

## STANDING COMMITTEE ON PRIVATE MEMBERS' BILLS

March 14, 1995

**Bill No. 04 — An Act to amend An Act respecting Saskatchewan Wheat Pool, being an Act to amend and consolidate "An Act respecting Saskatchewan Wheat Pool, being an Act to amend and consolidate An Act to incorporate Saskatchewan Co-operative Wheat Producers Limited" and to enact certain provisions respecting Saskatchewan Wheat Pool**

**The Chairperson:** — Having reached a quorum of the committee and it being after the hour of 7, we should begin the proceedings. The matter before us for consideration is Bill .04 — An Act to amend An Act respecting Saskatchewan Wheat Pool.

And we have, as our first witness tonight, Robert Piche from Willow Bunch. If you'd just take a seat at the end of the table there, Mr. Piche. And I'd just like to point out to all of the witnesses that the microphones don't provide any amplification. They're just for the purposes of recording for *Hansard*. So when you speak you have to speak to the room. So go ahead whenever you're comfortable. You have the floor.

**Mr. Piche:** — Thank you, Madam Chairman. Members of the Private Members' Bill Committee, I will be speaking in favour of the amendment to The Saskatchewan Wheat Pool Act.

I have been farming for over 20 years in the Willow Bunch area and have been a Wheat Pool member all of those years. I have been a strong Wheat Pool supporter, doing most of my business with Sask Wheat Pool. Therefore I have accumulated substantial equity in the Pool and have a lot at stake as to what happens to the Pool.

We are in changing times. The budget on February 27 made that quite obvious. Deregulation of the rail lines and the elimination of the Crow subsidy means that in all probability our branch lines will be closed in the near future.

On members' advice in the '80s, the Wheat Pool built a lot of new facilities on branch lines which will no longer have rail service. The Wheat Pool will now be faced to having to build large grain handling facilities capable of

loading 50 to 100 car-unit trains in an eight-hour day to take advantage of freight incentives.

This will require a lot of capital. Shares could be a means for raising this capital. Diversification into the agri-food industry has been contributing substantially to Saskatchewan Wheat Pool's earnings. Equity conversion would provide the needed capital to allow the Pool to further diversify in the agri-food industry, thus adding value to our farm products.

The time is now. Farmers in the province are taking the initiative in providing capital in the form of shares to build terminals and are partnering with either Cargill or Pioneer grains. Saskatchewan Wheat Pool has to be in a position to remain competitive.

The Pool has a large percentage of ageing membership which will be wanting to withdraw their equity. If the Wheat Pool finds themselves short of working capital they may not be able to pay out equity in the present format or even not at all.

I would like to address equity conversion. Member control was to be maintained by each farmer member holding one class A \$25 voting share. This is not much different from the present system where each member holds five \$5 shares for one vote. We will still be able to elect delegates to represent us as we have done in the past. Under the draft Act, only elected delegates at a meeting of delegates can approve amendments to the new act or by-laws. This is basically the same control structure that presently exists.

I hear the opponents say, members have no say in the decision making. In our subdistrict, meetings were held and a consensus of interested farmers, interested members who attended, was arrived at. This directed the delegate as to how to vote. I understand this was done in most subdistricts across the province. My personal feeling is that members will have the ultimate say when conversion takes place. If the majority of members support the Wheat Pool's decision they will convert their equity into shares.

Under the present equity structure a member

has no access to his equity until he either quits farming or retires. Under the new Act, which would convert equity into shares, a member has full control of what he does with his shares. Example: he can sell any portion and buy more, or use them as collateral against a loan.

If conversion doesn't take place and the Wheat Pool doesn't get the needed capital for expansion to remain competitive, I feel the members' equity could be put at risk. Saskatchewan Wheat Pool's future should not be decided by the legislature but by the membership. Therefore, I ask for your support in passing the Bill put forward by Saskatchewan Wheat Pool amending the Saskatchewan Wheat Pool Act.

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

**Mr. Knezacek:** — Thank you, Robert, for your presentation. Do you have other copies available for us?

**Mr. Piche:** — I've got a copy that I can leave here if anybody wants to get it photocopied or whatever.

**Mr. Knezacek:** — And I just wanted to . . . you're appearing as an individual?

**Mr. Piche:** — I'm appearing as a farmer on my own.

**Mr. Knezacek:** — Okay, not as a delegate or . . .

**Mr. Piche:** — No, I'm not.

**Mr. Knezacek:** — You mention it in your brief, but do you feel that in your area you had, or members had, adequate representation of the concept of share equity and so on, that they were well-enough informed?

**Mr. Piche:** — I think so. Anybody who was interested in it had the information available to them to make a, you know, a fairly wise decision on it. There's a number of farmers out there, I guess, that didn't pay much interest, that don't have an awful lot of interest in it, you know — didn't go to the meetings or whatever.

**Mr. Knezacek:** — Okay, thank you.

**The Chairperson:** — Are there any other questions? Ms. Stanger and Mr. Johnson.

**Ms. Stanger:** — Thank you for coming, Robert. Do you have any idea from the information that you got from Sask Wheat Pool how many type B shares will be issued? Have they given you any idea of that?

**Mr. Piche:** — No, I don't know how many type B shares will be issued. I would presume there is going to be as many as what there are . . . as what there is equity there initially and then after that I guess it will be up to the delegates and directors to decide.

**Ms. Stanger:** — Do you know how much equity . . . have you been able to find out how much equity there is in Sask Wheat Pool, what the figure is?

**Mr. Piche:** — I'm not sure of the exact amount but it's many millions, 300-and-some millions, I presume, I believe.

**Ms. Stanger:** — Okay. Thank you very much, Robert.

**Mr. Johnson:** — Just one question. This is one approach of changing the structure of the Pool, actually the Bill that incorporates the Pool, the Saskatchewan Wheat Pool. It would be possible for the Wheat Pool to totally change its incorporation by simply applying under the former Act to the . . . either through the companies Act in the province or the federal companies Act. Did you have any comment as to this being better, a better approach, or different than going the other way?

**Mr. Piche:** — I don't think I'm really qualified to answer that. I'm not sure just what the other way would be.

**Mr. Johnson:** — Okay, the other way would be that according to the Act that incorporates the Pool right now, they could restructure and incorporate under The Business Corporations Act here in the province of Saskatchewan by simply applying and following through the rules there. Do you see an advantage or any reason for following through on a private members' . . . no, a private Bill such as this one, which is what this is doing — like this allows for some variations.

**Mr. Piche:** — I'm not sure what the other version would do, but I just feel that conversion to shares gives us something in the Wheat Pool which we haven't got right now. Like our equity just basically sits there and we have no control over our equity. We have no access to it. And I just feel that once it is converted over to shares, we do have access to it and it can be used, like I say, for collateral on a loan or that type of thing. And I feel that that's quite important.

But I'm not sure just what control that, you know, the other changes would give it whether they could go to shares or not. I don't know.

**Mr. Johnson:** — Thank you.

**Ms. Stanger:** — So you're saying that you want more flexibility?

**Mr. Piche:** — That's right.

**Ms. Stanger:** — In your equity?

**Mr. Piche:** — Yes.

**Ms. Stanger:** — And you don't see any risk in exposing your equity to converting to type B shares?

**Mr. Piche:** — I see a lot of risk if the Wheat Pool doesn't go that way. I know down in our area we've already had meetings concerning construction of a large grain terminal in Assiniboia. And I know that if Sask Wheat Pool doesn't build one there within the next three or four years or . . . or not so very shortly that they will build one there, that an awful lot of us are going to be buying shares in the farmer-owned terminal. And once we do that, we may have been strong Wheat Pool supporters but we're going to haul where our money is.

So I feel it's quite important that the Pool has funds to move ahead and keep up with the competition or they're going to be left behind.

**Ms. Stanger:** — Okay, thank you.

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

**Mr. Piche:** — You're welcome.

**The Chairperson:** — Our next witness will be

Lloyd Stanhope from Moosomin. You might want to introduce your associate, Lloyd.

**Mr. Stanhope:** — Okay. Just before I do that, we prepared a brief which we found after we had it printed up today we can't do it in 15 minutes. So we would ask that you include the parts that we leave out in the record, if they could be recorded.

Harold Hess is from Candiac. He will be helping me present the brief. I'm from Moosomin.

**Mr. Hess:** — Just for opening, I'm a lifelong member of our local co-op, our local credit union, and Sask Wheat Pool. I've sat on the Wheat Pool committee for 25 years out of the 28 that I've been on the farm. That's kind of where I'm coming from.

To start with, the first three paragraphs we will skip. It basically deals with our concerns about the process. And I'll start reading on paragraph 4.

The farmers who formed the Pool in 1924 rejected a share structure because of the problems they had encountered in dealing with Saskatchewan Cooperative Elevator Company. The directors and management of this company were seen to be putting the needs of the shareholders ahead of the farmers.

The year following the formation of the Pool, a subsidiary was formed, the Saskatchewan Pool Elevators Ltd. It was charged with the responsibility of managing the elevator system.

In spite of the strong demand that existed among a large body of shareholders for the distribution of profits on a patronage basis, the board of the Saskatchewan Cooperative Elevators adhered rigidly to the joint stock principle under which all profits went to the shareholders in proportion to their individual holdings in the company. And there's a reference there.

Is the Saskatchewan Wheat Pool now asking to reverse history?

A more recent account of what constitutes a cooperative is contained on pages 14 and 15 of *Multinational Cooperatives: An Alternative for World Development* by J.G. Craig. It states,

I quote:

The earnings that are made in a cooperative have a different impact on members, depending on the type of cooperative. In consumer societies, this represents a decrease in the cost of consumer goods. In agricultural marketing societies, the earnings represent an additional payment for the product and result in a higher return for the farmer for his goods. In production cooperatives, the earnings represent the workers' surplus product from his labour.

Although the connotation of earnings or profit in cooperatives vary, in no case are they the same as in the investor-owned corporations.

The next paragraph again is our concern about the government's process with regards to the hearing here and I'll omit that and go down to the next paragraph.

And we have a couple of quotes there, the first one being:

What constitutes a state? Men who their duties know, but know their rights and knowing dare maintain.

From *Deep Furrows*.

The second quote:

I have but one lamp by which my feet are guided and that is the lamp of experience. I know no way of judging the future but by the past.

Taken from *Deep Furrows* as well.

We must know where we have been to gauge what progress has been made but knowing we must then use that knowledge to project our probable future course.

And there's a number of references listed in the rest of that paragraph which I will omit again.

To develop some perspective of what the future holds, we must look to books like *The Great Depression of 1990* by Dr. Ravi Batra; *Breaking the Banks* by Arthur Johnson; *The Great Reckoning* by James Dale Davidson and

Lord William Rees-Mogg.

To understand what caused this type of economic devastation, we must read books like *The New Bureaucracy* by Herschel Harding; *Something is Wrong Somewhere — Globalization, Community and the Moral Economy of the Farm Crisis 1995* by Dr. Chris Lind, St. Andrew's College, Saskatoon.

Another quote from Dr. Ravi Batra, professor of economics at Southern Methodist University and one of the top trade theorists in the world, persuasively argues that we are moving toward the greatest worldwide depression in history in which millions of people will suffer catastrophic financial reversals. That comes from *The Great Depression of 1990*.

A decade of depression: We said that the 1990s would be a decade of depression. To a greater extent than conventional wisdom would allow, this forecast has come true. Britain is clearly in depression. *The Financial Post* said on October 16, 1992: "The British economy is like a battered car on a steepening descent." The same can be said for Scandinavia. New Zealand and Australia entered slumps years ago and have not recovered. Unemployment in Canada has reached 11.8 per cent as we write, 30 per cent higher than it stood at the end of the 1930s.

In many respects the state of the U.S. (United States) economy in 1991 and '92 was much like it was at the onset of the last depression and perhaps worse — *The Great Reckoning* by James Dale Davidson and Lord William Rees-Mogg.

The recent build-up and presentation by our provincial and federal governments to their recent budgets would seem to indicate their recognition of the pending economic disaster.

The rapid changes in the value of the Mexican peso, last week's run on the American dollar, and thereby the Canadian dollar, illustrates just how precarious our economic environment is. The great crisis referred to in many of the books we listed here tell of the deregulation and exploitation that precluded all great depressions of the past. Now is not the time to abandon the system that works. The resolve of economic crisis has always been cooperation and sharing whatever resource we have. This is not the time to join the enemy.

The cause of economic crisis is exploitation for profit. It would seem the Saskatchewan Wheat Pool has adopted the theory that if you can't fight and you can't flee, you must flow. The argument made by Sask Wheat Pool that we must go this way to raise capital is erroneous. The fact we have not had to mortgage our assets till now is a symbol of our success. Many of our . . . many very large corporate structures have collapsed in recent years. The need to raise funds for equity buy-out will be provided in the same manner as in the past, by those farmers who replace the retirees on the land.

Value added is a misnomer. A product has a finite value to the consumer, therefore any processing comes at a detraction from the price. Profits made in this context comes at the expense of the producer or labourer who does the processing. The farm community has been experiencing many of the same crises today that faced the farmers in the 1920s and '30s when the Pool was formed as a cooperative to solve some of these problems.

And the next paragraph, I'm going to admit, it virtually covers co-op principles from the charter of the Pool. Now I will turn the last portion of the brief over to Lloyd.

**Mr. Stanhope:** — We are again faced with important . . . improper values for our production. Farm production has been devalued to the point it no longer will carry the debt created by its production. We have sacrificed our communities, schools, hospitals, dealers, doctors, dentists, accountants, and merchants, yet we see, through the Farm Debt Review Board and the Farm Land Security Board statistics, that over 200 foreclosures per month are received by farmers — 35,000 since 1986.

These are not small farms. These are on average . . . have assets of \$350,000. Why? The value of production off these farms has been reduced to the point that they cannot meet today's costs and yesterday's debts. And I'm going to omit that next paragraph, but it refers to one of the founding people of the Pool in which he says the price of success is eternal vigilance.

The Saskatchewan Wheat Pool proposal and the legislation you are now considering would in fact add to that destabilization that we now

see taking place, not only in our farm communities but through the nation and the international community.

For example, the instability created by such a proposal on the elder members . . . for an example, we only need to look at the UGG (United Grain Growers Limited) annual report for 1994. UGG shares were fixed until they were converted and traded on the stock exchange. They now have a non-par value which ranged from six dollars and five-eighths cents . . . or five-eighths dollars to eleven dollars last year. This is a 40 per cent variation. In other words, at one point during the last year, a senior's retirement fund invested in UGG shares was worth 40 per cent less than at another time of the year.

The 3 per cent dividend suggested in the question and answer booklet put out by the Saskatchewan Wheat Pool would suggest that they are counting on the same thing happening to theirs. Three per cent dividends will not attract investors. The message to the shareholders in the UGG annual report also clearly states who's to be served in the new structure. And I quote: the above developments reinforce the message of the UGG management and board of directors; the strategy that we're focused on focuses on the right track, positioning the company to capitalize on deregulation. We will succeed in adding value for our shareholders by adding value to the goods and services we provide farms . . . we provide . . . they add value to farmers in the goods and services we provide them. In other words, the value added will come from farmers, not from the so-called value added process that we've been talking about.

We are confident that the deregulation and internationalization of trade, which we are facing, will provide the UGG with important opportunities to provide even greater value to our customers.

That's a direct quote from the UGG annual report.

We are asking that you members of the legislature not pass this amendment to the Wheat Pool Act. It would be a violation of cooperative principles as clearly illustrated by the previous paragraph.

In the alternative, they must be asked to disband so that the cooperative movement can rebuild.

The two philosophies are so foreign that it would be akin to say that you as elected representatives of society now have the power to declare that democracy is dead and are now in power to conduct a dictatorship.

Democratically, a change of this magnitude requires a vote and that's really all that's been required from the Sask Wheat Pool, that a vote be taken. And just to point out . . . and you'll find that these points are rather sketchy because I'm not very nimble with the legalese and they're more in the form of a question than anything else, and when we go through the actual legislation, I debated about whether just asking you not to pass it because we do not accept the legislation in any form. But here's some of the things, the basic flaws in it.

It should require an independent evaluation placed on the property. Current shareholders must be given the opportunity to withdraw their full share value or pledge it to a new cooperative. The new corporation must be formed under The Business Corporations Act. The coming into force of the Act should remain with the Legislative Assembly. All reference to a cooperative should be struck.

Under powers 5(i), the Act seems to provide powers to cancel out the class A shares. Who would then control the company? There is no reference to the location of meetings of class A shareholders.

Distance becomes a factor when there is no dividends paid on class A shares and no proxy. Decisions are made by two-thirds of those in attendance; that's why distance becomes significant.

The security Act should apply. In the one section — you see we have quoted the sections underneath — how does \$25 par share value exceed \$200? Class B shares have more power than class A when you take them in total, the total provisions into consideration. And you look at it and it requires two-thirds of the shares be voted to create a change, as far as class B shares are concerned. They can vote by proxy. Distance is no problem. They require a separate meeting to make their decisions.

Class A shares not entitled to any dividend, and that's a question as to why. Directors may overrule the 10 per cent ownership rule. Why would class B shareholders appear at a class A shareholders' meeting by proxy? That's one point that's in the Act and I don't understand why you would have a proxy when they have no vote.

Class B would have prior knowledge of the company's . . . that's in this section — it says that they would have . . . if you didn't invite them to the meeting they would have prior knowledge or would be entitled to prior knowledge. Class B would be . . . prior knowledge of the company's affairs if not included in the class A meetings.

Are these shares — and that's in this 16(1) — are these shares similar to junk bonds? I don't understand why you would form another class of bond when the directors can have unlimited numbers of class A and class B. And having read a book on the subject, *The New Bureaucracy*, I start to wonder what plans are in the works.

The section on commercial transactions to me seems to conflict with The Farm Land Security Act, in which there are certain protections built in for the farmers. And those sections to me seem to eliminate them.

These sections, along with the current requirements for an official member of the Pool to market all his product and purchase all his input requirements through the Saskatchewan Wheat Pool, would seem to mortgage everything they own for as long as they had any kind of a contract with the corporation.

