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 and it being 7:05, we will call this session of the Private Members' Bills Committee to order. And the matter under consideration is Bill 04, An Act to amend The Saskatchewan Wheat Pool Act.

We have received a number of information pieces and several other written briefs, copies of which will be distributed to the committee members. And at the conclusion, a list of all the tabled documents and the identity of the persons who have submitted the written briefs will be included and appended in a list appended to the proceedings.

So we'd like to . . . and for the benefit of those people who are presenting tonight who haven't been here in attendance previously, we will have to adhere to the time limits. And we want to just repeat a reminder that this is a private members' Bill, not a government Bill. It's a different kind of a process.

The rules for this standing committee of the Legislative Assembly are clearly stated in the parliamentary rules. And they're not unlike . . . although everyone here might not be familiar with the parliamentary rules, mostly familiar in general with the *Robert's Rules of Order* that most organizations use for their proceedings.

So what will be happening here tonight is a parallel to that in a sense where we have four submissions . . . five submissions from individuals; one from the Co-operating Friends of the Pool.

And then as in *Robert's Rules*, the mover of the motion gets to close the debate. In parliamentary rules, the Saskatchewan Wheat Pool, being the petitioner then, will be the last witness to the hearings.

So we will proceed now with the first witness, who is Henry Neufeld from Waldeck.

You have probably been advised when you made appointments with the Clerk that the time frame for each witness is 20 minutes, so if you want to allow time for questions, then if you make your submission somewhat briefer than that there will be time for questions. I mean I just can't control how many questions these people ask but we try not to go overtime.

Mr. Neufeld: — Thank you, Madam Chairperson. This will be a joint brief. Joyce and I, we farm jointly, we wrote this brief jointly, and we will be presenting it jointly. So to begin, this is an individual presentation to the Saskatchewan committee of MLAs (Member of the Legislative Assembly) on the subject of privatization of the Saskatchewan Wheat Pool. As Saskatchewan Wheat Pool members, we appreciate this opportunity to present our concerns about the change in structure of our cooperative, the Saskatchewan Wheat Pool.

Mrs. Neufeld: — When Saskatchewan Wheat Pool Elevators Limited was formed, revenue was derived from handling charges paid by all Pool members for the physical handling of the grain. The stock was held by the Pool as trustee for its members who are the shareholders by virtue of the deductions made from their individual crop returns for the purpose of acquisition and construction of the necessary grain handling facilities. Unlike ordinary line companies, the Saskatchewan Wheat Pool Elevators Limited was operated for service, not for profit, with surplus revenues being rebated back to the member-owners who have contributed to it by the use of their elevators.

The changes now proposed by Saskatchewan Wheat Pool management are a complete reversal from service to profit. This strikes at the very heart of the cooperative philosophy.

Mr. Neufeld: — It is with that background that while there are numerous aspects to the privatization changes that you have heard and will hear about, we will focus our concerns on our right as owners to have full disclosure of these changes and a right to vote on them prior to any legislation to change The Saskatchewan Wheat Pool Act.

Mrs. Neufeld: — Why did the delegates not present this change from a cooperative to a share company, to us as owners, prior to the delegate elections in March 1994? That is, why was this massive structural change kept a secret from the membership until 24 hours after election deadlines?

Mr. Neufeld: — If the delegates indeed are the developers of this change in structure, they are morally bound to present their position to us prior to asking for our vote. But we, like many members, suspect the delegates knew nothing of these management-driven plans until after the elections.

Mrs. Neufeld: — We hardly need to remind elected MLAs of the democratic necessity of presenting a plan of action, a platform, to the electorate prior to the election day.

Mr. Neufeld: — As Pool members we always accepted the rights of management, that is delegates, to run the cooperative in the interest of the owners. It cannot be otherwise in any cooperative. Example: if my delivery point needs a major upgrade, or even a new elevator, that is rightly a management decision. But never in our wildest dreams did we suspect that management, that is delegates, assumed they had the authority to dismantle our cooperative.

Mrs. Neufeld: — If our cooperative is to be dismantled it must be at the permission of the owners. That is, as owner-members we demand a vote on the future of our cooperative. We then will abide by and support the decision of the majority. Nothing more, nothing less.

Mr. Neufeld: — We therefore urge that this provincial government ensure that the democratic rights of the Pool membership . . . and not pass the legislation known as An Act to amend the Act to incorporate Saskatchewan Co-operative Wheat Producers Limited until such time as each member is granted his or her democratic right to vote on the issue.

Respectfully submitted by Henry and Joyce Neufeld of Waldeck.

We also have a postscript to this brief and we would like to read it now.

Mrs. Neufeld: — Only hours after preparing this brief we read in the newspapers that Saskatchewan Wheat Pool management have devised a plan to financially enrich themselves at our expense. We expected that the details of this sweetheart loan plan by now are well-known to the members of this committee.

Mr. Neufeld: — How dare they. First, they're using their management powers to swindle the assets of this cooperative from the owners, at what price we yet do not know. And secondly, they are using the owners own money as a slush fund to fatten their personal bank accounts.

