co-op, we could never let a member escape if they wanted to quit. When they got mad at the Pool, they couldn't say, I want my shares back, let me leave. They were forced to stay in as members.

They no longer will be forced to stay in. Under the new draft Act, if someone wants to leave,

they can demand that their share be redeemed, their class A share be redeemed, and they can escape. That's a co-op attribute that is being added to this co-op, this Wheat Pool co-op.

So you see we still maintain the most important and fundamental attributes and that's why I submit that that should remain in the Act.

The Chairperson: — Thank you very much, Mr. Beke.

Mr. Beke: — Thank you.

Ms. Stanger: — Madam Chair, could I ask Stewart Wells a question?

I noticed when Mr. Beke was saying that under the present Act there is no provision for a plebiscite, you seem to disagree adamantly. Could you explain why, Stewart?

Mr. Wells: — Well I guess my contention is that under the present Act *per se*, the way I read it, there is no provision for a plebiscite or a referendum, but there is in the by-laws. And the board, at the sole discretion of the board — whether they discuss it with delegates or not — they can go out and ask the members any question they wish by postal ballot or any other means. And this was available to the board right from the beginning and they have refused to use that method.

And so that's why I think it's misleading to say that there is absolutely no way that Saskatchewan Wheat Pool could have conducted a membership vote.

Ms. Stanger: — Stewart, would they have had to change the by-laws by the delegates to do that?

Mr. Wells: — No. It's an existing by-law, and if you wish, I'll table an opinion that I have from an independent law firm in Swift Current who looked at the by-laws and gave me that information — that the board could do this at its sole discretion on any question they ask, including voting for delegates.

So this has always been an option to them but they have refused to do it for whatever reason. They don't need any recommendation from the delegates to do this.

And if I can expand on that a little further. What we've seen here, I think, in the last half an hour, with the previous witness and the questions, is really what the delegates of the Saskatchewan Wheat Pool have seen for the last year. We've seen somebody in a position of authority; somebody who has, without a doubt, a lot of expertise and knowledge on the subject, but somebody who is not a disinterested party, holding forth on all of the advantages and reasons why he thinks this is a good idea.

But just as the delegates, we haven't seen anybody with the same level of knowledge or expertise be able to be here and actually carry on the conversation at that level. That resource base, combined with the manipulation of the time line — and we talk all about, you know, democracy and how the delegates are able to vote on this — but combine that resource level with the manipulation of the time line, and bringing this out less than 24 hours after the election of delegates last year, I don't think that individuals are able to get a clear picture.

Ms. Stanger: — Thank you.

Mr. D'Autremont: — Mr. Wells, are you suggesting that it would have been possible for the Wheat Pool to have a plebiscite but not a binding referendum?

Mr. Wells: — That was my understanding.

Mr. D'Autremont: — Thank you.

Mr. Wells: — And in fact I think my lawyer, in his interpretation, thought the word plebiscite should be reserved for some other thing, but it was the taking of a membership vote.

The Chairperson: — We have a little bit of a problem here in that, and I suppose we could get them but we have the Act, we don't have the by-laws. And as I interpret the Act without having a copy of the by-laws before me or knowing what's in them, it looks as though the power is given to the delegates and that anything that they might do in terms of a member survey or as Mr. D'Autremont has just pointed out, would be for information, but it wouldn't be binding.

Mr. Wells: — Because of the conflicting viewpoints and the conversation at this level,

this question is actually currently before the courts and if, you know, if this Bill is passed before the judge and other real experts have a chance to look at it, then we may never know if they in fact had that power or not as a delegate body, and that may or may not reflect on all-membership vote question.

The Chairperson: — Okay, thanks very much. I guess at this point unless there are questions from anybody else we can entertain a motion for adjournment for tonight until 9 o'clock tomorrow morning.

Mr. Langford: — So moved.

The Chairperson: — Nine o'clock tomorrow morning. Thank you.

The committee adjourned at 9:48 p.m.