Another area which concerns us — it's not mentioned in the Act but it is mentioned in the question and answer booklet — that is the provision for things like the golden coffin, the golden handshake, golden parachute, and perks similar to those described in *The New Bureaucracy*, written by Herschel Hardin, pages 9 to 51.

We understand that the question in the question and answer booklet — question 20 — has now been answered. The answer is yes. There is two stock options — so we're given to understand — prepared; one for employees, one for executive and management. And many of the perks similar to those mentioned in Mr.

Hardin's book. We would question the abilities of the directors who own large blocks of class B shares to function in the interest of class A shareholders given these kind of incentives.

This re-emphasizes our concern about an independent evaluation of company assets. A security commission supervision of a transfer, and the mergers and acquisition practices of other corporations, along with the use of junk bonds to take over under-valued corporations, leaves us ill at ease with these kind of practices.

In conclusion, we would like to re-emphasize our concern about the process. We encourage you in the best interests of all of society to insist any action taken require a full discussion at the membership and community level, with appropriate votes taken. As Robert Louis Stevenson once said: no measure comes before parliament but it has been long ago prepared by the grand jury of the talkers.

Prior to requesting this appointment, we checked with the talkers, with the political parties, and the Saskatchewan Wheat Pool. And little if anything had reached the grand jury. We will continue to check at that level for the reported results of this hearing. The jury will speak at its earliest opportunity.

And it just includes the list on the back of the brief — I think you all have a copy of it now — which will give you a little bedtime reading. We have ranged over a wide area and we feel that's necessary to understand the implications of what this Act is going to do. Thank you.

**The Chairperson:** — Thank you, Mr. Stanhope, and Mr. Hess. Before I open up for questions, I'd just like to make some comments on the process if I could. I think you probably do understand it but just to clarify it for anyone who is here who may not, that there are basically two ways that Bills or changes in legislation reach the floor of the House, is through government-sponsored Bills or through private members' Bills.

The government-sponsored Bill might be initiated by a minister or in a department through a minister, goes through the caucus committees, goes through the caucus itself, goes to the Legislative Review Committee which is a standing committee of the government, and goes through cabinet, and

then comes to the House.

The private members' Bills are not government Bills and go through an entirely different process. Private members' Bills, such as we have four this year of which the Wheat Pool Bill is one, arise as a result of a petition from a party who wishes to have the legislation; in this case the Wheat Pool.

And they prepare the Bill, the legislation, in the form that they want it. And they present it to . . . They have to find in the government a sponsor for the Bill. If they can't find anybody who will sponsor the Bill, any private member who will speak to or bring the Bill forward, then this wouldn't happen. But the rules are . . . usually, just like somebody sometimes at a public meeting will say, if a motion needs a seconder to be discussed, they'll say, well I'll second the motion for the sake of having the subject aired, you know. And so they find a sponsor.

Then this has to be done . . . it can't be done any old time during the year. The rules of the legislature — the Clerk will correct me if I'm wrong — is that for any session of the legislature, which is usually annual, the petitions asking for a private members' Bill have to be presented prior to day 20 of the current session; that's the deadline.

If the petition doesn't come forward by day 20 — we start on February 6 and counting from that, 20 days from February 6 — it could not be considered in this session. So no hearings can be set up. Because it isn't a government-sponsored Bill, then we're not really aware until the deadline of day 20, and until a sponsoring member has been found, that public hearings will be required. And this is the reason that there is a public hearing at all, is because in a government-sponsored Bill there are a number of other different ways that the intent to legislate can be aired.

MLAs (Member of the Legislative Assembly) can go out to their constituencies; public meetings can be held; White Papers can be, you know, produced and sent out for discussion; consultation with the stakeholders; there's a whole range of things. But in the case of a private members' Bill, which has to be presented before day 20, then the public hearings are scheduled. And in a private members' Bill these hearings are the only

opportunity that there is for this kind of discussion.

So what we did in this case was, originally having met the other requirements — presentation of the petition before day 20, the agreement of a private member to sponsor the Bill — then we scheduled public hearings. And I mean it's really a shot in the dark. Let's be honest. Like it's been years — years — since there's been a private members' Bill . . . In fact in the living memory of anybody around here there hasn't been a private members' Bill that has had any controversy surrounding it. The passage of the other three private Bills, to the point where they will be recommended to the House, took a total of five minutes each. And so we didn't really have an idea, a sense, of how many hours we were going to need for hearings.

So we initially set up. The notice was posted on a week ago last Thursday or Friday. There isn't any provision to advertise the hearings because if you think about it . . . like the other three private members' Bills this year are petitioned by church organizations and the results of that legislation if passed will affect only the members of those congregations. I mean this is different and the Wheat Pool is a much larger organization, impacts on more people. But at the same time the principle is the same — that is it proper to spend taxpayers' money to advertise and travel with a committee to have hearings when it is a private members' Bill, not a government-sponsored Bill. And so that's why the hearings are confined to here.

And then because we didn't know how many people would want to come forward, we published an original schedule which allowed for 18 hours of hearings last week. And it was somewhat misunderstood; it was never cast in stone that that was all we would do, but we had to start somewhere. So once we posted it, and said here are some hours, and then people started to call in and say they wanted to make representation, it became obvious that there were many, many more people who wanted to make representation than could be accommodated in those hours. So then we extended it to allow for this week.

I just want to make clear to you the difference between a government-sponsored Bill and a private members' Bill and that it doesn't signify

any undue haste. It's the same procedure, exactly, that's followed in every private members' Bill. And you can't anticipate because you don't know when you'll get the petition. And having received the petition prior to day 20 of the current session, then the other things happen in the, you know, the prescribed progression. But it isn't receiving any different treatment than any other private members' Bill ever does.

**Mr. Stanhope:** — Yes, I guess our concern is why it went private members' Bill in the first place. Second is the impression it leaves in the community, especially compounding what the procedure that the Pool followed to get the proposition brought forward in the first place. And there are — and I assure you — there are a lot of people out there that are just despondent over what's happened. A number that I have talked to have just said, I want out of it. In fact one of the NDP (New Democratic Party) organizers I talked to . . . in fact I sent a second invitation to him, when preparing the brief, to participate in it. He said, no. He said, that's it; I'm out of here.

**The Chairperson:** — Well the Law Clerk just points out to me that it was originally a private members' Bill. The Wheat Pool was established through the private members' Bill process in 1924. And again, in 1980 there were amendments?

**Mr. Cosman:** — '79.

**The Chairperson:** — '79-80 there were amendments to that private Bill, and they again used this process . . . (inaudible interjection) . . . Yes, I can't read that, Bob, because I haven't got my glasses on. The Law Clerk is showing me — it's very small printing — but the dates where the private members' Bill procedure has been used in establishing this organization and in amending the legislation through, you know, a number of steps over the years.

I mean the point I want to make — I don't want to be argumentative — I'm just saying that this process is no different. In fact it's exactly the same as any that has been followed with the private members' Bill which established the Pool in 1924.

**Mr. Stanhope:** — I can appreciate that. I'm asking that if you insist on passing the Act or



proceeding with the Act that you provide some amendments in there that will allow the discussion to take place at the community. Let the talkers have it, as Stevenson said. They'll come up with the right decision.

**The Chairperson:** — Yes, yes. I think we understand each other.

Okay, taking a speakers' list now, I think Mr. Johnson was first. Also the Clerk tells me that it is the responsibility in terms of advertising cost . . . we've been asked why we didn't advertise throughout the province, the hearings. And in a private members' Bill it's the responsibility of the petitioner for the Bill to do the advertising.

**Mr. Stanhope:** — Okay. Like I couldn't find . . . like I checked with both structures, both the Pool structure and the NDP structure, to find out if there was communication, whether they had received . . . Like we found out about the hearings quite by accident, and we had to prepare on a very short notice.

So I thought well, what's going on here. We had just been into a meeting with the cabinet who assured us that there would be hearings and that they would be fairly extensive. And three days later, the hearings are already set, and they're set for the following week, so there is no time to get expert witnesses or no time to even . . . I was till 1 o'clock this morning preparing this brief to get all the materials together. And we tried to get . . . Because this, in my mind — and Harold and I have been working on this — is one of the most significant actions that will be taken in this province in, well, in this century.

**The Chairperson:** — Well I don't want to pre-empt the speakers, but there was advertising. I mean I can tell you what dates it was. And there was . . . (inaudible) . . . Yes, it's in the *Saskatchewan Gazette*, the *Saskatoon Star-Phoenix*, the *Regina Leader-Post*, *Prince Albert Daily Herald*, and the *Moose Jaw Times Herald*. So there was advertising prior.

And we did try to . . . The press could have picked it up. I mean it was posted here for the press to pick up the week prior. And finally I think it was Monday that I called the press and said, maybe for once you could print a story without being paid for it, which they did. I think on Tuesday, the opening day of the hearings,

there was some press coverage in terms of the reporter actually doing some background work on it. But, Mr. Johnson, I'll go to you. You're at the top of the speakers' list.

**Mr. Johnson:** — Okay. Just some comments on the . . . I have some questions but . . . The rules of the House are fairly precise and fairly direct on how a private Bill reaches the House and goes through the process. Shifting it, it can be sent to the Private Members' Bills Committee or another committee of the Assembly. So it could end up going to another committee or be sent to another committee.

But this committee has been in place for, I would assume, almost the entire period that there has been a legislative body in the province of Saskatchewan. This is not something that's highly unique or anything to the province it's directed through. The reality is, is that all petitions and Bills will be sent to this committee, whether those petitions are for or against the Bill.

We have in essence, in structuring this committee, with the indulgence of the committee, structured it so that it wasn't necessary for people to follow through the petitioning of the Assembly in order to be heard as part of the hearings and that for the committee. Really just simplifying the approach because if someone had told you you had to petition the House, you could have done that by filling out a form and petitioning. So the reality of it is that's what's achieved here.

But following that it means that this committee in looking at private Bills — and I have sat on this committee both for the last three years and in the '70s — the reality of it is is that the committee looks at any Bills that come in to see whether the Bill in some way is affecting negatively someone outside of the organization.

Such is the case with some private Bills that have come before this committee where in essence they were attempting to utilize the name that some other organization had and in that sense the reality of the legislation would have been to have swiped somebody else's name. Those types of things are checked out and when the committee looks at it, they will reject a private Bill that attempts to do that.

The decision as to whether the Bill, as it goes

through this Private Members' Bills Committee, as to whether there's total agreement in what this Bill is achieving as a policy is really not a decision that is made by the committee members. The decision that they have to make is to whether this Bill is doing something that would generate a . . . that generates a problem for someone else in the society, not being the corporation, by taking over someone else's legal rights or stopping someone else from doing it. We have to go through that fairly extensively in order to do that.

So this means that in sitting at the committee and going through things, it becomes fairly important, and why people are asking questions, to understand in detail what people are thinking in case there is something that shows up in that manner. I'm not sure that every member that has sat as a witness or all the individuals that have sat as a witness here have realized — some who have been questioned fairly intensively — realized just what was taking place.

**The Chairperson:** — Thank you, Mr. Johnson.

**Mr. Stanhope:** — Can I make just one short response to that?

**The Chairperson:** — Yes.

**Mr. Stanhope:** — That, Lloyd, is the major reason we supplied this list of material, because it does very directly affect all of society, much more than just the Pool or even its members.

**The Chairperson:** — Okay. I don't want to cut things short but we're really running overtime on this submission. Mr. Knezacek.

**Mr. Knezacek:** — Okay. I'll try to keep it short. But also on the same issue, I just want to point out as well that the Standing Committee on Private Members' Bills is an all-party committee so that there are members from all three parties in the legislature, not just government members, and I just wanted to point that out to the witnesses here. Thank you.

**The Chairperson:** — Thank you. Mr. Langford.

**Mr. Langford:** — Yes, just a short question here. You've quoted here that the legislation

itself has some basic flaws in it and it says . . . one here that kind of strikes my mind and I've been asked about it different times, it should be required an independent valuation placed on property. Can you expand on that?

**Mr. Stanhope:** — Well I guess I draw the experience . . . and I'm not saying this is immediately going to happen but it does happen in corporate structures, as Mr. Hardin has so clearly illustrated in a number of his studies. Mr. Koppel from Ottawa is a prime example of a more recent one of how you'd use junk bonds to take over undervalued companies. You take them over by selling junk bonds and then sell them off. And what concerns me is if your management then moves that direction, they're not serving the cooperative principle; they're nowhere close to it. And to provide those opportunities for that to happen really scares us.

**The Chairperson:** — Is that it, Mr. Langford? Ms. Stanger.

**Ms. Stanger:** — Lloyd, could you give me your definition of a junk bond?

**Mr. Stanhope:** — My understanding of a junk bond is one which individuals, corporations, or . . . they used to be considered fairly shady but during the '80s they became quite respectable because they could buy out outfits like Macy's in the United States.

Basically what they'd done was to use a bond with a high interest rate or something that would attract money, and I know I've seen the different propositions, 20 per cent return — that's before we went to double digit stuff — so people would put up their money, take the risk. And the advantage . . . (inaudible) . . . people proposing those was that they would use that money to buy out . . . basically they only need about 20 per cent or less of a corporation to take it over, especially when you have your limited shares.

So once you take it over then you sell off the undervalued assets and they're inflated all over the place. That's why I point out that breaking the banks — our own credit union's northern bank was broke and in that manner.

**Ms. Stanger:** — Well unless I'm out to lunch totally, it seems to me that junk bonds are sold without the assets behind them.

**Mr. Stanhope:** — Well, I think . . .

**Ms. Stanger:** — From what I understand in the junk bond deals — in fact I call the 1980s a junk bond era . . .

**Mr. Stanhope:** — Yes.

**Ms. Stanger:** — . . . And it would seem to me that while this was happening in New York, people were selling junk bonds and they were shifting money but they didn't have the assets behind there.

**Mr. Stanhope:** — They don't need them.

**Ms. Stanger:** — I don't think — now I could be wrong, you can explain this to me — but I don't think Sask Wheat Pool could sell junk bonds.

**Mr. Stanhope:** — Not likely. But the question that comes to my mind: why was that section put in the Act for additional shares? There's provisions for another type of share which cannot take an interest in the assets. They can't take the powers of the A or B shares. So what are they? What are they for?

**Ms. Stanger:** — I don't think the securities in Canada — now again, I could be wrong, I might not understand this; this is why I'm asking you — I don't think the Securities Commission would allow something like a junk bond issue by any company here.

When those junk bonds were sold in the United States, they were done illegally. Those companies crashed. Those people ended up in jail. I'm just saying this. I could be wrong. It's just from what I've read.

**Mr. Stanhope:** — We're operating in a world economy and we have to recognize that that money may not be raised in this country.

**Ms. Stanger:** — Yes.

**Mr. Stanhope:** — That's the reality of corporate management these days.

**Ms. Stanger:** — -Another thing it says. How does — you asked in no. 9 on page 5 — how does \$25 par value share exceed 200. I don't understand what you mean by that.

**Mr. Stanhope:** — I don't either. That's why I asked it.

**Ms. Stanger:** — Well I've read section 7(2)(b) and I don't understand . . .

**Mr. Stanhope:** — It states there that a class A share cannot exceed \$200 in value. I don't understand how it got to \$200.

**Ms. Stanger:** — It says subsection (1) will cease to be operative if par value of the class A share exceeds 200.

**Mr. Stanhope:** — How does it become 200, or how does it get there; how does . . . attempt to exceed?

**Ms. Stanger:** — Well I could ask one of the other witnesses after you're done. Because I can't answer that. But I'd be interested in knowing too, when you brought that up. Thanks, Lloyd.

**Mr. Johnson:** — In the structuring you've indicated that a fair independent valuation to be placed on the property of the company. What is the reason that you're asking for that?

**Mr. Stanhope:** — If we insist on going this route, our feeling is that Sask Wheat Pool should be liquidated. I don't know how you'd do it, whether you put it on the auction block, but you should establish a fair value. And those who wish to continue a cooperative be given their share of that and allow them to, if they want, pledge it to a new co-op or to collect it and begin to form a new co-op.

**Ms. Stanger:** — That's more than your share of your equity. You want the assets.

**Mr. Stanhope:** — That's more than your equity. Our fathers and forefathers have built up this Pool. There's a value there; it's above and beyond my expectations.

There's another thing I don't think I've heard anybody talk about and that's the goodwill of Sask Wheat Pool. I would imagine that a number of companies would gladly take over Sask Wheat Pool name and pay a little extra to get that, to attract it. It's happened in South America. They took over some of the co-ops down there and they kept the name.

**The Chairperson:** — Is there anything further from the members of the committee? Okay, then thank you very much, gentlemen.

**Ms. Stanger:** — I would just ask anyone from Sask Wheat Pool that wants to answer, how does a \$25 par value share exceed 200?

**Mr. Beke:** — As you will note, the Act . . .

**Ms. Stanger:** — Could you identify yourself, please.

**Mr. Beke:** — John Beke, counsel to the Wheat Pool. As you will note, the Act provides that the class A shares are exempt from The Securities Act regulation and that's because currently the shares of the Wheat Pool are not subject to regulation. And our reasoning is that the class A share's a \$25 membership share. It can be traded. And it's only when shares are being traded that the jurisdiction of the Securities Commission comes into play.

The Securities Commission fought that because they wanted all of the shares to be regulated and one of the conditions in the negotiation was that there would be a ceiling placed on how much the par value share — the \$25 share — could be sold for because there's a power to increase the price of that share. And you can understand their reasoning. If, for example, we start to sell those shares at \$1,000 then they become very much like the class B share and people out there should have a prospectus when they go to buy that kind of a share. So the ceiling is simply to put a lid on how much the membership share can go up in value.

**Ms. Stanger:** — Okay.

**The Chairperson:** — Can I, Mr. Beke, get you to confirm my understanding of this, because I think it's the same as yours but it's just a little bit . . . I arrived at it in a different way and I want to make sure I understand it.

Where section 7(1) says The Securities Act does not apply to class A voting shares, okay. Then section 7(2) says that subsection (1) shall cease to be operative if the class A voting shares exceed the value of 200. And then one of the ways, or the way they can exceed 200, is found in section 14 where it says, each share has a par value of \$25 or such other amount as the by-laws provide.