Mrs. Neufeld: — Is further evidence really needed to show this present day group of managers are completely out of touch with the fundamentals of cooperation?

So, to the members of this committee, we ask a second time, do not change the Act until the owner-members of Saskatchewan Wheat Pool have a vote on this issue. Is that really too much to ask?

The Chairperson: — Thank you very much, Mr. and Mrs. Neufeld. Are there any questions that any members of the committee wish to put to Mr. or Mrs. Neufeld?

Mr. Britton: — I was interested in your postscript.

Mr. Neufeld: — I can't hear you.

Mr. Britton: — I was interested in your postscript. Could you explain a little further your charge that the Wheat Pool management will benefit from this more than any other of the shareholders?

Mr. Neufeld: — Are you referring to this plan to loan themselves money interest--free to buy shares in Sask Wheat Pool, is that the one you're referring to?

Mr. Britton: — I'm not referring to anything but your postscript, sir.

Mr. Neufeld: — Well, it's . . .

Mr. Britton: — In your . . . excuse me. In your postscript you say the Sask Wheat Pool management have devised a plan to financially enrich themselves at our expense. That's what I would like to get a little bit of a clarification

on.

Mr. Neufeld: — Well as we understand it, just what we got from the media, that they have laid out a plan where they can issue themselves tax-free or interest-free loans, I should say, to buy shares once this corporation or the cooperative is privatized, and then they only have to pay back a certain portion of it. And we find this, you know, almost unbelievable that they would use money that isn't theirs to their own personal benefit that way. Thank you, Madam Chairman.

The Chairperson: — Thank you.

Mr. Kowalsky: — Did you get an opportunity to compare the offering to the employees within the Pool to the offering of other companies to their employees?

Mr. Neufeld: — We were only aware of this about two days ago, that this actually even took place, and we read it in the paper. That's the only thing . . . that's what we're going by.

Mrs. Neufeld: — But as we understand it, the offer is not available to us as grass roots members. It is only available to management personnel. And that's highly unethical.

The Chairperson: — Anything further? Thank you very much, Mr. and Mrs. Neufeld.

Mr. Neufeld: — Thank you.

The Chairperson: — I'd like to call now on Joe Holden.

Mr. Holden: — If you'll just bear with me, I have a whole bunch of stuff I have to put out here. I don't necessarily want to table it but I want to have it so that it's easy accessible. I thought that we might want to speak on behalf of it.

The Chairperson: — On my schedule, it indicates two separate time slots but I'm getting the impression that this is sort of a tandem presentation?

Mr. Holden: — No, Madam Chairperson, what it is is I just . . . he's here to assist me in case I drop something on the floor and stuff like that. And that's very possible.

The Chairperson: — Well it's always nice to have that kind of assistance.

Mr. Holden: — My wife does it a lot.

Please bear with me. I hope this isn't cutting into my time. My name is Joe Holden and I'm from Furness, Saskatchewan, and this is my friend and farm neighbour, Terry Crush. He'll be assisting me with this.

My Saskatchewan Wheat Pool number is 9937778032. My Lloydminster Savings and Credit Union number is 1022011 and my Lloydminster and District Agricultural Co-op number is 2221. And my land location is north-west of 54827 west of the third.

Now I'd just like to say when we're up in Lloydminster we're kind of a long way and we look down at all the things that happens in Saskatchewan . . . or look up to all the things that happen in Saskatchewan, and we try and get as broad a perspective as we can.

Having said that, the first thing I'd like to do is I'd like to put on the record, and what I have here is I have a . . . to the Standing Committee on Private Members' Bill, 1995, issue Bill 04, 1995, Saskatchewan Wheat Pool Act, 1995. The subject, an affidavit of formal participation to the standing committee for the appearance of . . . And I have all the directors listed here, and I'll read off their names: Marvin Shauf — and excuse me if I get these names wrong — Rodney Dahlman, district 2; district 3, Gary Wellbrock; district 4, Marvin Wiens; district 5, Henry Seidlitz, is that right?

A Member: — Seidlitz.

Mr. Holden: — Seidlitz. Thank you.

District 6, Barry Senft; district 7, David Sefton; district 8, Tony Hladyboroda — is that close?

A Member: — Hladyboroda.

Mr. Holden: — Thank you very much.

Thomas Lowes, district 9; Ken Elder, district 10; and Charlie Weir, district 12; Harold Yelland, district 14; Leroy Larsen, district 15; and Dennis Van Der Haegen, district 16.

Now I'll just read what I've got here. It is an affidavit of formal participation to the standing committee for the appearance of these

directors and their districts, to wit, the following questions and to present evidence thereto under oath: number one, have you read the proposed Saskatchewan Wheat Pool Amendment Act?

Do you understand The Saskatchewan Wheat Pool Amendment Act?

Will you sign a letter stating that you can tactically interpret The Saskatchewan Wheat Pool Amendment Act, 1995?

Would you come to a meeting and read and discuss the contents of The Saskatchewan Wheat Pool Amendment Act, 1995? On refusal, would you sign a letter to that effect?

The Saskatchewan Wheat Pool has done polls on the share offering subject: (a) what were the questions to the poll?; b) what were the results?; (c) what is your interpretation?; (d) what is the corporate interpretation?

Seven, did the Saskatchewan Wheat Pool investigate other financing methods? number eight, were these proposals placed before the shareholders in a formal procedure (a) as to internal capital investment; (b) as to other, external capital financing?

Nine, are you aware of the Rochdale principles?

And number ten, does the proposed enabling legislation Bill 4/95, personified Bill C-34, an Act to revise and amend the law governing Cooperative Credit Associations and the related consequential matters, as passed by the House of Commons, December 6, 1991, and Bill 3/92, the Saskatchewan Cooperative Credit Society Limited and Saskatchewan Cooperative Financial Services Limited . . .

By request, I, Joe Holden, and Terry Crush, shareholders, being A shareholders, producer numbers — 9937778032 is mine, and Terry's is 9916966863 — do request the above formal procedure together with the cross-examine thereof, formally presented this day, March 15, 1995.

And this is where Terry comes in. He can take this to current. Thank you very much.

Mr. Crush — Now I'm not so sure that I can do this in 20 minutes because I've been at this for four years, okay, since 1991, and I think there's a lot more here than The Saskatchewan Wheat Pool Act. But if you chose, if you want to cut me off, so be it, okay.

The Chairperson: — Could I clarify something first; because as I said before there's an indication on the schedule I have that the arrangements that have been made with the Clerk's office is for a one-time slot for Mr. Holden, from 7:20 to 7:40, and one for Mr. Crush from 7:40 to 8 o'clock. And so can you clarify for me what is the case?

Mr. Holden: — Well I'm going to speak now until I'm done or you sit me down, one or the other, and then his time slot is his own time slot.

The Chairperson: — Well in that case . . .

Mr. Holden: — We're individuals. He's just here as a helper. He's helping me; that's all.

The Chairperson: — Well then you will have to 7:40, and then Mr. Crush has from 7:40. So that gives you about 12 minutes.

Mr. Holden: — Okay. Thank you. I want to say that I think that the system we've got here is working for us, okay? I think that system is working for us. We've got people here from the Saskatchewan Wheat Pool. We've got people here from the co-ops. We've got people here from the credit unions. And we've got people here from the CCF (Co-operative Commonwealth Federation). And you know, the system is working because we're all here fighting with each other. The TNCs (Trans National Corporation) are all laughing at us, right? And they're just waiting like vultures to pick our bones.

Now I'm very concerned about what's going on at Saskatchewan Wheat Pool, and I want to tell you why I'm concerned, because this started back in 1990 for me. I may get a little emotional here, but Lorne Calvert said, if you get a problem with emotions, just write it down and read it, and it won't be so bad. I'll get right to the matter at hand.

Now this class A and this class B is going to move into what they call is preferred and common stock. And I can show you later in my brief how this is going to move into that way, okay. No more, no less. Think of this as a two-

tiered structure — preferred and common. This is a caste system, a class system. And this makes me sick to my stomach.

Now I'll give you a little history. Back in 1991, December 16, this was when the first axe started with the credit union system, the cooperative system, the pool system — everything we have here today. In the *Western Producer*, and I have here, if I can find it . . . that was going to be the problem.

Western Producer. Here's a picture of Milt Fair: Co-op is looking for new money. Then we went on to an article here by Alvin Hewitt of Perdue, Saskatchewan, talking about private capital. And if I can read the whole thing, it's going to take me five minutes to do that. Anyway I'll just read the last line: I'm not so sure why Mr. Fair felt that he had to bring this concept up at this time. I understand that it did not appear in any resolution before the annual meeting. Maybe Mr. Fair has grown tired of working for such a dull group and would prefer the greater challenge of someone like Cargill. And here this is cut out of January 16, '92 *Western Producer*: Non-members soon able to invest in credit unions.

Now I've been to a lot of meetings and they've told me to shut up and sit down a lot of times, okay? But it didn't work, and I'm still here. I went to a meeting in . . . This Bill C-34 kind of got under my skin. So I said where's it coming from, what's going on? And I found out through the grapevine somehow and I got a letter here from Mr. Funk, and he was an MP . . . Anyway, and they talked about this Bill C-34 going through the federal legislature.

And in the article he says that he was in favour of it although Mr. Rodriguez — here it is here — Mr. Rodriguez from the Nickel Belt was totally opposed to it. Okay? And it talks about credit unions and preferred shares and non-member directors, okay. Preferred shares and non-member directors.

Can I read this, or is it going to cut into my time?

The Chairperson: — Well it cuts into your time. There's nine minutes left.

Mr. Holden: — Then I've read it and there's nothing I can do with it, okay.

Now I'll tell you what's happened to me. I went to a . . . we in Lloydminster have two credit unions. We have the Lloydminster on the Saskatchewan side and we have the Border on the Alberta side. And I was interested in this Bill C-34 so I went there to ask some questions about it. My wife, Paulette, was a director at that time, okay, and we of course were guests of the Alberta side credit union.