**Mr. Beke:** — Yes.

**The Chairperson:** — So if the board of

directors moved . . . like originally the shares are worth \$25. If something happened down the road where the directors took an action to alter the value of those shares to something over \$200 then that would be something that The Securities Act would want to become involved in. And so when they exceed 200 then you go back to 7(1) and say this exemption no longer applies.

**Mr. Beke:** — That's right. And then we become regulated.

**The Chairperson:** — Yes.

**Mr. Beke:** — And the reason the provision is there, to increase the value, is there is a debate among the delegates as to what that membership should be. Currently it's five \$1 shares, and some think it should be \$200, and some think it should be 25, and that's where it was settled. So that debate will go on and that's why there's that flexibility. But then there's a cap — as soon as you get over the 200 they will take over and regulate us in respect to the class A shares.

**The Chairperson:** — Right. Okay, thank you. I'm sorry to be repetitive but I just want to make sure that . . . Yes.

Okay we'd like to call now on Mr. George Burton from Humboldt. Go ahead, Mr. Burton.

**Mr. Burton:** — To the members of the private Bills committee, we thank you for this opportunity to present our views regarding the request to make changes to The Saskatchewan Wheat Pool Act.

As a former delegate, Sask Wheat Pool has always played a significant role in my life. Even from my childhood when my father was a delegate and a very dedicated member, Sask Pool was looked on as an organization for the betterment of living conditions for its members. That could be accomplished, our forefathers learned, only by working together for the benefit of all — in other words, cooperation.

This background indicates why we painfully observe the direction now advocated by the Pool directors and management. It is difficult to fathom the reasoning for the proposed changes in structure. That is, until one ponders the observation attributed to Dr. Alexander Laidlaw at the Coady International Institute for

Cooperation at Antigonish, Nova Scotia.

Some of you may be familiar with this statement. He described the greatest danger facing cooperatives was that former bankers, accountants, and business managers would get into managerial positions in cooperatives and would impress the board of directors with their knowledge of how business operates. They would explain how to make more money by doing things differently. Dr. Laidlaw said these people know little about the Rochdale principles or the history of the cooperative movement.

Unfortunately I believe this comment correctly describes the present situation of Sask Wheat Pool. From my own observation, management people have for years referred to the organization as a corporation in spite of the delegates and directors maintaining that it is a cooperative.

Now who do management hire as consultants to review the Pool's structure? None other than RBC Dominion Securities who obviously have no understanding of cooperatives and from statements I've heard do not consider cooperatives have a role to play in the business world. They appear to have convinced the board and management that member equity is a debt.

Now this is the nub of the argument that the Pool now uses for the need to raise more capital by going to outside sources. And the implication is also there that members and their concerns are a debt, a drag on business, so get out of the way for business sake.

History shows that when cooperatives adhere to the Rochdale principles and to the welfare of its members, and with the dedication of its members, unbelievable results are accomplished for the benefit of members and the total community in spite of dire business predictions.

A current delegate was quoted after the July vote that he was disappointed the delegates didn't spend more time studying alternative methods of raising new capital, ways that would ensure members are first in line to benefit from corporate earnings. Once the notion of building equity through patronage is gone, he observed, the Pool is really not different from any other grain company. I can't

help but wonder if this is the real purpose of the consultant's report.

The Pool, in its questions and answers pamphlet sent to members last fall, leaves the impression that it will still be cooperative. It says: after conversion the Pool will continue to adhere to certain fundamental, cooperative principles which are included in the draft legislation.

Now, ladies and gentlemen, from what I understand about legislation and by-laws of cooperatives, it cannot be described as a cooperative unless it adheres to all Rochdale principles. When Pool officials suggest the organization will adhere to certain cooperative principles, it's similar to someone saying they're half pregnant.

The proposed legislation would remove such fundamental cooperative principles as patronage dividends and limited interest on share capital. This contradiction that they are still a cooperative would even be enshrined in law if the proposed amendments are passed. And what effect will that have on other cooperatives? To do this and even hint that they are maintaining cooperative principles is most deceiving, I would suggest, and trying to do it with the complicity of the legislature.

To add insult to injury, there is a clause in the proposed revision that would allow delegates to approve positions on the board of directors to represent class B shareholders. Now members were never informed of this, and indeed most delegates are likely not even aware of it, and this in spite of assurances that the organization would be controlled by class A shareholders only.

We recognize the changes requested by Pool officials have placed you, as members of the legislature, in an unenviable position. But comments from representatives from all three parties have indicated if that is what the Pool wants, we won't stand in the way. Well with all due respect, we would suggest that such action would be abdicating your responsibility. And just because Pool directors have unfortunately abdicated their responsibility to fully inform their members indicates a greater need for you to exercise your role in a critical and thorough manner and not just rubber-stamp the proposal.

One of the specific changes needed is to strike out the clause that would allow representation of class B shareholders on the board of directors, since Pool officials did not indicate that provision to its members. Any reference to maintaining certain cooperative principles must also be struck. A cooperative must adhere to all Rochdale principles; otherwise it is contrary to the cooperative's legislation, as I understand it.

Ultimately, what is needed is a vote of Pool members on any proposed changes and structure. We respectfully request that the legislature makes this a requirement before proceeding with any further action on proposed amendments to The Saskatchewan Wheat Pool Act. We are prepared to accept the decision of the Pool members, who should have had this opportunity in the first place on such a fundamental change in the organization.

And make no mistake, not only are Pool officials being assessed on their competence, the legislature as a whole and each individual member will be critically appraised on whether they are fulfilling their role responsibly for the citizens of Saskatchewan. We trust you will make a proper decision in the best interests of rural Saskatchewan, not just the corporate interests of Sask Wheat Pool. This issue involves some of the most basic principles for rural life in Saskatchewan.

One further observation — our country needs a strong cooperative movement in this present age of globalization. It is imperative that we maintain the Pool as a strong cooperative, working on behalf of its members and building on its impressive performance over the past years.

The loss of the Pool as a cooperative would be a devastating blow to the cooperative movement in Saskatchewan. And make no mistake, the Pool will no longer be a cooperative if the proposed changes are enacted. Cooperatives are the most effective way of ensuring that people can maintain control over their destiny and that we can be assured of a truly Canadian voice in trade and policy matters.

Respectfully submitted, George Burton, and this is also endorsed by Richard Gerwing of Lake Lenore, a former Pool delegate for 15

years. Thank you.

**The Chairperson:** — Thank you, George. Are there questions from any members of the committee? One has occurred to me that nobody has raised, and there's a lot of representation in terms of a membership vote. But if the Pool has 83,000 members — approximately, give or take — but 57,000 active members, then in a membership vote, I assume that the 83,000 would be eligible to vote. And I'm just wondering what kind of risks there are in having 26,000 people voting who don't do business with the Pool.

**Mr. Burton:** — That is a consideration that would have to be looked at. I suppose that as long as they're a member, they have the right to vote, but at least then the member gets a say in that sort of fundamental change as we have outlined, and I think that's very imperative that that sort of a decision has to go back to the members. We could get tied up in semantics about, like, who is eligible to vote or not. And I don't think that's the important question. I think the important question is basically that it does go back to the members.

**The Chairperson:** — Well the importance is relative; I mean I realize it's important. But those 26,000 — depending what the numbers are — those people who are not active members represent a third of the membership, which if they voted could be a substantial influence on the outcome. So I just wanted to raise it because we've come this far into the hearings without it ever being addressed.

**Mr. Burton:** — Well many of those members may be landlords, and so have a legitimate right also to the vote, to a membership vote.

**The Chairperson:** — Okay. Thank you very much.

**Mr. Kowalsky:** — I notice that throughout a lot of the presentations there seems to be an assumption about . . . certain assumptions about the role of this committee and you addressed part of that earlier.

But it's come up again here and that is, it ascribes to the committee, to this committee, and anything done through private members' committee, sort of the same weight and same political responsibility that is ascribed to other Acts of the Bill.

And I think that assumption ought to be corrected because my understanding of this whole process of private members' Bills is that the reason it's there is you have people that form associations. We have in our democracy this right, this fundamental right of forming associations, changing associations, belonging to, withdrawing from associations. But in order for that to work and to work properly, we have adopted a system where we give these associations . . . we establish the associations through rule of law.

So really this committee forms . . . becomes a way of . . . once it goes through here then that has to be recognized. And we avoid situations then as to who is in charge, and who's in charge of what, that we hear quite often. Right now we don't know who's in charge of certain parts of the world, namely eastern Europe. Or our own Metis Society here doesn't have these types of structures. And that kind of changes, and as a result, chaos results.

But just because the vote takes place in the legislature to establish this as rule of law, that does not mean that the responsibility for the formulating of those rules is that of the legislature. And that ought to be clarified.

You see we had in here today an Act to incorporate Briercrest Bible College, where they wanted to change their name and they needed it done in terms of rule of law, and that was the purpose of this.

For the legislature to dabble in changes that aren't agreed to by parties, on that it would be a greater affront and a greater threat to democracy than for the legislature to simply assure that the legalities that have been aforementioned earlier today are ascribed to. Because there is considerable danger to our whole democratic system if the legislature starts to interfere in the internal workings of any organization, outside organization. There is a tremendous problem that could arise from that, if that was extended.

So I say that because I think the statement such as, complicity of the legislature, is misguided. It's based on inaccurate information and I wanted to put that on record.

**Mr. Burton:** — I appreciate your comments. And when I refer to the complicity of the legislature, what I'm referring to is if that

proposed amendments are passed as presented. Because I think there is some fundamental flaws in it there that the legislature must deal with, in spite of your comments on trying to not interfere too much with organizations. But we're dealing here with an organization that professes to be a cooperative, still wants to keep cooperative roots, and yet it may very well violate legislation on cooperatives. So there could well be there a conflict. How do you measure that out?

**The Chairperson:** — Well on the other hand, on Myron's point — well unless he's not done — say for instance the example you gave. We had two. One of them was Briercrest Bible Institute and one of them was the Seventh-day Adventists. I mean think of the danger, like the perils that Mr. Kowalsky talks about, if the petitioner should approach the legislature to go through this process, and we would say . . . For example, Seventh-day Adventists are a minority in Saskatchewan. What if we said, well we'll consider your legislation if you will stop observing the Sabbath on Saturday? I mean that would be an abrogation of their fundamental rights and it would be a heavy-handed way for us to interfere in what they believe and how they organize themselves.

**Mr. Kowalsky:** — You know we've listened to a lot of debate here and appreciated the depth of the division in some cases — and maybe naively thinking that there may be, through discussion, there may be some compromise reached at eventually. But that compromise would have to be reached, I think, and understood that it would have to be reached, before, you know, there were changes to come to this, just as in the case that was mentioned.

You know that is the purpose of the hearing, because maybe there are ways that things can be done with agreement, or with second thought, but it has to be second thought on the part of the people participating in the process of those organizations.

**Mr. Burton:** — So it indicates there is a role to play here.

**Mr. Kowalsky:** — Well we're not going to quit this hearing, that's for sure.

**The Chairperson:** — And I'd just like to take that a little further before I go to Mr. Johnson,

that this committee is empowered to hold these hearings and then we make recommendations to the legislature. That's the end of our role. And we have the option of recommending to the legislature that the Bill be approved as presented, that it be approved as amended, or that it not be proceeded with — those are our options.

**Mr. Johnson:** — Mr. Burton, you had indicated that you thought that maybe this legislation as related to the co-op Act, that this was doing something illegal under the co-op Act. My understanding of the co-op Act is that in basic it starts out as enabling legislation allowing someone to form a co-op and then gives restrictions in the formation of that co-op.

This Act, I do not believe — because it is a private Bill and then becomes an Act of its own — that there is any effect in it. But if there is something which I don't understand or don't recognize as being there, I would like to know about that because that would give a reason that would generate this committee having to really take a look at it.

Quite frankly, I haven't sat through all of the hearings because I wasn't here last week. But in the hearings that I have sat through I have not heard anyone provide anything of that nature related to any of the structures that we have in any legislation, or things of that nature, that are in the province. So if there is something I'd certainly like to know about it because that is very definitely one of the things that would be considered by this committee.

**Ms. Stanger:** — The Law Clerk is just looking it up.

**Mr. Burton:** — Well we'll certainly take a thorough study of The Co-operatives Act, a detailed review of it, but my understanding is that a cooperative can't even use a title unless they do adhere to the Rochdale principles.

Now whether that's in the Act or in the by-laws, that could be open to question. But I think those things have to be very thoroughly checked out.

**Mr. Johnson:** — Well, thanks, I'm finished.

**The Chairperson:** — Thank you very much, Mr. Burton.

**Mr. Burton:** — Thank you.

**The Chairperson:** — Our next witness, Mr. Dease from Archibald has called and said he's not able to come in because of the road conditions. But there are two more scheduled, the next one being Forrest Lawrie from Holbein, and then Robert George from Herbert.

And then there's four people who have walk-ins who have said that they wish to address the committee, one of them being Mr. Gislason who couldn't make it this morning for his regularly scheduled appearance.

So, Mr. Lawrie, make yourself comfortable and go ahead whenever you're ready.

**Mr. Lawrie:** — Madam Chairperson, members of the Legislative Assembly, fellow presenters, and guests. I must say that to present my views to this committee as an individual on such a matter of importance is done with humble honour.

The following brief will express the importance and the necessities of Saskatchewan Wheat Pool to retool and reorganize for future viability to the member customers it serves and ask for a change in the provincial legislation, The Saskatchewan Wheat Pool Act, to allow for this retrofit to happen.

My name is Forrest Lawrie. With family members, I operate a mixed farm in the northern part of this province near Shellbrook. Our ties to the cooperative movement are deep rooted with hours of personal time from three generations has been given to work with others, to cooperate so we can all enjoy the fruits of success. And yes, there have been many times of celebration in the co-op movement, but it would not be correct to omit the failures.

I will never forget the look on my father's face when Co-op Implements, an organization he devoted much of his time, serving some years as president, finally closed the last pages of its chapter in history. It was only when, a few years later, the day of my father's death, that looking in a mirror I've seen that same expression of loss, and I then knew how he had felt. It is with those same convictions that I make this presentation.

I serve as a Saskatchewan Wheat Pool



delegate for the members of district 15, subdistrict 7. Never for myself has an issue created so much soul searching, inner debate and thought balancing as the idea of letting people outside of the owner-members of Saskatchewan Wheat Pool hold shares. After months of fact finding, exploring all avenues, member consultation, I still had not a clear decision, even to the morning of that historic July vote. It was only because of the member support in my subdistrict that I voted yes. I did not publicly indicate full support on this issue until December 1994.

I'm sure that this committee throughout this issue will hear from both sides of the debate, the past and present value of Saskatchewan Wheat Pool, not only to rural communities but to everyone that lives in this great province. In this address, I will be speaking more in the future tense.

It is common knowledge to everyone in this room that, through technology and human advancement, the world has become much smaller. No matter what type of business, how large or how small, we have been introduced to what has been called a global market-place.

And while it is true that Saskatchewan Wheat Pool has been effectively marketing on a global basis for many years, we find now that the policies of deregulation and world trade agreements have changed the atmosphere in which we trade. These changes not only affect Saskatchewan Wheat Pool position with our purchasing customers throughout the world, but have a pronounced effect on the services we provide for our member-customers at home.

Along with these realities, we find that Saskatchewan Wheat Pool has also changed. No longer are we only elevators and grain handlers but rather a diversified, agricultural cooperative creating badly needed value added opportunities for this province. Simply put, Saskatchewan Wheat Pool has grown and has had to change to tackle the realities of the world. For Saskatchewan Wheat Pool to continue to be a successful agri-food business it must adapt to secure a position in this global economy.

The first process of adaptation has been for Saskatchewan Wheat Pool to review its financial position, and after debate and

consultation, develop and accept a plan that will carry it well into the future. The financial strategy accepted by 80 per cent of the delegate body, twice voted, will be to issue class B non-voting shares on the Toronto Stock Exchange. Class A voting shares will be issued subject to the same criteria and conditions used today.

I believe that there are two elements in the subject of debate that make this proposal absolutely necessary. There is also a need for this proposal to move with due speed. The first element is the reality of deregulation in the grain transportation system and the farmers of Saskatchewan subject to someone else making decisions on their behalf. Someone who does not live in Saskatchewan. Someone who doesn't take into account road costs with rail line abandonment. Someone whose only interests lie with themselves and what is best for them.

People that farm and live in the communities of Choceland, Limerick, and Shellbrook will be offered rates on the main lines that, due to survival, will use truck transportation to take advantage of bypassing their local point. Loss of bushels to that point will result in higher costing tonne per mile on rail lines and eventual abandonment.

We all from experience can tell you what happens when elevators close in a small town — main street business doors start closing soon after. Where municipal roads and provincial highways take on the tonnage moved by rail, people in charge will be forced to apply a levy on grain movement. Is rail line abandonment an efficiency or only a transfer of costs?

This branch line network, what we call the life lines of small town Saskatchewan and the main lines to our ports, is the missing link in our grain handling system. The link that is controlled by outsiders. The link, the statistics will tell you, is the only reason most small towns survive. And I predict now this is the link that the farmers of this province, along with partners, will own and operate, and once again market our grains offshore with competitive edge. But this will not be done without vast financial resources, resources so large that the sale of shares is the only vehicle to make that goal attainable.

The second issue is the immediate need to add value to the grains we produce. As one with the history of value adding in this province — and I might say right now one of the only histories of value adding in this province — who is better equipped to provide producers with opportunities in agricultural food production than Saskatchewan Wheat Pool. Again opportunities as these need capital to start and grow. With governments struggling with debts and deficits, finding themselves unable to always play a role, Saskatchewan Wheat Pool and the use of share capital is the only vehicle that will ensure that these endeavours are best for the people that live here and not those that live elsewhere and only interested in the capital that can be removed.

It is also important that I relate to this committee the time element associated with the massive changes we face. The federal government has indicated that CN (Canadian National) will be privatized. Large multinationals have indicated interest in that purchase, fully knowing the control associated with it. Already with a planned system of terminals on main lines, value added will come and be situated at their speed and possibly not even in this province. To maintain control of our own lifestyles, we must with due speed complete the first process of retooling so that we have a firm financial base to take on the world.