Now Mr. Don Buehler was chairing it and he is the president of Alberta Credit Union Central, also the president of the Lloydminster Border, okay. And I put it to Mr. Buehler, question — now I was sitting across from my general manager, John Vinek, and also my president . . . (inaudible) . . . of the Saskatchewan side — I said to Mr. Buehler — I wrote out the question — I said, would you explain what is meant by preferred shares and non-member directors in regards to Bill C-34. And he picked it up and he read it and he shuffled it back and forth. He was obviously . . . he didn't understand it and he gave it to his girl to look at it. She didn't understand it. And there happened to be a chap sitting in the audience and he was the vice-president — the paid vice-president — of Credit Union Central. And he got up and he looked at it and he said — now bear in mind there was 350 people there and I was sitting across from these two guys that I had elected and we had hired — and he said, this is of no concern of yours. So what do I do? You tell me what I do. Well I can't quit there. I can't quit there.

I start digging around. I get a copy of the federal Act. I look around it. I get a copy of the federal Act and I look in it. And it says in here, key two elements in the Bill are — and this is to do with credit unions, okay — to broaden the powers of cooperative credit associations, diversify in any financial sector through subsidiaries, and enhance the ability of cooperative credit associations to raise capital by allowing them to issue preferred share stock to non-members.

I mean we've got the same situation here with the Saskatchewan Wheat Pool. It's the same thing. It's the same thing, okay. It says here, in particular the Bill restricts the voting rights of non-members to no more than one-third of the directors, okay. So I phoned Mr. Elliott and I said, Mr. Elliott — and he's a PR (public relations) man — I said does this mean that the Credit Union Central can set up subsidiary

companies and on those subsidiary companies they can issue preferred share stock and Peter Pocklington can sit on that board. And he said yes.

So what do you do? I don't like this. Mr. Pocklington is one real good businessman. Okay. He's one real good businessman. So we keep digging. We keep digging. What's going on? This is already passed federally. So now we've got to look at what's going on provincially. And because of the dual regulation of the credit unions, what we've got here is we've got dual regulation and we've got . . . so there's got to be two different types of legislation.

Mr. John Solomon brought this forward for the credit unions, and I think it says here, somewhere in this *Hansard*, that he was proud to do it — proud, okay. That bothers me. That bothers me, okay.

Anyway, so I thumb through this thing and I take this to my father-in-law. And I want to tell you who my father-in-law is. My father-in-law came from Domremy; his father worked in a co-op. And he was a federated manager on the road for a few years, then he managed the co-op store in Lloydminster for twenty-seven and a half years — twenty-seven and a half years. And he looked at this and he gets it out and he says . . . and this is after he sees Bill C-34, and C-34 he just says it's not going to work, okay. It's not going to work.

And he reads this and he says to me here, this is what it's all about, okay. The principal purpose and the principal business of what's going on out there. The present provisions are the principal purpose of the companies who carry on the services of the Credit Union Central and to provide financial intermediary services for its members. And then they've changed that. These were the proposals — the principal business.

Now when I talked to the guys down here, they say it was housekeeping. Mr. Doucet said no. He said this is important. This is very important. Very important legislation, okay.

Also it gets into this — the subject of the natural person. Maybe somebody could tell me what the natural person is. Does anyone know? Maybe I should ask if anyone has ever heard of Bill C-34 before. Has anyone heard of it? Stick up your hand. Barry — anyone else? — Violet. Sure you have. Sure you have. You should read this, okay. They give it all away.

So now what happens, okay? I tracked this thing in Surrey, B.C., okay. I tracked it, okay. I tracked it right from the get-go, right from the time . . . and it all came out in what they call a . . . it's a corporate *Credit Union Way*, okay. It's their magazine, and they have all the . . . this is all out of the stuff and told exactly what went on with the credit union out there and how what they did, okay.

The Chairperson: — If it'll save you any time, Mr. Holden, another witness has already brought that forward and tabled some information on it.

Mr. Holden: — Okay. That's good. So now what you have is you have opposing views of what works and what doesn't work, okay. Obviously there's some people are going to say that what they're doing is a great idea. I don't think it's a good idea. Now how much time have I got left?

The Chairperson: — Well, about two minutes.

Mr. Holden: — Okay. Then I had better start reading the letter that I got from the chap that had his money invested in the credit union out in Surrey, okay. Now this letter wasn't addressed to me. This letter was addressed to my friend Terry, and what it was is that we had a meeting out in Saskatchewan, a reporting meeting which took us 22 months to get a reporting meeting. And we had to browbeat the directors the second year in order to get them. They wouldn't give it to us. And then when we did get it they called it a non-issue — okay, a non-issue, something as immensely important as this.

Mr. Crush: — They really shut us down.

Mr. Holden: — And yes, that's right. And one of the delegates to the Saskatchewan Wheat Pool closed out the meeting, and you know that's pretty easy to do when you've got the authority and you want to use it. I'll start the letter.

> Dear Terry: I don't know if you will remember me or not, but the last time we met I believe at the elevator in Rivercourse where we both deliver

grain. We still get the *Meridian Booster* where we live here in Surrey at the west coast.

In the March 24 issue we reported the annual meeting of your Lloyd Credit Union. I read that you were one of the members who expressed concern regarding the federal legislation changes via Bill C-34 which apparently will allow non-members to invest in the credit union system or a part of it. Before I read this I had been aware of this change in federal legislation. I had been unaware of this federal legislation concerning the credit unions. If this were to happen I think it would have a negative impact for credit unions in general. And this is the same thing with the Saskatchewan Wheat Pool. I thought you would be interested to know what happens here in the province of B.C. (British Columbia), specifically with one credit union, the Surrey Metro Savings Credit Union which we joined when we moved here in 1988.

In 1990 the provincial government here amended the Credit Union Incorporation Act and they did it in council, okay. I found out just the other day that they did it in council, right. No debate, nothing. Nothing. No one questioned it. But no one knew about it. This was all hidden — hidden from the people. Terrible.

I've talked to the man who was the MLA at that time and he did not recall any debate on that matter in the House and thought it had been done from within the department, the Minister of Finance. I presume there must have been some lobbying for this, but I don't know where it came from.

And I want to know, who designed this legislation, federally. What resolution came from who? What people did this to us? Who did this? And I'll find out — whether it was the government implementing this or it was one of us cooperative, credit union, Sask Wheat Pool people. I'll find out.

For some reason I will never understand the board and management of this credit union, why they decided to change their constitution and by-laws last year to enable them to have classes of shares they could trade on the stock exchange.

I should give you a bit of background to the Surrey Metro Savings. It came into being a Surrey credit union in the 1940s. It was like so many other credit unions and at a time when the district of Surrey was mostly agricultural area. The company really got rolling in the last 15 years. So when urbanization with rapid, commercial housing development began in the area, with the resulted increase in membership and demand for mortgage money, in the last decade they expanded from 2 branches to 14. This is big money. This is big money.

With about 66,000 members, doubled their assets in the period of about seven years, and at the end of 1991 their assets passed the billion-dollar mark making it the second largest credit union in Canada. All of this expansion has been accomplished with retained earnings or loans that would have been repaid from earnings. Member . . . the members, okay? — they started it all. The members did; the people.

The Chairperson: — Mr. Holden, I don't know how much longer the letter is, but you're into sort of . . . you're into overtime already so if you want to plan to make some summarizing remarks . . .

Mr. Holden: — Well I think, Madam Chairman, I'm going to speak until you shut me down. Okay.

The Chairperson: — Well, okay. I'll give you till quarter to, then. That's five minutes more and that will be it.

Mr. Holden: — I think on an issue as important as this . . . and you said last night yourself that this is almost . . . this is unprecedented, the amount of debate that's going on over this one issue. And I want to say right now that if these people here would have known about Bill C-34, we would have been here in '92 to do the same thing. We would have been here to help

you guys through this thing.

And I asked the questions and I've got the answers from the MLAs here saying . . . and I want to read those for the record too because it's vitally important to what's going on here in Saskatchewan. Fifty per cent of the money in this country is involved in co-ops and credit unions and pools, 50 per cent of the transaction. If this explodes, this is going to be catastrophic to this country. And do you know what the churches are saying about this? They're going crazy because they know that the churches and the schools are going to be filled full of wing-nuts and we all know this, don't we?

The Chairperson: — Actually, I think, Mr. Holden, I'll have to stop you there because you are five minutes overtime already and we sat an hour . . .

Mr. Holden: — I have got the meat of the thing here on four more pages.

The Chairperson: — If you'd like to file it with the Clerk, that's been the procedure, is if you have written documents to file with the Clerk; it's distributed to the members of the committee so that they can read it and it's given all due consideration, but we just . . . we have, you know, a number of witnesses who have travelled from all over the province and so out of respect to them, we have to honour their time slots as well.

Mr. Holden: — Okay . . . (inaudible) . . . I'm going to file this stuff and I'm going to get it to you, okay. And I'll get it to you; it will take me a minute to put this back together.

The Chairperson: — No, at any time this evening before our proceedings conclude you can give them to the Clerk, and they'll be filed; and there'll be a written list appended of what's filed and all the members will be given copies.

Mr. Holden: — I would just like to state for the record that this letter is the most important thing here that I've got, okay. It's the most important thing. We've all been snowed . . .

The Chairperson: — Okay. Thank you very much, Mr. Holden.

Mr. Crush: — I guess I'll start now. But I'm going to make an objection right now to start, in the fact that yesterday I sat here in the evening and several people talked for a lot longer than 20 minutes. And by looking at the verbatim reports, the Pool was allowed to talk for an hour and a half. I think I have equal status along with the Pool, since it's my company.

The Chairperson: — I'd just like to clarify that at the outset. On the very first day that the Pool and the Co-operating Friends of the Pool were given equal time and there was approximately an hour — well it was sort of a guess — time slot at the beginning to sort of set the parameters of their cases.

And other than that we haven't had any presenters go over time. Mind you we have had some sessions that went overtime because of questions raised by the members, but we haven't had a presenter go overtime ever.

Mr. Crush: — I guess my rebuttal to that is that this is a very important issue and you can tell by the equipment we have here in front of us that we have been researching this for several years, and we'd like to talk at length on it, because it is very, very important.