This is not the first time that we've been told what is best for us by people who live far away, who have only an interest in themselves. Our forefathers in the 1920s finally said, enough is enough, and took charge of their own lives as will the farmers of the 1990s. Times have changed, circumstances have changed, but the social and economic power of cooperation is just as overwhelming now as it was in 1924, and I predict will prevail.

I come here today not to burden you with financial appeal, not for you to spend time and support on intervention, but only to make the necessary changes in legislation that will allow the members of Saskatchewan Wheat Pool to once again take charge of their lives and have control over their own destiny.

I ask now for a favourable and positive decision by this committee and also your

assistance, to make sure this private members' Bill changing The Saskatchewan Wheat Pool Act is swiftly passed for all our sakes that live in this province.

Again I thank you for this opportunity and wish you all well in your considerations and deliberations in the future. Thank you.

**The Chairperson:** — Thank you very much, Mr. Lawrie.

**Mr. Johnson:** — Welcome to Regina, first. I would assume that is was a four- or five-hour drive.

You have on page 2 indicated that the only reason that you voted yes was support of . . . was member support in the subdistrict. Would you mind expanding upon that particular sentence or idea.

**Mr. Lawrie:** — Yes. I told my membership as soon as this issue hit the floor. And as we had our consultations, in that process I did say that I would accept the views of the membership on this vote, and only take their views as my decision in the final vote. And I guess as for myself, even to that day, I had not a clear decision on which way I should vote. But as I say, I gave the members . . . I told them it was their say in this matter and I did as instructed by them.

**Mr. Johnson:** — Did you go and meet individual members or meetings or . . .

**Mr. Lawrie:** — Yes. I held a series of meetings in my sub. It was poor attendance at the meetings I did have, the public meetings I had, but I was able to, I guess by the use of sporting events and community events and local coffee shops and being able to talk to a good percentage of my members, get a fairly accurate, you know, sort of look at which way they'd want me to go on this issue and make my decision from there.

I would say I talked to probably between 60 and 70 per cent of the people in my subdistrict on this issue.

**Mr. Johnson:** — This 60 or 70 per cent would be active members in the sense of the active members that would be moving grain to the Pool or buying from the Pool, etc., not considering the probably 30 or 25 per cent of

the membership in the Pool that's not active. Would that . . .

**Mr. Lawrie:** — That would cover the total membership. I spoke to those inactive as well, but being probably a very small percentage of that 60 to 70 per cent, but there were some inactive members in that tally. I was going by a total membership count.

**Mr. Johnson:** — Okay. At this present time did someone else have some questions?

**Ms. Stanger:** — Forrest, thank you for coming. Do you not have any fears that you will eventually lose control of Sask Wheat Pool through the class B voting shares?

**Mr. Lawrie:** — No, I don't. Not through this structure. I believe that to destroy Saskatchewan Wheat Pool or to gain maybe access of its control can be done in other ways than through this share. And by that I mean I think the lobbying that's been done at the federal level by those that would probably wish to take us over has done more damage right now to us than they would ever do by purchasing our shares such as this. I don't believe they would try to get into this share offering because I believe we'd only make use of the money that they put in and that wouldn't be to their benefit.

**Ms. Stanger:** — So you say there's other ways of them gaining control or having control. What do you mean? I don't quite know what you mean, Forrest.

**Mr. Lawrie:** — Well the last federal budget and what that displayed showed lobbying efforts on the part of multinationals to the federal government of deregulating the transportation system to allow the system to come to the main lines and . . .

**Ms. Stanger:** — Okay.

**Mr. Lawrie:** — . . . be drawn to the main lines. That way the large players, the world players in this game that don't have facilities in western Canada even, can now just build a facility on a main line and be just as competitive as Saskatchewan Wheat Pool who has elevators in every small town in this province and pays taxes and employs people at those points also. And it's by way of that deregulation they did more damage that way

than they ever would do in attempting to take us over by shares. I think they have probably easier access to putting pressure on us in that way.

**Ms. Stanger:** — So would I be accurate in saying that you think by the share offering that's one way that you can still have some influence?

**Mr. Lawrie:** — I believe that it's come down to that I believe that's the only way we can still influence what we do here, is ask people for their financial help from outside of our organization. It's a tool that will give us access to the same type of money, the same amount with the same, you know, interest that would go with that or the same conditions of using that money as the larger corporations, and some of them don't even need that method to obtain the type of capital needed. But for us to obtain the type of capital we need to compete, and I believe contain the infrastructure we have in Saskatchewan now, I believe this is the only route that is left for that purchase.

**Ms. Stanger:** — Forrest, do you think the Wheat Pool could have raised the money through their own delegates rather than going to the public share offering.

**Mr. Lawrie:** — Well it depends on what we're going to do. I think some of the things that have to take place in this province — and one of them is buying into the transportation system — will require dollars much above what we'd be able to raise with the means that we have allotted to us at this time.

It is more than . . . I guess the value of western assets of Canadian National Railways, just for an example, I've been told now is between 5 and \$7 billion. Now I don't imagine that would be a buy-out price. I think when we see public assets being sold in the last 10 years we find that they sell at only cents of their actual dollar values. So the dollar value of CN or any part of CN is something that would have to be negotiated, but still would arrive at a value, a value that we just don't have the means to right now reach.

**Ms. Stanger:** — Do you have any idea of how much the share offering would raise, Forrest?

**Mr. Lawrie:** — Well you see, the share offering, the initial share offering, will only raise

enough shares to convert the existing equity.

**Ms. Stanger:** — Yes, I understand that. But after the in-house trading.

**Mr. Lawrie:** — How many shares will have to be issued? It will depend on what projects that we see fit to make happen. And it will only be a project that members may not . . . I mean things have changed in this world. It's just the same as you people as MLAs. We have to make decisions on behalf of our members sometimes without taking in a full consultation process. But you know, I believe the same kind of principles would apply to what we're trying to do with this.

**Ms. Stanger:** — Okay, thank you.

**Mr. Kowalsky:** — . . . some remarks you made about the change in transportation system, the demise of the Crow. You didn't allude to it but other members talked about the Wheat Board now being sort of something that could be threatened. Is the time line on this going through the legislature critical?

**Mr. Lawrie:** — Well maybe to such organizations as the Canadian Wheat Board, no. I wouldn't say critical to that particular organization. As far as the people of this province and the farmers of western Canada obtaining a transportation system that will get their product to our ports at a reasonable cost, I believe there is a time factor here.

The federal government has announced that it may be tired of owning railcars and may be in the short-term future look at selling those. I believe the province of Alberta has indicated the same type of deal that, you know, maybe they're tired of owning railcars and they sell that part of their fleet.

And as I said, multinationals . . . and I can't quote but I know from readings in the newspaper of a multinational, it said that the railcars purchased in Canada would very nicely complement their fleet in the States and allow them to interchange with grain back and forth into Canada and be a real asset to them. And I believe it would for them. But that goes along with what I talk about when I talk control of the system. Transportation is a real heavily controlled part of our system that unless we control it can be very disadvantageous to the people of this province and the producers of

western Canada.

**Mr. Kowalsky:** — So you see the Wheat Pool as . . . You want to be able to put the Wheat Pool in a position where they can get into this.

**Mr. Lawrie:** — Have a stake in it.

**Mr. Kowalsky:** — If necessary.

**Mr. Lawrie:** — Yes.

**Mr. Kowalsky:** — And you don't feel that that can be done simply by borrowing money under existing conditions, under existing structure?

**Mr. Lawrie:** — Not at the rate that we can capture money through a share process. Our lenders view . . . as much as we debate this ourselves, our lenders that lend us money view member equity as not collateral but a payment to make or a debit in our case. And so, with going into the borrowing arena with already that mark against you — that you already owe a pile of money to your individual members — we find that our borrowing rates now and the amount we can borrow have limitations.

And the rates that we can borrow from now, our competitors can borrow at a lot less rate or else a lot of them have money already at their access and those type of funds that we're trying to initiate through this process.

**Mr. Langford:** — I see you related in a few places here where you're saying, okay the Wheat Pool has to diversify, has to change their operation. And I don't think there's too much of an argument there.

But I think one of the biggest places I see, the biggest arguments I see, is the people feel they've lost their co-op. They feel they've lost what they believe is the co-op philosophy.

And I see where you're saying here you believe that you're going to be a much stronger co-op going through this period and I just wondered if you could expand on that a little bit for us.

**Mr. Lawrie:** — Yes, I sure could. And I have to say that I believe that was one of the elements of this argument that the thought balancing was going on in my own mind. The dedication to co-op principles and how those principles should work, I think, was foremost in my mind

and something that, you know, I believe in and I believe we should not stray from.

But I believe that no matter how an organization may look on the outside, it's the principles, the cooperative principles, of those people on the inside that run it. It's their principles that will maintain the cooperation and the cooperative principles in the years to come and not necessarily the structure. I believe it's the people of this province and the mind-set that they create in the cooperative way that will keep that power of cooperation just as strong in the future as it has been and we've seen throughout the history of this province.

**Mr. Knezacek:** — Thank you, Madam Chair, and thanks, Forrest, for your presentation. You had mentioned that you had consulted with your members, in the neighbourhood of 60 to 70 per cent of them. Did you get a reading in terms of what the members plan to do as far as their equity was concerned? Were they planning on reinvesting that in shares or . . . what percentage? Were they looking at withdrawing their equity? Or what was the situation as far as your subdistrict was concerned?

**Mr. Lawrie:** — Well I'll have to admit I had just about all classes of people of what they wanted to do. I had a certain portion that wanted to go ahead because they wanted their money out — that was part of the argument. I had to kind of also balance to see how legitimate I thought that argument was.

I had producers who did want to continue to invest and possibly invest more money in Saskatchewan Wheat Pool and I had a large number of membership that, you know, they said if you feel that this is the only vehicle and the best vehicle to move ahead with, to go ahead and move ahead with it.

Now I think as time has gone by and more facts over the issue has gone out to the members in my area, I find them being able to accept the issue much more easily and now finding them quite willing to let their money go in as shares and not take it out on the first chance they get — to go ahead and say, we do have some money to start with for future investments in this province. And I actually am quite happy to see the enthusiasm that they are doing this with. I think a lot of them can see

the writing on the wall. If we don't do something for ourselves now, nobody else is going to do it for us. And they too see this as one of the only vehicles that they can use to maybe get things going in their own way and they're accepting it, a lot, you know, quite happily and willing to invest.

**Mr. Knezacek:** — Just a short supplementary, and you've alluded to part of the answer here. I wanted to know if you had any idea or if Sask Wheat Pool had any idea about how much outside local or Saskatchewan interest there would be in investing in shares other than members themselves, putting in extra equity or any extra investment in class B shares. Do you have any kind of information in that respect?

**Mr. Lawrie:** — No, I don't, I actually don't. It's something that I haven't really, you know, I've been interested in but I haven't really looked or really went looking for people who'd be happy to invest. But, you know, I've been thinking to myself that when you think about it, how many people have left this province and now live in larger cities of this country and do have investment portfolios, but they also have a little model of a Saskatchewan Wheat Pool elevator sitting in their living room and still have that cooperative heritage that's been instilled in them through Saskatchewan Wheat Pool? And I believe investors such as these are an asset that we have yet to, you know, discover and uncover.

And I believe there's two flow of thoughts here. I mean here's some more capital, equity capital if you want to call it, that we can use and it's from people that have the same beliefs as us, and that carry the same beliefs and know that anything that we do that is good for the member is good for Saskatchewan Wheat Pool, and I believe will accept any type of policy decisions that we may take as being good for themselves too, as a good investment. There's that to think about.

Second of all, we as farmers in this province and in western Canada, our numbers have dwindled to the point where, you know, we're really not an effective voice nationally any more. And I see this in the last budget. I think we got trounced on because of the numbers that we lobby with. And you know, what can you do about them? The numbers are the numbers.

I think if we let some of these people that have left this province over the last 25 or 50 years, let some of these people invest in their home province in an institution they knew so well, this may help us in our lobby efforts, you know, in times in the future. And that is just something I'm dreaming of, but you never know. It could be something that is very useful for us in the future.

**Mr. Knezacek:** — Well that's an interesting comment that you made, and if I can just add, maybe if you held an annual meeting of these people, that would help out the economy of their province as well, like having them come back.

**Mr. Lawrie:** — Yes. Well that's another aspect, yes that's . . .

**Mr. Knezacek:** — Thank you.

**The Chairperson:** — Is there anything further? Thank you very much, Mr. Lawrie.

**Mr. Lawrie:** — Thank you.

**The Chairperson:** — I would like to call now on Robert George from Herbert.

**Mr. George:** — Good evening, Madam Chairperson and committee members. I thank you for this opportunity to speak to you. I haven't done this before, ever, so please excuse me if I make a bunch of *faux pas*.

**The Chairperson:** — It's very intimidating and we know.

**Mr. George:** — Yes. My name is Robert George and I farm with my brother and our families north of Rush Lake, Saskatchewan. I grew up on a farm. My parents and grandparents were strong supporters of Saskatchewan Wheat Pool. My grandfathers were among the pioneers who built this company and my father served on the Rush Lake Wheat Pool committee for many years. It is safe to say that all these men would be appalled at what's happening to our company now.

My brother and I both served on the Rush Lake committee as well, and we are amongst the majority members of that committee who resigned in protest against the share offering proposal. We have always been proud

supporters of the Pool but we cannot support this betrayal of the cooperative principles that all our family has believed in for so long.

All members of my family — and there are a few of us — who currently hold equity in the Wheat Pool will be cashing it in at our first opportunity if this goes forward. We do not wish to see our money wasted on the kind of future that the current board and management are proposing.

We've been told over and over again that the only reason that Sask Wheat Pool is having this share offering is to raise capital for infrastructure. I heard tonight he wants to raise \$6 billion? My gosh, give me a break. It looked like we could only get about 100 million if they did do the share offering. It's a pretty scary proposition to set to work and go and issue those kind of shares.

I can see this as being something that any company might want or any person, for that matter, might want. I've got a great want list. You know, well please, Lord, buy me a Mercedes-Benz. You know, need, now that's another matter. The question is to be asked: what is a real need for Sask Wheat Pool? But please let's slow down. Let's take a look at the WGTA (Western Grain Transportation Act) and how it will affect us in western Canadian grain farmers. The coming changes might cause a great swing into livestock. Or maybe our grain will go down to the States, as Leroy Larsen has suggested.

One thing has been stated over and over again. We don't know what is going to happen. We'll have to wait and see. The point is that jumping into something right now would be like jumping to our deaths. With all due respect, please look long and hard before allowing Sask Wheat Pool to take this jump.

I've looked over the Sask Wheat Pool amendment Act 1995 and there are a few things that the Pool is asking for which have nothing to do with the raising of capital. Those things must be here for other reasons and therefore what are those other reasons?

Page 2. Why must patronage dividends as a method of distributing earnings be removed? Make no mistake, the MVP (maximum value plan) program and various trucking programs do not a patronage dividend make. Patronage

dividends go to everyone who does business with the Pool regardless of the dollar total. The same cannot be said for the much-despised MVP program. Its very name gives it away — this program of privilege, as too were the trucking subsidies and programs available only to those who have a lot of money to spend. As you know, in the midst of one of the most severe farm crisis this country has ever seen, it doesn't apply to most of us.

Pages 9, 12, and 19. Why must class A voting shares be worth 25 bucks when at present — and I have different numbers I guess than what you have; they're somewhere in the middle — that the Wheat Pool's membership would be in excess of \$15,000, not the \$1 that was paid for them when the company was founded.

What has this to do with the raising of capital? What happened to the other 14,975 bucks? The question must be asked. This number is based on Sask Wheat Pool value of \$900 million and a membership of 60,000 farmers. These numbers were given to me by Marvin Wiens, a director of Sask Wheat Pool in Swift Current, about a year ago. I'm sure that if we had \$1 investment here in IBM or Standard Oil when they were founded, you wouldn't let it go for this kind of return.

Page 8, part 24. Why will the class B shareholders in the future be given a vote amending the Act or in any major changes in the company, particularly when the Wheat Pool members have been declined that right at present? I've been to meetings where they've called us member-owners over and over and over again. Now all of a sudden we don't even have the rights of a B class shareholder when this proposal will fundamentally change the structure of our company. What has this to do with the raising of capital?

Why in the world would Sask Wheat Pool insist upon calling itself a co-op, particularly when it's never been a cooperative in legislation before? Why does it need to be called one now? Will no one . . . will it no longer bear any resemblance to a co-op? How does this affect raising of capital? That same question over again. There's so much stuff in here that just has nothing to do with the raising of capital and that's the reason it's been brought forward.

The next bit of information is not in the Bill in front of you — but I believe it goes a long way

to describing the mentality of those who have brought this Bill forward — is a memo dated February 20, 1995, and is signed by Mr. Leroy Larsen, president of Sask Wheat Pool. In this memo Mr. Larsen offers employees an opportunity to buy shares in 5 per cent increments to a maximum of 25 per cent of their annual salary over a five-year period. He offers this with an interest-free loan, of which only 75 per cent is repayable. The Pool will forgive the remaining 25 per cent. The question must be asked: how does this help raise capital and money for Pool expansion?

We must . . . we are here . . . we are also hearing about all kinds of stock options now for senior management. We are told this is for the good of the company and the managers will have more interest in it if they own part of it. Apparently a quarter of a million dollars that Mr. Loewen makes each year isn't enough. We have to subsidize his ownership in our company besides.

Then may I ask, what is enough? How much money does he have to make a year before he considers himself part of the company? It's really . . . I find it almost abhorrent. Every time I scratch at this thing it seems like there's a flake off and something rotten comes out from underneath.

With all due respect to committee members, I ask you to please give this Act due consideration it needs. Please, take your time — and our time — and ask the questions that need to be asked. And I've heard some good questions here tonight too. Please help, and pray for your farmer friends and constituents in this our hour of need. With the end of GRIP (gross revenue insurance program), the cash problems of Crop Insurance, the end of the WGTA, and the stepped-up attacks on the Canadian Wheat Board, what will become of us if we have a crop failure?