However I will start the formal presentation, and I have a 15-page document here to the standing committee, and I started writing it on March 8.

Members, my name is Terry Crush. My wife Elaine and I are food producers in the district of Lone Rock. Our farm has been in the family since my father and mother purchased parts of it under the VLA (Veterans' Land Act). We have and are operating a mixed enterprise operation of grains, oil-seeds, clover plough down, cow-calf, and chickens; a sort of perpetual agro business.

I have been a share-owner of Saskatchewan Wheat Pool for approximately 25 years, serving most of that time on local committees in Lone Rock and then after closure, on Marshall Wheat Pool committee. I am also a member of Alberta Wheat Pool. I also served on a committee in the early '80s working on a joint Saskatchewan-Alberta Wheat Pool elevator operation on the Saskatchewan-Alberta border with two of my peers, under the Lone Rock Wheat Pool committee's jurisdiction.

I am opposed to the privatization of the Saskatchewan Wheat Pool and the principle that to make a fundamental change in direction in capitalization which . . . and Joe is looking for that, 89,220 shareholder's certificate of status, corporation no. 506266, filed January 31, 1994 is what I'm relying on, inclusive of myself, have been grossly misinformed.

As shareholders we have been denied the right to vote, of which automatically brings forward the whole system of debate of pro and con to the proposal. This debate brings new ideas into the equation: it brings understanding; it brings empowerment to people — the real reason cooperatives were formed.

The Rochdale principles were the result of disrespect and famine. That's the dialectic of what we're having. This is not what has happened here. This is an underhanded operation, and this has been a *coup de main* by management and a hoodwinking of the Saskatchewan legislature.

Through a non-vote of shareholders, as we are registered, our equity is being reformed to shares, publicly traded by the same RBC Dominion Securities agency through the whole process of designing, evaluation, in-house secret trading, internal funding of employee investment or buy-ups, and the listing of shares on the public market. And the shareholders have no say in this.

When I bought into the Saskatchewan Wheat Pool I got and bought an entitlement as a shareholder, a shareholder it seems without rights in a democracy of basic right as of vote. You know Agatha Christie once stated that when large sums of money are involved you are to trust no one. Is that the basis of the situation here? You are being asked to perpetuate a fraud in this legislation. Very simply, the Saskatchewan legislation is being asked to set up a class system directly opposite to the existing protocols.

And number six, in the Act — if you would refer to it, as committee people if you're interested in following, in number six of — I guess this is referring to the Pool's glossy — number six, and number six of the glossy states in number two of the third page, in class B shares, in quote: if approved by the board of directors. End quote.

In other words, elected class A delegates do not have a vote or say in the equation. Money talks to money.

Deferred or capitalize . . . the in-house of trade of shares on February 20, 1995, Saskatchewan Wheat Pool board of directors is offering an incentive plan to employees of an interest-free share purchase plan. The directors — my directors — are making the statement of buying loyalty, i.e., votes wagon, of which not only does the employee have a secure job as now, has a pension plan for a future, but is designated to hold a benefit of class A shareholders' business with the corporation also.

Does anyone here expect class A shareholder loyalty basis the exchange from the present status to the proposed structure? Notwithstanding this, in section 3(1)(c) of Bill 04, the directors of Saskatchewan Wheat Pool are asking for legislative, cooperative principles. This is before implementation by the federal government and the International Co-operative Alliance, and even the council of Saskatchewan this summer.

This will void the above organized bodies' agendas to debate the issues, the visions, the implications, etc., if the Saskatchewan legislature passes the Bill.

Anyway, who are you as an elected body to set cooperative principles in law to a corporate body, of which Mr. E.M.C. Upshall, MLA Humboldt, stated publicly, Monday, February 26, 1995, is on the first step to privatization.

Not even the elected bodies of 1923 and '24 did that. And I would refer you to Saskatchewan Wheat Pool's glossy, number 5, page 3. The question is: can a corporation be legislated cooperative? And conversely, can a cooperative be legislated a corporation? To what end?

In the Bill 04, section 5 states a corporation is a person with all powers, and you heard the former presentation on that. How does a class A shareholder fit there in section 5 where the power of a person . . . subsection (g) states remuneration and expenses of all delegates, directors, and shareholders. Who are the shareholders? Is it the corporate part or the cooperative principle part or both? Which is it?

Section 7(1) is void by section 7(2)(a) and (b). Bill 04 makes the corporation a person of full rights and class A shareholders . . . avoid The Securities Act, 1988. Bill 21 is before the Saskatchewan legislature right now. Then I as the poor-boy class A shareholder do not feel very secure.

Also section 8, subsection (4) legislates a position on change of control which also insecures me under class A. Not only that, but section 8, subsection (5) makes the point that amalgamation with another corporation or cooperative . . . this Act applies. It further shows that FCL (Federated Co-operatives Ltd.) and the whole of that structure could be taken as Bill 04 states that this is a cooperative.

What about Dairy Producers? In section 10 of the matter of the lists of the shareholders, where does one have access to this? As a class A shareholder, do I have access to class B shareholders which could affect/effect delegates by elections.

Under by-laws, section 11 of the Bill, as a class A shareholder there is a very limited security of a continued by-laws because by-law 8 has been changed to limit the director's relationship to my delegate body as to factors that place class B shareholders' returns.

Number two, the section 12 makes the class A delegates subject to seven subclauses. It will make class B shareholders of superior status in every regard. Who would not want to be or remain to be to what end a member-owner-holder of class A shares? Only those, in my opinion, that have an interest in equity — class B shares. Those would be only people.

How long do the by-laws continue to favour class A shareholders? Not very long, as money talks to money. You know it's the X factor, the Bank of Canada, by which class A can do business with the Pool via the decision of a bunch of people in suits saying you can.

A good example of this too is *The Western Producer* of June 24, an article on ADM (Archer, Daniels, Midland) and cooperatives. Andrews, who's the CEO (chief executive officer) of ADM, states the ADM line to establish joint ventures and partnerships with prairie cooperatives . . . and to be the cement that holds the network together. Co-ops supply 70 per cent of the raw materials and use 50 per cent of ADM's sales — very important.

In 1993, ADM had a joint venture with United Cooperatives of Ontario. In October of 1994 GrowMark of Indiana, U.S.A. (United States of America) agreed to buy the assets of UCO (United Cooperatives of Ontario). ADM owns GrowMark, and here it's right in their 1994 report. I've got it flagged here. ADM has a net worth of $5 billion in June 1993. It's growing by 10 to 15 per cent a year. If Saskatchewan Wheat Pool President Larsen, as stated in Lashburn, Saskatchewan in 1994, is correct that assets of Sask Wheat Pool are 1 billion total and all players of the financial trade are honest traders, then ADM will be forced to buy the assets of Sask Wheat Pool in about 12 to 18 months. And I'm reading the verbatim. I think it's less than that, Mr. Spencer noted in there.

Simply put, that's the strength of section 11 of Bill 04. By the way, UCO members still think it's a co-op, and the signs are still on the door. And I have a neighbour that lives a half a mile from my place that's a member. He thinks it still belongs to him.

Section 12 of Bill 04 gives further examples of the . . . (inaudible) . . . of class A shareholders in the subsections: number 1: ". . . delegates have the exclusive right . . ." They did this whole share offer process unannounced and between delegate elections of '94-95. They will amend and appeal by-laws at will then — their will. And why not? Using the pride model of 80 per cent voted in favour, and 80 per cent will surely by pride will have to become preferred, non-voting, class B shareholders.

Notwithstanding by example, whose interest will these delegates protect? Two things are on the table here: trust versus pride. This government is now in the pudding too.

No. 2 of section 12: ". . . two-thirds of the delegates . . ." on the vote. Who is going to be turning up the heat on the pressure-cooker? The class A shareholder? I doubt it.

No. 3 subsection: ". . . 10 days' notice of a meeting . . ." of class A shareholders delegates sure gives a long time to hold committee or member discussions meetings, etc. It can be ". . . waived by the unanimous consent of the delegates." Does it say by those

present or what do they mean by that? Clause doesn't even say information has to be shown. I would note your consideration — I think it was mentioned last night by Myron — section 6 on class B shareholders.

No. 4, subsection no. 4, class B shareholders will have, in law, in Bill 04, the legislative right to countervail all business of the Saskatchewan Wheat Pool Corporation — a fundamental change to my shareholder status now.

Subsection 5, class B non-voting shares are affected by (a) class B decides control. They have the power; (b) class B decides ordinary course of business. Who will develop the rural needs of members' class A shareholders? What does ordinary mean? What decides the social, economic, environmental needs assessment — votes, rails, standards, etc.? Who decides that stuff?

Section 12 (5)(e), small review on class A shareholders. Class B retains the notion of business of the corporation, and outlines the purpose of class A under the cooperation adherence factor to be legislated.

Subsection 6, class A shareholder delegates have become subservient to class B shareholders due to 21-day meeting notice of which shall state (a) detailed nature to form "a reasoned judgement", and (b) a "text of the bylaw."

In 12(3) delegates only get a three-day notice of a meeting with no legislative rights to proposals. The reasonable argument is, why would delegates attend unless they have a vested interest in its class B shareholders. And secondly, where does the fire come from to implement new policy? Wants and needs as a class A shareholder anyway. Who cares? Principled people or monied people? The largest policy business, farm-owned entity in Saskatchewan, becomes an unbridled business monster.

Subsection 7, by-laws to be filed with the director. Class A delegates by-laws "shall be filed with the Director. . ." under The Business Corporation Act. This New Democratic government is asked to legislate cooperative principles, adherence, but is not asked to then file requirements of the class A adherence under the cooperative Act. Do you expect any common sense person to actually trust what you natural people are doing here?

Now under a section of the Act, shareholders' rights, section 14, class A voting shares have rights. Isn't that nice? It doesn't say "shall," does it? This very statement makes class A shareholders subject to very . . . (inaudible) . . . governors.