You know, now that we are run down and we feel all beaten up and deserted, the people who we trusted to run our company have decided to kick us and take this last thing from us — and it is take — Sask Wheat Pool, a company which both my grandfathers and father worked so hard to build. I believe that a change in the Wheat Pool will stop it being the fair trader that it has been. In other words, it will be trying to become the company with the best deals for some, rather than the company

with a fair deal for all.

Our company has been fair because it has been forced to be because it has always been owned by farmers and controlled by farmers. A past president of Sask Wheat Pool once said that a policy that was good for the Pool might not necessarily be good for farmers, but that a policy that was good for farmers would always be good for the Pool. When our company is owned by others, others who are not farmers, the first part of the quotation would be on the way the company has to be run.

Shareholders are concerned about the return they get on their investment, not what is good for us out here. As I see it, the fair deal has become a thing of the past. The rule will be, what is good for the bottom line is what is done, regardless of the impact it will have on farmers. It could mean an attack, a future attack on the Wheat Board. If the Pool was only profit driven, the Wheat Board would become an impediment to Sask Wheat Pool's marketing arm, XCAN.

I can see that the raising of handling charges to whatever the market would bear would be in the best interests of a purely profit-orientated company. Right now they're kept at 10 bucks, and they're bragging how great they were doing for us, and this was brought forth by the delegates. In the future it will be only the shareholders that have anything to say about it. That affects the direct value of their shares.

It might include selling of bird feed as seed, something this company has already attempted to do to me. Remember the safflower fiasco, the management ethic that allowed this criminal act? Will this become the norm?

You know I think that everybody here can probably think back and hear stories about back in the '20s when the wagons were lined up at the elevators, the elevator agent coming out and saying, my No. 1 bin is full. All I've got room for is in my No. 3, guys, and if you can't sell it for 3 you might as well turn around and take that wagon home. My gosh, I can see that happening again real quick. The Grain Commission's going to be standing out there when a guy's got a semi, rolled all the way down 150 miles? Yes, you bet.

In the future, class B shareholders will have a

say in the running of the company regardless of what management and the board are now saying. You can bet on that. They own it; they will control it. No thinking person can think otherwise.

I don't think that Sask Wheat Pool has to be the biggest — just the best. I believe that a Pool does what it does well, and that is servicing the farmers of this province. They will continue to be a big fish in this pond, and they are the biggest fish in this pond right now. Some day, because of fair and honest dealings with everyone, which I believe is the western way, they will naturally be a big fish in any pond. This thinking you can go buy yourself a big-fish position with a bunch of grabbed-up money from the Hong Kong Stock Exchange is a joke. We all have seen companies try this, and the roadside is just littered with them.

In conclusion, I would like to see committee members to please save our last hope for a fair deal — a fair deal. The Wheat Pool was founded to give us a fair deal; not always the best deal, we know that as farmers. We can maybe get a better deal on our grain by zipping down the road some day with that ice cream pail. But if we want to get consistently fair treatment, we have always believed that we could get this from our company, the Wheat Pool.

Maybe we can win. You know maybe we can all come out ahead on this thing. Please take your time. Sask Wheat Pool is a strong company. Our fathers and grandfathers saw to that. It's not going to go up in smoke if this thing doesn't happen in a hurry. Give us a break. It's the biggest grain company in Saskatchewan. It supplies most of the exportable grains for the country. It's going to go broke if this doesn't happen? Not even close. Maybe with the present management, though, although . . .

Please take a long, hard look at this proposal and get to know all there is to know about it before you call a vote. Call on the experts, those who have nothing to gain by this. I keep seeing Wheat Pool people showing up tonight. I don't think I saw anybody show up tonight who took the Wheat Pool's side who wasn't on their payroll. Ask how many people are here who are speaking against it who are on the Wheat Pool payroll. You know call in the experts who have nothing to gain on this, talk



to them, and reject those who would profit by this.

Take-over is what it really is. Everything else is just a sugar-coated word for it. It's a take-over. Ask them what's best for your farmer constituents.

If these people can succeed in their take-over of Sask Wheat Pool, my loyalty to this company will end. How can I own shares in a company to be run by these people? I couldn't. My mother didn't raise me that way, folks. If there was a buck to be made, then I still couldn't do it. I couldn't.

I was listening to people here in front of me before and there was a few comments I'd like to throw in the end. At present, active and inactive members of the Wheat Pool are . . . My father told me once when the guy never hauled to the Wheat Pool; he always hauled to Pioneer. I say, well he's not a very good Wheat Pool member because I knew he had a membership. And dad said to me, he says, he's probably one of the best members the Wheat Pool's got, he says, keeps them honest. You know that guy had a membership to the Wheat Pool. Why did he have it there? Maybe he liked the agent over . . . maybe he was buds with that agent over there. Maybe he thought he got consistently better deals. But he was a member of Sask Wheat Pool, and he was a member for a reason, because he wanted to keep his guys honest.

And you know in the future when this is gone and they're all sitting off in a club somewhere in Regina having drinks together, you know what kind of deal will really be coming out for us.

Another comment I'd also like to put at the end here, due to membership voting. As far as I know, all members get to vote for delegates at the present time, and it shouldn't be all that difficult. You know we look at democracy. Sometimes we say in certain elections, civic elections that maybe only 30 per cent of the people vote. If you've got three different parties running, maybe 11 per cent of the people vote for one guy. Well does that mean that democracy isn't working right because only 11 per cent voted for the guy who won? That's democracy. And as far as a membership vote is concerned, I believe I'm a democrat. I will go along with their decision but I believe that

they're being hoodwinked if they go with this. Thank you.

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

**Mr. Kowalsky:** — Mr. George, by your presentation you gave an example that in the early stages of the Wheat Pool, one of the real things that they needed to develop was a system of honest trading where a farmer could go and get the grade he needed. You gave the example of No. 1 bin is full. That was yesterday's problem.

**Mr. George:** — That was a 1920s problem, but why wouldn't it happen again? You see you're going to be rolling 300 miles with a semi full of grain, eh?

**Mr. Kowalsky:** — Yes.

**Mr. George:** — The guy who is rolling that semi, he may not own the grain even. He rolls up to the elevator. I can see that same question being asked, told to him again. You know if we don't have a fair trader out there, why can't they do this again? Oh, he's going to run into the Grain Commission and say, look what he did. There's nothing on paper; it's his word against theirs and we know how well that works. We need a fair trader out there.

**Mr. Kowalsky:** — So what role do you see the Wheat Pool playing in assuring that?

**Mr. George:** — Well because it is a farmer-owned and operated company, and in the bottom line the farmers have the control over it, it will have to do the fair deals. If it doesn't do the fair deals there'll be a kick up through management. This kind of stuff starts, we all know how it ends then. The heads will roll all the way right to the top of the company. You can see that, can't you?

If we don't have any control over it . . . you know an A class shareholder has actually no vote. He might be able to vote on important issues like what colour the Wheat Pool sign is going to be on the elevator, but when it comes time to say, well maybe we should move out of our grain-handling facilities and get really big into livestock because this is what has happened because of WGTA, that is a structural change for the Wheat Pool. Guess

what, B class shareholders get to vote. What A class shareholders say has nothing to do with it. They could vote maybe on the sign, the colour of the logo, you know.

**Mr. Kowalsky:** — It looked to me that on page 5 you identified sort of today's issues, you know, in the GRIP, cash problems with the Crop Insurance, the WGTA, and tax, and the Wheat Board.

**Mr. George:** — God help us all if we have a crop failure.

**Mr. Kowalsky:** — So what role do you see the Wheat Pool playing in those now?

**Mr. George:** — They're our fair trader. You know it seems like when you're down and beat up the most that's when it comes out and kicks you. You know people weren't complaining about these problems until the '30s hit, in my review of history. That's when they took a look and things were really getting tough. That's when they really needed the Wheat Pool and that's when it really grew. People saw the problems before but it didn't really take off until the '30s. At least that's my interpretation of it.

**Mr. Kowalsky:** — So you really do feel you want a Wheat Pool?

**Mr. George:** — Oh yes.

**Mr. Kowalsky:** — I mean you got loyalty.

**Mr. George:** — We need our fair trader. If we don't have our fair trader I will have no loyalty to them. Why would I be loyal to somebody who's not going to treat me fairly?

I had a little taste of this. Do any of you people here . . . familiar with this safflower deal where they were convicted? Okay. You probably are more familiar with it than I was.

All that happened to me is that I picked . . . I went to Swift Current three times to get my safflower. Three times it was rejected by the hourly-paid employees because they said it wasn't seed quality and I came home again. Then a couple of months later a Sask Wheat Pool representative showed up at my house and said, we're sorry for your inconvenience, we got hoodwinked by the seed dealer down in the States, and here's 50 bucks to cover some of your expenses; and I took it, not thinking

anything of it. The next thing I hear, about six to eight months later, that they've been convicted and fined, I don't know, was it \$15,000? Something like that.

I find that just, you know, just reprehensible that they would come out and lie to me like this. And that same management ethic is the kind of management ethic that I think we're dealing with right now. They scare me, you know.

**Mr. Kowalsky:** — Don't you believe that their motivation is to raise capital?

**Mr. George:** — No, I don't. Why would they have all the rest of this stuff in here that has absolutely nothing to do with the raising of capital? I think it's nothing but a blatant take-over.

Why aren't our A class shares worth what they're really worth? I've heard numbers batted around that the Wheat Pool could be worth in excess of 1.4 billion. Now 83,000 members — that math does not work out to 25 bucks. What's happening to the rest of this money? Why do they need to take this from us to set to work and make it into a share-offered company? What is the deal on this? It just stinks.

This \$200 thing, think it was thrown in for the Securities Commission? I wonder. Maybe it was thrown in for the Securities Commission so they wouldn't take a look at it, eh.

**Mr. Kowalsky:** — And how would you raise capital?

**Mr. George:** — How would I raise capital? Leroy Larsen. Well there's one distinct way I would raise capital, I would issue bonds, okay. They're worried, terrified, that they say that members are going to get old and they're all going to retire and they're going to want their money out. Well we can just about guarantee you one thing here, that when a farmer decides he's going to retire and cash in his assets the last thing he's really going to be worried about is a whole bunch more money he doesn't really . . . he has to find a place, home, for it. If he gets Sask Wheat Pool bonds, they're paying competitive rate of interest, all of a sudden they go in the safety deposit box and they probably don't get cashed till his estate comes due 20 years

down the road — maybe not even until his wife's estate comes due, maybe not even after that.

What is the big deal? That just took care of the equity problem that everybody is talking about. I'm just a farmer. I don't really know all this high finance stuff, but it just sounds too simple.

Then if you want to set to work and build an elevator, go into partnership with the farmers' local point. Cargill's doing it all the way up and down the line. Why isn't the Wheat Pool doing it? I really ask that question sometimes: why aren't they doing it? They seem to be shying away from this.

**The Chairperson:** — Thank you. Mr. Johnson. Bear in mind, we don't want to cut anybody off or anything, but we have four more witnesses and I think we should take a short break after this — I think about five minutes. Because since we barely have quorum, we can't even leave the room.

**Mr. Johnson:** — One of the issues which you have expressed throughout your presentation is a fair trader. In essence, at the present time — and I don't believe that's one of the items which this federal budget has wiped out — but at the present time, you can basically sell by sample to any of the companies that are licensed, which doesn't mean that you get your . . . (inaudible) . . .

**Mr. George:** — Oh then they say, you turn around and take that truck home because we don't have room for it today. And then you've got to turn around and drive 300 miles or 150 miles. Yes, we all understand how the real world works. That's the scary part.

You know I can just use that as one example, you know, and it just snowballs. It boggles the imagination when you start thinking of all the dirty dealings that could be going on. And it's really nice to keep one guy . . . if one guy out there is honest, it'll keep all honest.

But I'm afraid when you're only responsible to your shareholders, which are down over in Hong Kong, why do we need to have anybody that's honest any more at all. That's what our biggest sacrifice would be.

**The Chairperson:** — Anything else, Mr. Johnson?

**Mr. Johnson:** — No, no thanks.

**Ms. Stanger:** — I just have one question. I have to make sure that I'm right about it. Are patronage dividends not paid on how much business you do at the Pool?

**Mr. George:** — Partly, yes.

**Ms. Stanger:** — So of course the bigger farmer is going to have more patronage dividends.

**Mr. George:** — Yes.

**Ms. Stanger:** — I just wanted to make sure I was right on that.

**Mr. George:** — That's split up between quota books and stuff like this too. Like on our farm, there is actually three quota books. So every partner in that would get his honest split.

Now if you were renting this land or something like that, you'd get it all wouldn't you? Or the other smaller farmers. You see, we're actually . . . we're not a bad size farm but we're actually three farms put together.

**Ms. Stanger:** — Well what I'm saying is . . .

**Mr. George:** — Yes?

**Ms. Stanger:** — Basically the more you deliver, the more you spend, the more patronage dividends you have. I just thought I'd make that clear.

**Mr. George:** — Oh yes.

**Ms. Stanger:** — Because in your presentation it seemed like you . . .

**Mr. George:** — I don't really like that part of it at all actually, to be honest with you.

**Ms. Stanger:** — How would this Act change that? It wouldn't change it.

**Mr. George:** — Well no, it does. Now you get just MVP. Right now we get paid on our patronage. Now it would change to MVP programs, so let's say they say, well you don't get it unless you're trucking from 50 miles away. I'm trucking from five miles away — you don't get anything, sorry, even though you're exactly the same size, because we want to

bring in this business from a further distance.

You can understand that, can you?

**Ms. Stanger:** — Well I think I can. I somehow think I can comprehend that.

**Mr. George:** — I'm sorry. I shouldn't be so condescending. I'm sorry.

**Ms. Stanger:** — Well that's true. Thank you very much.

**The Chairperson:** — Thank you very much, Mr. George. Right after the break we'll have Mr. Sykes come forward.

**The committee recessed for a period of time.**

**The Chairperson:** — Okay. Let's call the proceedings back to order and these are the orders in which I have the walk-in witnesses that were not previously scheduled. We take them in the order that they arrive. Fred Sykes, Dave Sefton, Bill Gehl and Larry Gislason. Are there two of you?

**Mr. Sykes:** — I'd like to introduce Bob Dunlop. He's the chairman of the Wheat Pool committee at Rowatt, Saskatchewan . . . or at Pense, Saskatchewan, pardon me.

**The Chairperson:** — At Prince?

**Mr. Sykes:** — Pense, Saskatchewan and he's . . . well I have prepared the presentation from my own point of view. He's kindly consented to come along and answer the tough questions.

**The Chairperson:** — Go ahead, Fred.

**Mr. Sykes:** — Thank you, Madam Chairperson. I thank the committee for allowing me this opportunity to speak. My name's Fred Sykes and I have been an active member of the Saskatchewan Wheat Pool for 20 years since I took over a farm that's been in the family since 1909.

Why did I become a member of Sask Wheat Pool and what would a change in the Act mean to me? My closest delivery point is Rowatt, just south of Regina, where two companies currently operate to serve farmers in the area. I began hauling my grain to Sask Wheat Pool because my father had hauled there. I heard many stories about the dishonesty that

prevailed before Sask Wheat Pool came on the scene, but my main reasons for hauling there were convenience and a promise of some participation in the profits of the company.

Shortly after becoming a member, I realized that Sask Wheat Pool had another function and that was to facilitate discussion and promotion of policies beneficial to farmers. I quickly became an active participant in this process, first as a committee member, then secretary, chairman, and finally, as a delegate.

In my opinion, Sask Wheat Pool has excelled in the policy area. After being a member for some time, the promise of a share in the earnings of Sask Wheat Pool began to show some results. My equity increased to a significant amount without any financial investment on my part except for buying products and services from the Pool.

To sum up, these are the reasons I joined Sask Wheat Pool and the ties that connect me to the Pool: one, the reasonable close facility; two, personal and equitable service; three, competitive prices on services and supplies; four, fellowship with members; five, farm policy discussion and development; six, a feeling of ownership in a farmer-owned co-op. And seven, equity building to a significant amount without major investment in shares.

To me these are the strengths of the Pool. I believe all these strengths will be jeopardized should the Pool proceed with the public share offering. Currently, as a member of Sask Wheat Pool, I now have the responsibility of supporting the company with my patronage and my loyalty in order to receive benefits by way of a share in the profits of the co-op.

The co-op has the money interest free until I leave farming or retire. It has been the greatest strength of the Pool in my view. If shares are converted to tradable securities in the public corporation, I'll be able to gain all the commercial benefits of doing business with the Pool without risking my capital. By keeping my one voting share, I remain a member and have a say in who runs the Pool — well at least for now I do, I will. Farmers like myself have unlimited uses for capital in their own farming operations, and I believe many will pull their capital from Sask Wheat Pool, forcing a transfer of ownership to non-farm investors.

Bringing in outside capital requires the directors to answer to that capital. And nothing will be sacred in the new generation co-op, not even the democratic system that we hold so dear. The need to eliminate or reduce policy activities not complementary to commercial activities, as well as the directors being unable to share information with delegates because of security commission rules, will severely reduce the effectiveness of the delegate role. The committee system is already undergoing a review to determine its validity.

Directors will be torn between the need to increase profits for shareholders and the desire of farmers for reasonably priced services. Many cooperative activities we take for granted may fall to the axe. It's a mystery to me why directors and management and the delegates are pursuing a pathway that will cut most of the ties with the membership that have made the co-op the great organization that it is.

My interest in cooperatives is and will continue to be cooperation, not speculation. I'm prepared to accept a downsized Sask Wheat Pool and a reduction in the amount of equity involvement if that's what it takes to ensure that the co-op — that the Pool — remains a farmer-owned cooperative.

In closing, I'd like to give you my opinions on some of the more pertinent questions you have asked during these hearings, when I've been listening in on them.

First, question one, is an MVP type program a suitable alternative to the current patronage payment? My answer to that is definitely no. The patronage payment guarantees the members will be first in line to share in the profits of the company. An MVP type payment is a tool to encourage patronage but can be taken away at any time. Most profits under that kind of a system will return to the shareholders through dividends. And an example of that is last year we received \$1.50 a tonne dividend on our grain. The interim patronage or MVP type payment that they're suggesting will give us 20 cents a tonne. I mean they've already approved. That shows you the difference.

2. Can the Pool survive as just a handler of grain? I believe so. Grain handling has been the most profitable part of Sask Wheat Pool business since I became a delegate.

3. Did the delegates reflect the wishes of their members? Unless the total membership was polled individually — and you people know it as well as I do — it's impossible to accurately reflect the diverse views of that many people without interjecting your own views in what you feel. Also some of the members will approve. They have approved of the proposals because they want to get out. They see it as the only alternative they have left to them. This would be contrary to the objectives of the company, and to me those kind of members should be a no; they should be taken as a no vote. Even though they say yes, it's not exactly what we need. And so the question that could be asked is not a straight yes or no question.

4. How could delegates lose control if it takes two-thirds to allow non-farm directors? Well delegates may be forced to approve to outside directors to attract their capital if they're not interested in buying non-voting shares. And this fact has been in literature that the delegates got from day one. I mean this is acknowledged, that that's a possibility. I talked to my broker about this fact, and he says with all the shares that are available in the market that have the voting membership with them — and I specifically asked about mutual funds — he didn't think mutual funds would be interested.

Did the members have a vote when Pool went into a diversified company? Well diversifying Sask Wheat Pool was an evolutionary process. Members supported the process through resolutions. However if they had been aware of the large debts the Pool has taken on to achieve diversification, they may not have approved.

6. Are co-op principles changeable? Certainly they're changeable. But you no longer have the same co-op if you change the principles it operates under. And all members should approve of these changes.

7. Do you feel Sask Wheat Pool can survive in its present form? Well I think Sask Wheat Pool may have to divest itself of interests that have large debts and long payback periods.

8. How would you change the delegate system for voting? Well members themselves have asked, through resolutions, to have a direct vote on any matters requiring legislative change. It seems reasonable to me.

9. Can the rules of the Securities Commission change to allow non-voting shareholders the opportunity to vote? Seems to me if they make the rules, they can change them.

10. How far can we go in having outside investors on the board? I think if shareholders own 70 per cent of the class B shares, if outside shareholders own 70 per cent of the class B shares, they'll want to control 70 per cent of the board.

11. Do you believe Sask Wheat Pool should make a profit? Certainly. Sask Wheat Pool should make a profit only in that profits are necessary to maintain the strength as a farmer-owned cooperative and serve the members' needs.

I thank you and I'm prepared to answer the easy ones.

**Ms. Stanger:** — Thank you for a very good presentation. I appreciated some of the comments you made to previous questions. I'd like to just ask you, how will the delegates' role change? Because as you yourself said, many of the deals that are made, say, in diversification, you couldn't . . . I know from government, and the situation that we're in, in a representative democracy you have to give some trust and faith to your delegates and when they were doing diversifications they can't, when they are negotiating, explain those deals to you.

Because if you have those out in the open, you don't have any negotiations. So how would it change today if you have outside investors, like type B shareholders? How is it different from what it is now?

**Mr. Sykes:** — Well certainly until, I guess, the delegates' annual meeting this fall, our Act, our by-laws in our Act, stated that the directors, before they made any major acquisitions, had to discuss them with the delegates.

**Ms. Stanger:** — I understand that.

**Mr. Sykes:** — This won't happen any more. It can't, you know.

**Ms. Stanger:** — But any major acquisitions have to be approved by the delegates even now.

**Mr. Sykes:** — No, they won't have to be. They can't be because the delegates won't even know that these discussions are going on because they can't know. We can know generalities, but we can't know any specifics of any discussions that are going on because of the Securities Commission rules.

**Ms. Stanger:** — I understand that, but I say how is that different from the decisions that are made? You can't know the specific details of any negotiation. What you do is you vote on the specific deal. You can't be engaged in negotiation in a public forum or it'll never happen. The deal will never happen. So I'm saying, how is that different from now?

**Mr. Sykes:** — Well the directors voted on the specific deal and they will in the future. The delegates, never. But we discussed and were informed of the details prior to the deals being made. And that can't happen again.

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

**Mr. Langford:** — Yes. I guess . . . I listened to your presentation. It was a good presentation too, I want to say. You were speaking a little bit back about, can Saskatchewan Wheat Pool survive just by handling grain, and you believe that it can. One of the things that kind of bother me is you see a lot of rail line abandonments now. Elevators are being moved, rail lines taken out. Do you think the farmers will not diversify and need other means to deliver added value to their farm, you know, where the Wheat Pool can be involved?

**Mr. Sykes:** — I'm not saying the Wheat Pool can't be involved in other things. I'm just saying that they could survive without them. In fact, you know, I believe that we should be involved in lots of other things if we can afford to be involved in other things.

**Mr. Dunlop:** — Can I just add a point. I don't see where additional share capital coming from . . . and as I see share capital, it's not coming from me; it's not coming from you. It's going to come from big companies. And they are not going to give a damn about the general farmer and branch line abandonment. What they're worried about is the bottom line.

So I think if you're worried about the welfare of farmers and our transportation system, you

better have fear for what happens when this company starts selling shares on the Toronto Stock Exchange.

**Mr. Johnson:** — The list of items that you put forward first of all related to what the Pool means to you as a shareholder-owner individual indicated a whole number of things. And I agree that that's basically the six or seven or five, however the Rochdale . . . the cooperative ideals are put forward.

The question that I want to ask is, if because you have indicated in what you said — or at least to the best of my recollection, and I'm not functioning at the best right now — indicated that you feel that the need for share capital or for capital isn't as great as what it's being said, so in that case that means that there are other reasons for the Act coming forward, how did the present control structure then fail to maintain the principles and the things that you were indicating or what you want and shift to an 80 per cent acceptance of what is being presented in the new Act because there is an internal control structure for the Pool at the present time?

What do you see as the . . . what happened if, as you indicate, you believe this to be a failure and not what's being presented. What happened to allow that to take place?

**Mr. Sykes:** — Well I think the 80 per cent of the delegates truly believe that this is . . . you know, that the co-op needs this money to survive into the future and, you know, under the scenarios that the management paints for us, that is true. If we are going to carry down the roads that are being painted for us by management, absolutely we need this capital.

But there are all kinds of other roads that we can take and to me it's a matter of what kind of a co-op do we want. Do we want this large conglomerate with all kinds of capital and a thousand diversified companies? Or do we want a company that's owned by the members of the Pool and that serves the members' needs? To me a lot of this conglomerate stuff does not serve my needs as a member at all, not in the very least.

**Mr. Johnson:** — So then what you're saying is that the view of what the organization is doing is that it is a tool, an extension of your farm and as a tool to do something for you.

**Mr. Sykes:** — That's right.

**Mr. Johnson:** — And what is being presented from management is a distinct organization that could be stated as serving the people that are working for the Pool, as an income into the future, and that the two have come to a point where they have divided in the direction that they're going.

**Mr. Sykes:** — I think you'll find that the directors have changed the mission statement to meet these new objectives and our old mission statements did not say the same things.

**Mr. Johnson:** — Okay. With the control structure which is in place that gives the delegates . . . are basically . . . in my assumption and understanding is that all of them would be at least, at a minimum, active farmers and there may be some with larger farms and some with less farms. How is it that that percentage as a group would have accepted the idea of the organization rather than, as you put it, the extension as a tool, of an extension of the farm, to do a service for you? Because this is what has taken place.

**Mr. Sykes:** — Yes, well I guess we've heard here that a lot of the delegates have sort of polled their members and found out which way their members want to go on this. But right off the bat the member was aware that, you know, the option of getting his equity out of there was in place, was going to be in place. So if the delegates went on these polls and without realizing how many of the members that he represents want to maintain their equity and the number that want to get out, you know, he could mistakenly think that the members had the same vision, where in fact the members did not have the same vision but only want an opportunity to get their equity out.

**Mr. Johnson:** — In the sense then what you're commenting then on what Forrest Lawrie indicated as the CI (Co-op Implements) which actually collapsed and a number of people would have lost all the equity in it. Because of the times there is a number of people that are wanting to take equity out before any particular thing happens of this particular nature.

**Mr. Dunlop:** — People who I talked to, and I talked to a fair few.

**Mr. Johnson:** — Okay.

**Mr. Dunlop:** — And to me should be a worrisome part. And I think a very worrisome part to the executive is that people who now are saying, you know, let's do this. These are people who are 55 and 60 who have 30 and \$40,000 equity in the Pool and they're saying if this is the way it's going, I'm getting this money out. And I'm one of them personally. And I've always said if this is the way it's going to go, my money's coming out.

I've been a member for 28 years, and a loyal one, and if someone came to me and said would you leave your equity in there if the Pool was ran the way it has always been under those principles, then I'd say yes, you can have it all. But if it's going to be this way, and I have a substantial amount in there, it's coming out. My neighbours, all my neighbours, say the same thing to me: this money's coming out. I just hope we have a buyer for it, but I don't think it's going to be the farmers of Saskatchewan.

I fear for the future of the Pool because there is a ton of money coming out when the share offering goes and it's farmers that have a pile of it in there. Now I hope to God there's enough farmers to buy it back, but I seriously doubt it. In fact, I'd make book on it.

**The Chairperson:** — Thank you very much gentlemen. Dave Sefton from Broadview. And then the order that I have is Bill Gehl and Larry Gislason after that.

**Mr. Sefton:** — Thank you, Madam Chair, and committee members. I appreciate the opportunity to speak to you. I think you need to know that I am both a farmer, a delegate, and a director of Sask Wheat Pool. But I think you also need to know my background as a Sask Wheat Pool member.

I am a third generation farmer and a third generation Pool member. My grandfather was an original signer. But more importantly, my grandfather was a leader who was out signing up members in 1923 and 1924. He did this even though in 1924 he realized that he had to have more than just a raw product, that he needed to add value to that product and wanted to be an owner of the company which would add value to his production.

My father continued the tradition of the Pool member through his farming career and also took an active role in cooperatives, serving on both cooperative boards, credit union boards, and Co-op Implements.

I've been an active Pool member since I began farming in 1969. I was first elected to a committee in 1970, elected as a delegate in 1974, and became a director in 1993. I, like you, need my glasses and forgot them in the truck so I'm struggling with my small printing.

**The Chairperson:** — Want to borrow mine?

**Mr. Sefton:** — If they would work. I guess the reason that I became a member of Sask Wheat Pool was the same as my grandfather's — I wanted to be an owner of a company which added value to my production. Ownership is the key to getting a share of the value of the food that is further processed.

As a delegate, prior to becoming a director, I was informed and provided with reasons why we needed to enter a new capital source. This process, as I recall, started as early as 1989 at the delegates' annual meeting. There were then a series of meetings held in 1993 in the early spring to examine several methods to raise capital which included bonds, borrowing money, any other method. But all of them implied that we had to pay for those dollars.

As we enter the latter part of the 1990s and go into the 21st century, we need to recognize that the agri-food sector that we are now dealing with is large agri-food companies. With millions of dollars of free cash to invest in agri-food companies, they become available. We need to position ourselves as producers to be quick and nimble to enter these agri-food value added businesses, as our competitors will.

Now that the agriculture sector has lost many of the agriculture programs and assistance that we've had over the past number of years, we must find methods to gain those dollars back. And I believe that can be done through value added activities, adding value to the production that I have and produce on my farm and thereby earn back some of the dollars that are lost. This will only be done by being a part of the value added sector industry through the value added companies, which flow the dollars back to me as a shareholder of Sask Wheat Pool.



This is the only method that I see that I can influence my future as the value added and food industry gets even larger. Through the past number of years, value added companies that Sask Wheat Pool has come to own are adding more and more dollars to our earnings. In fact in the past year almost one-half of our earnings came from the value added sector. Yes, they've cost us money to get into them, but they are returning dollars — dollars which can be returned to us as shareholders of the company.

There have also been some who have said that members were not polled. However I will tell you that in district 7, which is east of Regina starting at Grenfell out to the Manitoba border up to Langenburg through Melville to Ituna, that we've had well over 25 meetings last spring and early summer dealing strictly with the share conversion. We probably also had another 25 to 30 annual meetings, which again the share conversion was talked about at every meeting.

We went beyond that though. We mailed letters to every member in district 7, every member. Over 5,000 letters went out from the delegates to each member in district 7 with information about the share conversion and also a request to respond to the delegates. There wasn't a big response, but I can tell you that the vast majority supported the share conversion. Through all the meetings that we've had since, the first question that's being asked is how quick are we going to move on the share conversion so that the members can become part of the agri-food business?

In fact as late as yesterday I talked to one of my neighbours who has a considerable amount of equity in Sask Wheat Pool and his indication was that he wants to leave his money in there and start reinvesting some of his RRSP (registered retirement savings plan) money into Sask Wheat Pool shares because he believes there's a good, strong background to add value to his retirement funds.

Sask Wheat Pool is probably the largest company in Saskatchewan that is part of the value added business, and all governments talk about adding value to agriculture to stimulate the economy, not only of this province but of the country.

Finally, when I became a delegate 21 years

ago — and I hate to even think that it's that long ago — one of the first questions my father asked me, and he was retired from farming by that time, was when is Sask Wheat Pool going to get back to the business that it was originally intended for, and that's to sell farmers' production rather than simply be a handler through the elevator system and move the product out of the country.

I believe through this change that we're not changing the company; we're changing the manner in which we hold our shares. It will be each individual who will decide whether or not Sask Wheat Pool is owned by the farmers or owned by shareholders in another country. Remember the conversion is simply a conversion of today's value of Sask Wheat Pool divided by the equity that each one of us hold in Sask Wheat Pool. There will be no sale of shares at the conversion.

Sask Wheat Pool can then continue to be a significant marketer of my production and add value to the things I produce and maybe I can get back some of the dollars that we lost in the budget that came down in late February.

Again I repeat, the day after conversion the same owners will own Sask Wheat Pool as own them today, unless those owners decide to sell their shares. That will be their decision and nobody else's. Thank you very much.

**The Chairperson:** — Thank you, Dave. Are there questions from members of the committee for Mr. Sefton?

**Mr. Kowalsky:** — Thank you, Dave. Your presentation gave me a feeling that, you know, that you felt that owner control is important and we should maintain owner control. And I think that clause . . . what it is here, 15(1)(c) which restricts the number of shares that can be issued to 10 per cent by any one person, directly or indirectly, associate or person or affiliate of that person, there's a limitation of 10 per cent that's also geared to that same purpose.

What I can't understand here, and maybe you can explain this to me, is why then you would have . . . is board of directors would have approved 15(2)(c) which says the directors of the corporation shall have the power to exempt transactions from the provision of (1)(c) if it doesn't offend the spirit or intent of ownership

restriction.

Why you would even consider giving yourself that kind of power and not be satisfied with the powers that are given in 15(3) which is, if the 10 per cent is breached you can either refuse to pay dividends or you can buy back the excess shares in the . . . at 50 per cent of the price and then keep them honest, because this other way, what I see happening is somebody will go over the 10 per cent — especially if they're well over — and they've got you at ransom in a way because they'll say, well we'll pull all our shares. And then the company is threatened.

So why would you want that (2)(c) in there?

**Mr. Sefton:** — I'm not sure I quite understand your reference to (2)(c). The by-laws, as they were passed by the delegates — not by the directors, by the delegates — the by-laws that you're reading were passed in Saskatoon by the delegates to proceed to the legislature.

And my understanding is that if an individual or group of . . . or family or whatever controls 10 per cent or more, we have the right to force the sale of those shares at 50 per cent of value. But those shares will then be sold on the public market, so there is no ransom; I don't see how a ransom can be generated by that because the shares are sold in public domain. They're not sold causing Sask Wheat Pool to have to repurchase.

**Mr. Kowalsky:** — I'll just try to rephrase what I said here, because I don't think I made myself very clear.

There's a portion of this Act here which limits the number of shares that anybody can hold, class B shares, to 10 per cent.

**Mr. Sefton:** — Right. Correct.

**Mr. Kowalsky:** — And then there's a protective clause here which the directors are given power by the Act . . .

**Mr. Sefton:** — Would you like to read the section?

**Mr. Kowalsky:** — Sure. The directors . . . this is section (3) which is:

. . . the directors may:

(a) suspend voting rights and refuse to pay dividends on the shares held by a person in breach; and

The (b) part of that same clause — it's on page 11 — and the (b) part of that clause, (3)(b) says that the directors may:

(b) redeem any of the shares held by a person in violation of clause (1)(c) . . .

(1)(c) is the one that gives you, you know, restricts it to 10 per cent.

. . . at a redemption price equal to 50% of the market value of such shares on the redemption date.

Now it seems to me that the purpose of that is to keep people honest.

**Mr. Sefton:** — No, it's to keep people . . . not hold more than 10 per cent.

**Mr. Kowalsky:** — Right. So those two things make sense to me, okay, because you want it to be not more than 10 per cent, and so in addition to that, you give yourself a little power to make sure it happens.

**Mr. Sefton:** — To enforce it, correct.

**Mr. Kowalsky:** — But then you just look up a little higher there, it says:

(2) The directors of the corporation have power to:

(c) exempt transactions from the provisions of clause (1)(c) . . .

So you give yourself the power to exempt the 10 per cent limit.

**Mr. Sefton:** — If they "do not offend the spirit and the intent. . ."

**Mr. Kowalsky:** — Right. So what I see . . . what could possibly happen is somebody could end up with a 20 per cent share which is a substantial hunk of change.

**Mr. Sefton:** — That would offend the spirit of the intent.

**Mr. Kowalsky:** — Right. That would offend.

**Mr. Sefton:** — So that would not happen.

fashion.

**Mr. Kowalsky:** — All right. So you tell him, listen we want to buy you out.

**Mr. Sefton:** — No. We would tell him that, we'll buy you out at 50 per cent of the value.

**Mr. Kowalsky:** — Right.

**Mr. Sefton:** — Nobody in their right mind would accept 50 per cent value. They would dispose of them in an orderly fashion.

**Mr. Kowalsky:** — Right. And they may argue to you, well say, listen if you want to do that, but why should you do that? Because you say, under (2)(c) here you can exempt it, so why don't you consider exempting us because we really are good guys and we can help your company a lot.

**Mr. Sefton:** — I would suggest it's violating the spirit of the Act. That's why the directors would not approve it.

**Mr. Kowalsky:** — Well I hope not. But why would you even have that clause (2)(c) in there, is my question.

**Mr. Sefton:** — Well there may be times when you violate it slightly by 0.1 per cent and so you give an opportunity for it to take place in an orderly fashion. But the spirit of the Act is very clear that 10 per cent is the upper limit for persons of ... who are controlled by one identity.

**Mr. Kowalsky:** — You don't think it opens the door just a little bit?

**Mr. Sefton:** — I would not see it that way.

**Mr. Kowalsky:** — You don't see it that way. Okay, thank you.

**The Chairperson:** — Well sorry, Lloyd, but just still on that. Is there an example that you could give that's contemplated where the directors would want to provide an exemption, or are you just saying that the exemption is there to protect you from penalizing somebody who breached it by accident?

**Mr. Sefton:** — That would be the intent, yes. But then the intent would be to have them come down to the 10 per cent in an orderly

**The Chairperson:** — Yes.

**Mr. Johnson:** — Three questions, quick questions. One, individuals who have been making presentations here have indicated that they are going to dispose of their shares. I would ask you, what would your intention be?

**Mr. Sefton:** — I have to be very careful in what I say in answer to that because of the Securities Commission which regulates a director of the company very, very severely. But my intention is to retain every share that I have. My intention, personal intention, is to convert some of my present RRSP into Sask Wheat Pool shares because I believe — as I said in my presentation — this is the only way that I can have some control of my destiny, through the ownership of a company that's well placed in the value added structure, to recapture some of the losses that I'm going to be affected by with the budget.

That is my intention. I'm not counselling anybody to do that.

**Mr. Johnson:** — No, I wasn't expecting it to be what you're telling others to do because that ... I asked because others have said what they were going to do.

In the Saskatchewan Wheat Pool annual report, 1994 — and it would be handy ... oh there is a page number — on page 24 there is a return on invested capital which varies from 12 per cent to 6.9 per cent. Is that the variation or sort of what you would expect the return on an investment to end up being after the transfer or after the change?

**Mr. Sefton:** — That I guess will depend on how the businesses play out in the next 12 months. As I indicated in my presentation, the value added side of Sask Wheat Pool is contributing larger and larger portions to the earnings. I think that's why you see the variation going up instead of down, from the 6.9 to the 12.8. So I, you know, my own feeling is that it would continue to increase. But it's always, of course, subject to the market-place and how it performs — how the food sector performs.

**Mr. Johnson:** — I'm not sure whether you'd recognize this or not. But it appears to me that

the consolidated statement is set up as a British type of accounting rather than what would normally be a North American layout of say the consolidated financial statement. Do you know of any particular reason why that's the case or is that just the layout on the page?

**Mr. Sefton:** — First of all, I would have difficulty distinguishing between a North American style of accounting and a British style of accounting. The financial statement is put together by a North American firm in consultation with our own financial people, so I would assume a North American style would be the predominant style in the accounting.

Again, I would have difficulty recognizing a North American from a European style of accounting. Talk to me about cattle, I can identify American cattle from British cattle though.

**The Chairperson:** — And Chinese is when you start at the back.

**Mr. Sefton:** — Then I would be completely out of my league.

**Mr. Johnson:** — That's all.

**The Chairperson:** — Anything further? Thank you very much, Mr. Sefton.

**Mr. Sefton:** — Yes.

**The Chairperson:** — If Mr. Gehl would come forward. Good evening, Bill, welcome. Go ahead.

**Mr. Gehl:** — Okay, thank you very much. Good evening, everyone. My presentation is going to be very informal. I actually wasn't intending on saying anything. I was just here actually to learn something and I've learned a lot, I must say. This is my fourth session that I've come to and I feel compelled to speak out. I guess that's supposed to be what democracy is supposed to be — supposedly.

However, I guess right off the top I might as well just state that I'm opposed to the share offering that the Pool is proposing. Like I said, I'm very informal. I haven't had the human resources department of a multimillion dollar co-op to help me out with my speech, so this is what you're going to get.

I've done a lot of soul-searching through this issue, starting this spring actually, and I guess looking at the people that have come up here, people that are opposed to it, there's a lot of grey hair that comes up to this podium and speaks and not a lot of young guys like me, 33 years old. I farm with my brother just north of Regina and I don't have any off-farm income. I do a little bit of sheet metal work, but basically just about all from the farm, strictly grain. That's pretty much where I'm coming from.

Just to give you a little background of my involvement with the Sask Wheat Pool: I've been a committee member since — I just forget now — '87 or '89, one of the two. In those times we've done a lot of battling, and not with the Pool itself directly, but the Pool has taken on a lot of issues and we've done a lot of good things, I think. But I've yet to come home after a lot of those meetings feeling good. We've lost a lot of battles — really a lot.

Last week when I was in here we touched along the apathy that's out in the countryside, and it's there and it's very prevalent. Our committee — the chairman has stepped down, Will Oddie, excellent chairman. He's sort of given up, he's just sort of given up. He's taken on other duties with the organic producing co-op and is putting his energies into some place where he feels that he can get a better benefit from it.

We have another member that's just quit — just doesn't even want to talk about this issue any more. He's just fed up. And I actually, I was going to quit too but I stuck around and I'm glad I did just so . . . it's one of the very few things that gets me involved with my neighbours. Living so close to Regina there is no community out there basically. This is one of the very few things where I get together with my friends.

Just touching on the apathy and it boils out from the Pool. I mean I think you people can see it in the political circles, people are po'd and they're giving up. I mean we went through the Mulroney era and Charlie Mayer and fought him off and Goodale was elected and a lot of people were looking for some pretty good things. And we sure haven't got them, you know, we got kicked again. So people are . . . they're apathetic and everything is changing, you know.

The federal government is offloading its taxation problems or whatever onto the provinces and along with that . . . I mean not just the Crow rate but there's been major cuts to the Department of Agriculture that's going to affect us. And I think the Crow rate has kind of overshadowed some of these other problems that are going to come to rise. I've got a brother that works for the Department of Agriculture and he's probably going to lose half his staff.

So the cuts are deep and some of the problems in agriculture are coming up on us and they have been since I've been farming; since the early '80s we've been going through some bad times. And deregulation is one thing that's been talked about quite a bit and the loss of the Crow and these sort of things. And these are kind of the crux of my speech tonight, presentation I guess, is these are the reasons why I want to see a strong Wheat Pool maintained.

And the Wheat Pool, people have been kind of paralleling it to the Canadian Wheat Board, how one supports the other, you know. And the Canadian Wheat Board is without question — I don't think from anybody's standpoint in the Pool being on one side of this issue or the other side — I think it's a very important tool for myself anyways. The Wheat Pool has done well under the barley dual marketing thing, took it to court and we won.

And the Wheat Pool can do some pretty good things for us. And these things are like political type of things and that's an extremely important part of the value of the Saskatchewan Wheat Pool, is its lobbying and its nature of being sort of the heartbeat of the western provinces, and Saskatchewan in particular. It's listened to out there, it's a big-time business. We're talking multimillions of dollars here. It's a big time.

So that's where I want to see the . . . because of the importance of the Saskatchewan Wheat Pool's ability to do stuff like this, that's why I think it's imperative that the control of the Saskatchewan Wheat Pool is maintained by farmers and farmers only because it's there. It was started there for us for our benefit, and along with ownership comes control. You can't have . . . like if you've got ownership of something, you better have some control over it. I can't separate the two. And that's sort of a

poke at the A, B shares sort of thing.

I would like to see Saskatchewan Wheat Pool probably get stronger because, again back to paralleling with the Saskatchewan Wheat Pool and the Canadian Wheat Board, the Canadian Wheat Board is in jeopardy right now; it's being attacked. It's being attacked by the Americans. Preston Manning came out today with some pretty wonderful things. The world trade agreements are attacking it, and that's why I think, because of the Wheat Pool and the Canadian Wheat Board are, I think associated, we got to maintain that because I really don't want to see either one of them go because they're both really important to me.

The Saskatchewan Wheat Pool has taken — what? — 71 years to grow to where it is today. It's the big guy on the block. What is it? Fifty-eight per cent, something like that, gentlemen, we control of the market share that we have. I think it maybe varies a little bit, maybe 1 or 2 per cent. Maybe we've lost a little bit.

But I don't think it's any reason to strike the panic button, and we can carry on. We can carry on. I think Mr. Sykes's presentation was very poignant in that. We're going the road. I mean all the other industries, all the other companies, they're living under the same rules we are today. And, you know, they're worried about the Crow rate too.

And, you know, they're going to have to look at building some facilities, as we are. Tregarva elevator, where I haul, is . . . I don't know how old it is, but it's not going to last forever. And that's just a fact of life. I wish it would, but it's not. So things are changing. And the Sask Wheat Pool has changed along with them, and we've done very nicely. It's one heck of a good company to be associated with.

I don't agree with everything they've ever done. Alfred Wagner gave a presentation. He used to be our delegate, and he had a lot of fun coming to some of our committee meetings. Took a lot of crap from us, I think, and he did well, and I'm very proud to be able to associate my name with his.

Getting to the price of Saskatchewan Wheat Pool shares, it's something that has bothered me right from the beginning of this, that what is the price of the Saskatchewan Wheat Pool? Is it the equity? Is it \$300 million? Is it liabilities or

assets minus liabilities? What is it? To me, it's almost priceless. How can you put a price on something that's going out and carrying on lobbying efforts, supporting the Canadian Wheat Board. It's hard to put a value on something like that.

Like in dollars and cents it has a value, certainly, but some of these other things, you can't put a value on them — not easily. And I think we will lose that value of the Canadian . . . or of the Saskatchewan Wheat Pool will be lost because no longer are they going to be looking out for my best interests. It's going to be dollar bill time. And that scares me, that scares me.

Just let me catch up to where I am. Okay, all right. Because I haven't spent a lot of time researching this and so many other people that are opposed to it have brought up arguments that I support, I don't want to spend a bunch of time on all that. So, I think Mr. Kowalsky, if I'm correct, kind of touched on where I wanted to take my argument to earlier on. But I think I'm going to go that way regardless and maybe let it go from there.

What kind of bothers me about the whole thing is how we got down to 10 people. Like I'm not blaming any of this on you — this is your job, you know — but how 10 people are going to go and make a recommendation and change this. This bothers me. It's gone from 138 delegates — it's gone from what, 15 directors — and gone to 138 delegates, and now it's done to 10 people. Most of the people in opposition to this have asked for one simple thing: a vote.

You know, I keep getting . . . I'm inundated with stuff in the mail. Glossy brochures about every two weeks, how this is just wonderful. It's costing thousands. They've got ads on TV. To have a vote on this would have been money well spent. And I don't know how it would have gone. I really don't. All I can speak of is people in my neighbourhood and the people that I know. And that's completely informal. And that's not good enough.

Going to a coffee shop, going to a dance, and then coming back here and saying yes, this is wonderful, I think we've got . . . this is a good idea. That's not good enough. It's got to be formal. We've got to have a vote. Because when this came through the pipes . . . My

brother is our delegate now so I had a lot of, you know . . . I get firsthand information when something comes up new. I get it, we have coffee, and I know about all this stuff. And the information that was brought out at the time before June or July, whenever that special delegates meeting in Saskatoon was, is not the same information that's out today.

And from what I understand from the coffee meetings that I've had and formal again is that the people at that time saw a chance to get their money out — 5, 10,000 bucks, whatever it is, they need the money. And I think that's been stressed here. But I want to reiterate that. And if the value of the company is only put at \$300 million of the equity, and I have whatever my equity is in there, and I only get out the proportion of equity compared to \$300 million when the company is really worth 1.2 or 1.3, I don't know why I take my money out because aren't those shares going to come up?

This hasn't been fully explained. That hasn't been answered, I don't think, here either. And nobody's willing to . . . how can a person say yes, this is what I want to do with my equity, with my future, and put it on the stock exchange and gamble it? Or take it out? Like taking it out might be the worst thing that a guy could do because you might lose a pile of money. Sure you're going to get dollar for dollar. Maybe it's going to be worth two or three times what that is.

It's not fair, and that's what really bothers me is the information that's coming out. You can't make a decision on which way you want to go. People can't because they don't have it all. It's coming out here. Like the questions that you people are asking are far different tonight than they were last week.

**The Chairperson:** — We've learned a lot in the last week.

**Mr. Gehl:** — You have, as I have. Like I mean the questions here, way more in depth. And the discussion is more in depth. And it's the same out in the countryside. And I don't think that's too much to ask for people to have a vote on this thing.

And that's why I get back to the question that Mr. Kowalsky answered at the beginning of the night, getting to why you guys are even dealing with this and, you know, how you went

through the formal process of why you're doing this, and that's fine. But it bothers me — it really does — how 10 people . . . how we get to this point. And again, it's nothing against you. But it bothers me that we haven't been given the right. And I'll tell you we're smart enough to understand this, 20 per cent of us, there's more than 20 per cent of us that understand this. And very quickly, very quickly we'll understand it and it should go out there.

Now I just wanted to touch on one little quick comment. There's nothing romantic I don't think, about the Toronto Stock Exchange and how people are going to come back home to Saskatchewan and bring their little plastic elevators and invest the money. It's not romantic. It's money. It's dog-eat-dog. And let's make no mistake about that. It's not going to be good.

I guess there's a million things I could probably sit here and jabber all night because I don't have anything formal and I'm sorry I don't. Because I think if it ever comes to this again, I'll put a lot more thought into this and get something down on paper. But I hope you guys ask me some questions, anything, I don't care. Doesn't even have to be anything I touched on. Fire.

**The Chairperson:** — Does anyone? Well not all night or else we'll fall asleep and we'll never hear the answer. Ms. Stanger was on the speakers' list first; is there anyone else?

**Ms. Stanger:** — Bill, thank you. You did an excellent job even though you didn't write it down. Because in the first part of your presentation, you sort of summarized everything I've heard for the last five or six days. You summarized the problems of the farmers; apathy, change, the federal government and the budget, deregulation, the loss of the Crow, the Canadian Wheat Board in jeopardy, the world trade agreements.

And then on the other side you summarized what you saw as the Pool's. You wanted a strong Wheat Pool because for instance, it went on the barley marketing, it does lobbying on farm policy, it's a spokesman for public policy. You said it's the heartbeat of rural Saskatchewan. And you want to see the control of the Wheat Pool stay with the farmers.

Now I've got notes on almost every presenter, plus I've got the papers here. You know these are exactly the points that both sides have made. It suddenly came clear to me while you were speaking, while you were summarizing the problems, and then you were summarizing what you thought the Wheat Pool was, you were summarizing the points that most people on both sides of the question had made.

So it seems to me that somehow the presenters on both sides seem to have the same objective. Something happened. And what I want to say, I've been hesitating saying this because I think this is one of the most useful things I've done this year, and I . . .

**The Chairperson:** — I'm sure there's a question in there somewhere.

**Ms Stanger:** — Well yes there is eventually.

You said you don't know how it got to 10 people. It isn't these 10 people that are going to decide. The Wheat Pool is a duly elected democratic body and 80 percent of your delegates made a decision — right, wrong, or indifferent. And those are the people that decided, not these legislators that are sitting here listening.

I think that people have our role confused, and I want to tell you what I think my role is. My role here is to look at what has been presented here and make sure it's legal. Ask the Clerk, ask people on both sides, and to make sure that what is happening is correct.

Sure, I also would like to hear both sides of the story, too. But it isn't down to 10 people. It was down to a democratically elected body. And you said you will never know . . . you said you don't know the answers, and you'd like some of the answers, and you don't know where this is all going.

Well all of us listening to this can't give you the answers because you're asking us to predict the future. And I don't think any of us can do that.

So I'll ask you to just make comments on my comments. I'm sorry, Madam Chair, I actually didn't have a question. I just had all these observations

**The Chairperson:** — I'd just say we had true

confessions.

**Mr. Gehl:** — Okay. I'll fumble around with that for a couple of minutes. That's exactly what I was trying to get at. Like when I formulate an argument or whatever, as I'm speaking out, I try to put myself in that person's shoes. And that's what I tried to do.

This isn't right somehow. It's come down to this. And it gets back to you guys are not making a decision, but are going to be making a recommendation.

So that is what I meant to say. If I said decision, pardon me.

But you are going to be making a recommendation and what I want to get back to is the democratic process; although I think the Sask Wheat Pool maybe has said they've done this and they've done that, but what I'm saying is, informal polls aren't good enough. Coffee shops and beer parlours aren't the place to be holding plebiscites. It's got to be on a piece of paper. And I think out of all the people that have been opposed to this — I would say probably 90 per cent of them — that's what they're asking for, is a vote.

And if we lose, we've lost. That's it. Game over. Carry on. Next battle. That's it. But that's what bothers me. I'm not, like I said before, it's not that I'm ripped off at you guys for making this recommendation; I'm ripped off that it's even got to this point without all the other things that should have happened beforehand.

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

**Mr. Kowalsky:** — The next problem that you said that you're going to be facing is, the decision comes, what to do when the shares are evaluated. And although you didn't say it directly, I think what you were saying is you don't want to go into it blind. You want to be part of the share decision-making process and you want it done at a member level. Is that right?

**Mr. Gehl:** — Well, actually I think that's the whole . . . the problem I think is . . . Maybe I can try to put this better. I think that, you know, if you're playing crib . . . they started the game off and they jumped a lane and they're only five points from the end. You know, they haven't played . . .

**Ms. Stanger:** — That's called cheating.

**Mr. Gehl:** — I never said that. The information is coming out after the fact, is what I'm getting at. We're at this point now where we're only five points from the end of the game and now all the information, all the hands, have been played out after the fact. And that's where I see a big fault in this process. These guys got all the cards in their hand too. They've got the human resources department, they've got mailing, they've got experts, they've got lawyers, they got everything on their side. And they can't give us a vote? Come on.

**The Chairperson:** — I guess there aren't any more questions, Bill.

**Mr. Gehl:** — Thank you very much.

**The Chairperson:** — Thank you very much. Mr. Gislason, it's been a long day for you too I guess. I believe that you were scheduled for earlier this morning and couldn't make it because of some ice problems.

**Mr. Gislason:** — That's right.

**The Chairperson:** — Yes.

**Mr. Gislason:** — So I apologize for making this a longer night for you. If I'd have made it this afternoon . . .

**The Chairperson:** — Well it's just as long for you, so . . .

**Mr. Gislason:** — Anyway, I just want to say thank you very much for the opportunity, panel members here and members that are sitting around here. There's a few staff people here.

I guess to know who I am, and I'm sure none of you do, I served as director for 10 years with Saskatchewan Wheat Pool and delegate before that. I was also involved in the discussions about how co-ops can raise money other than borrowing and member equity like Dave Sefton was speaking about.

The Canadian Co-operative Association held three meetings to discuss the possibilities of alternate funding for co-ops and one was in Ottawa and the other one was in Calgary and I'm not just sure where the other one was. But all the major co-ops in Canada and the Credit Union Central people were there represented



by directors, and the CEOs (chief executive officer), and also the financial people were represented. So I have been involved in talking about alternate ways for co-ops to seek funding.

Well I guess that maybe I feel a little bit like Erin did when we were flying into Calgary on the plane here about four years ago. Just when we were going to land, the landing gear did not come down, and it was announced that they would have to make a fly around. Erin was pretty nervous, and he couldn't understand why I wasn't. I'm feeling just the way he was feeling when the plane was flying around Calgary, while they were getting the foam ready to shoot out on the ... what do you call it? The happy thing was, the landing gear, after about 25 minutes in the air, did come down, and we landed without any problems.

So that's the way I feel — nervous. A young fellow said, well this is my first time. I don't know how many times I've been before people, but when I am concerned and have a real dedication to what I'm doing, I get kind of a little bit emotional and really hepped up. And sometimes maybe I'm not able to express myself as well as I should.

I guess the disappointment is that there are other ways for Saskatchewan Wheat Pool to go and stay as they are with the allocations on patronage just as they are today. They could go publicly, sell public shares, and raise that capital. There's other ways which Milt Fair had also presented. I don't know whether it ever got to the board. You could set up an investment firm within Saskatchewan Wheat Pool, a division where people could invest their money to allow Saskatchewan Wheat Pool to do the things that they need to do.

There is no question in my mind that Saskatchewan Wheat Pool needs to go somewhere else than banks to get their money. But there are other ways of doing than the way that they're doing it today. So maybe I should get to my brief and maybe some more remarks about it.

Another thing, if you've any question about dedication, I've been farming since I was a little kid. I helped my dad pay off his mortgage, I paid off my farm, and now I'm helping my son pay off his mortgage. In all the time that I have

been farming I have not bought any input from other than the co-op and the Sask Wheat Pool or delivered a bushel of grain to any other organization than Saskatchewan Wheat Pool. And I think that's a record, that there is probably a number of them, maybe, but I think that's a record that should say where I am really coming from when I talk about or get into my brief. And the more I talk the longer you'll be here.

There was a question about co-ops. What is a co-op and what dictates a co-op? The first page I was not going to read but because of that I am going to.

I have been involved in organizing and the first secretary-treasurer of three different co-ops. So I know what co-ops are. So I am sort of a grass root authority on that. I'll start on the page 1 which I was just going to leave but I think it's important because of the question about co-ops.

Somewhere along the way the board of directors and the top management of Sask Wheat Pool have lost the real meaning of a cooperative and corporation. A cooperative is not a public share-owned organization. A cooperative can have publicly traded shares along with their member earned shares. A wholly owned public share organization is a corporation and nothing else, even though the control is in the hands of the present members

A cooperative is an organization wholly owned by the members, ownership coming through the allocation of earnings, allocating according to the business done by that said member. A public share corporation's earnings are applied to as dividends or interest on the shares held by the individual or the entire investment firm. A corporation may, at their own pleasure, pay out dividends to their patrons but cannot allocate earnings to the user shares and retain that money in a fund on behalf of the patron as co-ops do.

So what is a cooperative? It is an organization formed by people for the definite purpose of supplying themselves with goods and services, in which membership is unlimited, in which each member is of equal status, and in which surplus of income off the operation is distributed among the members in proportion to the amount of business each has done with the organization. A cooperative is formed

primarily to give mutual service and to effect savings for its members. Also the cooperative is totally controlled by its members by a democratic process.

Democratic control does not make an organization a co-op, neither does marketing incentives or the opportunity to secure shares through the deductions of deliveries. Though Sask Wheat Pool has taken into consideration majority of the co-op principles, it has totally ignored the prime reason co-ops were formed, that being, any surplus after expenses is distributed to the members according to the business done by that said member.

If Sask Wheat Pool has to convert to a total public share corporation to survive, then do so. But do not give the pretence that Saskatchewan Wheat Pool will remain a cooperative. There are options available for Sask Wheat Pool to remain a co-op as is the case now and go public for investment monies. But going this public share totally is just the easy way of doing it.

What Saskatchewan Wheat Pool is doing in this change is . . . the incorporation Act dealing with Sask Wheat Pool is actually going from a co-op to a public share corporation. In actual facts, Saskatchewan Wheat Pool doesn't need this special Act as they can be incorporated under the regulations that exist for corporations today. The only difference is that Sask Wheat Pool is trying to place the control of the corporation in hands of shareholder-members that have a very small ownership in the corporation. This small ownership group must be members and must be users, directly or indirectly, and indirectly are those that through ownership of land share in the revenue of crops and other farming enterprises.

Once the conversion takes place, ownership and control will eventually become a debate. While initially this will not be a big problem, it will develop into one and will become a conflict of interest question also.

Explanation. Initially the majority of the shares will be owned by farmer-members. As class B shares are offered for sale, these shares can be bought by anyone — individuals, investment firms, pension funds, etc. As Sask Wheat Pool grows, more new shares will be offered for sale and more member shares from

retiring members and those leaving the farm will become available. Then the balance of farmer-owned and non-farmer-owned shares changes and when this happens, a debate for control will develop.

To be a member, to be a delegate, or to be a director, one needs only to have a class A share worth only \$25. These shares are the controlling shares. With 6,000 members at \$25 a share, in theory a million and a half bucks can control the corporation. This, of course, is the extreme case but it does point to a possible problem of conflict of interest. The conflict of interest develops two ways.

Policies that will create better returns to the patrons, leaving little for share earnings, and Sask Wheat Pool's involvement in formulating public policy. The cost of being involved in developing and carrying out these policies forward are very high and often create a problem for management.

So being in the public policy area will be a debate in two ways: the millions of dollars that are spent in formulating and carrying out these policies plus the direct effect that they may have on the bottom line. The question is, how long will the B shareholders tolerate this kind of a situation?

Today we are only taking from ourselves. After the conversion, we will be taking from the owners — a total different group. The government must change the Sask Wheat Pool Act of incorporation as the directors of Sask Wheat Pool direct. The government should have the responsibility, though, to see that Sask Wheat Pool's claims that what Sask Wheat Pool are doing is exactly a fact. Such as Sask Wheat Pool will remain a cooperative. A pretence is being made by Sask Wheat Pool that they still will be a cooperative. The government is party to this pretence. If they do not get a clear ruling on this issue, a membership vote should have been had, and the members should have made this decision.

If members accept the Sask Wheat Pool's proposal, then we would have to accept the majority's decision. Ironically, class B shareholders would have a say in a major change such as this in the new corporation. I don't know just which section it is in, but if there's any change in the share structure of the organization, the B shareholders can make

a decision on it. So here we are making one of the biggest decisions that this organization has ever had — and there's a change in the share structure — and we as members do not have a chance to have a vote on it.

The corporation Act was set up to protect shareholders. Though another Act is passed that deals with the powers and the rights of members, delegates, and directors of a specific corporation — as this Act is doing — if the rights of the shareholders are being taken advantage of, the corporation Act will protect them. When a group of people have only a membership share, no real ownership in the corporation, unless they so desire control of the corporation . . . while the people with all the investment have no say. I do believe they have the right to challenge this Act and win.

Once the conversion takes place we will have two distinct shareholder groups. One with the total control with limited ownership and the other with the majority of the investment, even though there is a crossover of the two groups. Initially this problem will not surface because hopefully present members will leave their equity in. But in the future, the shares will be held by others than members, so the battle would be on. Legislation today should not create a problem for tomorrow as this Act would do.

And I explain . . . a little explanation on the 60,000 membership. Today the membership number's in the neighbourhood of 90,000 and after the conversion it will definitely be less, for these reasons. There are many names on the list that are inactive. Some are deceased. Some are retired from farming and never applied for their last share, plus many of our present members are members because of the patronage allocation.

After the conversion, there will be no patronage allocation so to them there is no reason to be a member. Any of the incentives or dividends that Sask Wheat Pool offer or pay to their customers will have to be available to all, members and non-members alike, or Saskatchewan Wheat Pool will lose their business. Strange that Saskatchewan Wheat Pool is providing the opportunity for cash dividends and not for a patronage allocation which could have been credited to a class B share, thus allowing Sask Wheat Pool to remain a co-op.

And on the next page is a little bit more explanation. Anyone can use the co-op principles. Using them does not make a cooperative. A cooperative is where the user owns a share in the results; like housing co-ops share in the cost of their housing, producer co-ops share in the returns earned in the handling and marketing of their products. In this new corporation, only the owners share in the returns, according to their investment.

Initially, the Sask Wheat Pool needed an Act of its own because of the pooling concept. But in the initial time when they first made the incorporation Act, that's why they had to have a separate Act because of the pooling of grains that they were going to be doing outside of . . . And that's why they could not go under the co-op Act.

But today, like the Wheat Board does pooling. Allstate here in Moose Jaw offers pooling to some of their members on some special crops. So anybody can do it. So now it really doesn't need to, but in the new Act it is still covered. This Act still allows this but at the same time it has taken away the opportunity for Sask Wheat Pool to remain a co-op, that being user-members sharing in the earnings according to their patronage.

They still can't introduce the main co-op principle to the Act by changing the section where it states, Saskatchewan Wheat Pool paid dividends to the patrons. All that has to happen is the wording change, such as, the Saskatchewan Wheat Pool allocate and credit to the patrons, A or B share, of the earning of the corporation according to their patronage. And if this is done the Act can refer to Sask Wheat Pool as a cooperative instead of a corporation.

The other page I will not go over, but this . . . I did present two or three ideas to the Saskatchewan Wheat Pool at different times on other ways that they can go and still stay as the Saskatchewan Wheat Pool is today, have the allocations according to the patronage and also have the class B shares. And that's what the last page is on so just for your information.

So thank you very much. There's many, many things that I could say. But one thing I would like to say. We were talking about if this Act goes through as it is spelled out . . . I think Mr. Beke did a good job of . . . I think we have

some good, responsible people working for Saskatchewan Wheat Pool plus the directors and that. I'm not going to take anything away from them because I have not always agreed with them and they don't always agree with me and that's what makes this world a lot better.

But once the conversion is done and they go this route . . . My father wouldn't have had an equity in Saskatchewan Wheat Pool when he died. My son . . . I myself wouldn't have had any equity in Saskatchewan Wheat Pool because when you start out farming, every dollar that you take off that farm goes to pay for your expenses and your land payment and you never, hardly ever, have enough money to do the things you want to do for your own family. And that's the same thing with my son. There is no way that under this new way that he will end up with any equity in Saskatchewan Wheat Pool if he had to start off right from day one.

And right now I am involved in an election so I have spoken to a lot of people out in the country, and there are different reactions to it. The people that have been farming for 20, 30, 40 years have a good equity in Saskatchewan Wheat Pool. They want it converted because they can earn interest on . . . or dividends on the shares. The people that . . . like my son, or people that are struggling with making their payments and providing for their families, they've got big debts to pay. They're looking at taking that money out and paying some of their loans off. There's going to be a very . . . it's going to be interesting to see what really develops.

But I just hope that Saskatchewan Wheat Pool . . . I know it is not your responsibility, but you have two responsibilities though. You have to be sure that what Saskatchewan Wheat Pool is doing, that they're doing it to not to create problems for somebody else; and when they say that they're going to be a co-op, then okay, prove it that you're going to be a co-op. But a public share company corporation is not a co-op and will never be a co-op.

A co-op can have public traded shares along with their . . .

**The Chairperson:** — Thank you, Mr. Gislason. Before I ask if there's any questions, I want to make a technical intervention. With your permission, I think that in the middle of the

second page where it reads 60,000, you said 6,000, and that's what the recorder would pick up. So if you'd give us your permission that if that is the case, that we'll just change it to 60,000 when the transcript is produced because that's what you meant.

**Mr. Gislason:** — What I said is the number of . . . on the number of members?

**The Chairperson:** — The number of members.

**Mr. Gislason:** — Sixty thousand. And I was being quite liberal there because I think there'd be a heck of a lot less.

**The Chairperson:** — Yes. It's just a technical matter. But if you . . .

**Mr. Gislason:** — That's 60,000, sorry.

**The Chairperson:** — You're multiplying here. On this one you're saying with 6,000 members at \$25, in theory 1.5 million. And if you had said six — and that was in there — it would look as if you couldn't do math and we don't want that. So with your permission we'll change it when the transcript is produced.

**Mr. Gislason:** — Well I'll maybe apologize for the way some of this is put together.

**The Chairperson:** — No, no, there's no need to apologize. It's just . . .

**Mr. Gislason:** — But I'm from Icelandic background and we are something like the French. We put our verbs and such in the wrong places at times. And then you go and write it in English and . . .

**The Chairperson:** — No. It's fine. Are there any questions? Mr. Johnson.

**Mr. Johnson:** — Basically what the question that I want to ask is related to the . . . your recommending at the very end a change to the Act as it's going through the House that would then allow the new Act to . . . the new Act would allow Saskatchewan Wheat Pool as structured under the new Act to meet the requirements of a co-op if there was this change made. Is that . . . so you're putting one change . . .

**Mr. Gislason:** — One. Yes.

**Mr. Johnson:** — There's one change that has to be in order for it to be a co-op or it isn't a co-op?

**Mr. Gislason:** — That's right. If that change is made from . . . Like they said dividends, and I'm surprised. Dividends, fine. They can make dividends any time they like. They don't have to have it in the Act because other companies can do that. It does not have to be in the Act. This is just a real . . . (inaudible interjection) . . . I'll talk to him later but it doesn't need to be in the Act because other companies have done it in years gone by.

But what I'm suggesting is that they put in a section or a line that Sask Wheat Pool allocate and credit to the patrons, A or B share, a portion of the earning off the corporation according to their patronage. And of course we know that there has to be an earning on the share. If you read the last one on the back, allocation for the earning on the share would come first, then the allocation for patronage dividends on the business that I've done with Saskatchewan Wheat Pool — or any other member — would then be credited to an A and B share.

When I read this about the dividend in there . . . one of the real arguments before was that something like this you'd have to pay the money out to the member whenever he chose; but if it goes to the share of course he trades it publicly and somebody else buys it, not Saskatchewan Wheat Pool.

**The Chairperson:** — Anything further from the members? Thank you very much, Mr. Gislason.

**Mr. Gislason:** - I hope I didn't confuse everybody out the doors.

**The Chairperson:** — No, not at all.

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

**Mr. Kowalsky:** — Madam Chair, I wonder if you could as a committee request our learned counsel for an opinion whether it would be possible to clarify the meaning of the word co-op by either setting up a definition under interpretation or a descriptor under clause 3(c).

I say this because this has been one of the continual sort of points of controversy and I do

believe that the Saskatchewan Wheat Pool feels it very important that it work with the, you know, with the set of cooperative principles.

What I'm finding out is a set of cooperative principles that they have in mind are slightly different than a lot of other people have when they are discussing it. And also if counsel would take a look at the sentence here that was presented to us by Mr. Gislason, the second last sentence which says they still can introduce the main co-op principle to the Act by changing the section where it states that the Saskatchewan Wheat Pool can pay dividends to the patrons. All that has to happen is for a wording change, example, to read, Sask Wheat Pool will allocate and credit to patrons an A or B portion and so on.

And perhaps you can do that, not at this moment, but bring us something in writing.

**The Chairperson:** — A report to tomorrow's session.

**Mr. Kowalsky:** — A report to the next meeting.

**Mr. Cosman:** — I wonder if I might suggest, Madam Chair, that I know I'm your independent counsel, but I'm wondering if I might work with the original draftsman of the Bill for his input as well, Dr. Beke. I think it would behoove us that I have some of his input to attempt to work on this.

**Mr. Kowalsky:** — Well this is not a secret process; I think you should feel free to go to Mr. Beke. But I think you should also feel free to go to legal counsel, if they do have one, from the Friends of the Wheat Pool side as well.

**Mr. Cosman:** — Sure.

**Mr. Beke:** — Madam Chair, if I could be of some assistance to save him a lot of trouble because I dealt on this matter with Department of Justice, if I could just make a brief comment on . . .

**Mr. Kowalsky:** — I'd prefer if this went and came to us in written form, and we're getting a little late here.

**Mr. Beke:** — I understand. I just want to tell you the process. Department of Justice, first draft had . . . the sketch Wheat Pool was a

co-op. They did not want that in there because there would be confusion between co-ops under the co-op Act and under this Act. This was the wording acceptable to the Department of Justice because of the numerous co-op attributes that we still adhere to, and in the remarks that Mr. Larsen, and those that we, detailed for you later on. But this has gone through Department of Justice, and it was approved by them. And the person you may want to speak with is Tony Koschinsky on that just to save you some time.

**The Chairperson:** — Thank you.

**A Member:** — Madam Chairperson, we have Mr. Kloppenburg as our counsel and we wish to inform him of the exchange that has taken place because I think it would be proper for him to be involved and I appreciate Mr. Kowalsky's comments.

**The Chairperson:** — Yes. In fact I was just going to say that and I think his point is well taken and that we should do that and I was going to just comment — as late as it is, I can get away with that — if you put all the lawyers in the world end to end you would never reach a conclusion.

Move to adjourn, Mr. Langford. Agreed.

The committee adjourned at 11:10 p.m.