Subsection (a) on that: par value shares, $25, Bank of Canada — Z is for zero reserves. Z is for ZZZZZZZ, sleeping, what you're likely to induce in talking of class A ways and means and needs.

Subsection (b): the corporation is not restricted to have only farmer class A shareholders by law; (c), subsection (i) under that: right to vote only by by-law which is influenced by class B shareholders.

Subsection (ii) under that: right to receive notice. Didn't work last spring, and if done was done in one or two days after the nominations closed. You know the committees were only phoned anyway in a somewhat matter. My neighbours were dusting it in the field at the time they decided to have meetings. And our delegates shut down conversation on the credit union problems, for gosh sakes.

The Chairperson: — Perhaps I should give you a bit of a three-minute warning if you want to . . .

Mr. Crush: — Well I've got about five more pages here.

Legislation states a negative, a shall not attend, negative delegate meetings. Only one share to be held. Who governs this? In a representative vote, who governs this?

4(c)(vi), no dividend to be legislated before any changes, if any, by the International Co-operative Alliance. Who is setting the mark? Who done it?

No. 7, shareholding is no longer voluntary. Your patronage is being purchased. This is a principle change legislated in law of existing co-op principles. No. 8, par value is used at winding-up. As RBC Dominion Securities is the alpha and omega of the values, how much am I being manipulated as a present shareholder? At 89,220 present shareholders times $25 par

value, class A is valued at only $2.23 million.

C.D. Howe said it well back in the '50s: what's a million? My dad never forgot C.D.'s statement, and I heard it a very many time. Commoners and their values are nothings.

Redemption of shares, under (e). Being legislated, it would seem easy for the corporation to buy out the class A shares. Under 15, class B shareholders, no. 1 under (b): rights to the meeting is to be legislated. Class B shareholders, at 10 per cent of shares issued, has a lot of say. How many farmer-owners of class B shares will it take to protect class A shareholders?

No. 3, idea of 15(6) is legislated in Bill 04. There are three strikes against the class A shareholders via legislation.

14(c)(iii) . . . shall have no right to a meeting, and class B shareholders shall have the right of first approval; (c) and delegates holding class B shares would have a vested stronger interest in class B to class A detriment anyway.

Number (4) under that section 15. Directors determine values are . . . no reporting to delegates bylaw . . . (inaudible) . . . Who are representative of shareholders of class A? Two-class system opposed to our forebearers . . . all our forebearers worked to overcome. Where does the middle class, you and I, fit?

The whole gravy of the outfit is going to owned by the class B shareholders and under (c) 10 per cent of the class B shareholder limit . . . What a reverse take-over by Robin's Donuts, etc.? I heard the argument tonight, but I ask that question again.

15(2) — directors' power to exempt transactions from 15(1)(c). What's the protection of insider take-over in this legislation? What does spirit, intent, mean? If the grain handling system is junior to other Sask Wheat Pool divisions, what happens to that division? And what happens to class A shareholders who are designated to be farmers, owners, members, shareholders?

15(4) — even if the corporation directors, officers, employees or agents fault on class B transactions, they are legislated not liable; therefore they operate with impunity to the class A shareholders' legislated rights. This is a real bottom-feeders', lawyers' delight, and I'd like to quote Peter C. Newman on that. I didn't say that.

15(5) — the corporation may include provisions in by-laws for enforcement. Yeah, right. Like it did in the past to protect its present owners, I'm sure they will.

And subsection (6), concurrent meetings of delegates and class B shareholders are a given. Who wants two meetings of the same issue? Proxy rights are a given then and a right to speaking is also given. This will result in a monopoly of the few to the detriment of the many.

As to delegate microphone time on class A policy ends, nominal essence of the issue will be put to a time. The money and the suits will control the meeting.

No. 7, if the delegates do not enact a by-law . . . end quote. Legislated almost as if a threat . . . and then my foregoing argument. This clause is attempting to commonize, commonize the preferred shares. Preferred class B shares outline the debate of the delegates and I call them preferred because they have the money.

The agenda is set for the delegates.

The Chairperson: — How much more do you have?

Mr. Crush: — I got two pages.

The Chairperson: — You're overtime.

Mr. Crush: — 15(8) — this clause simply states again that preferred class B shareholders make the decision for the corporation. The common class A shareholders merely endorse it, and I call them common.

16(1) — the corporation may make by-laws, not the delegates of the common A shareholders, showing again that class B preferred shareholders make the decisions. Number 17 of the Act . . . corporation shareholders are not liable under this Bill 04. Basically there's no wrong to be done or seen to be done, converse to the democratic law people have survived under in Canada for 128 years or more. This is a theory of proto-facies. This is a theory of proto-facies. I want you to

all look that up.

Section 18. The corporation becomes its own court by legislation by which preferred class B shareholders impose their standards on the users of the services: the commoners, myself.

No. 19. The corporation seeks an entitlement to an injunction through legislated methods. This is above the courts and this places the corporation equal to the legislature. When will Cargill, ADM, FCL (Federated Co-operatives Limited) expect this? Whose freedoms are impinged here?

No. 20. Set-offs are legislated into force, making the corporation the judge in finality.

No. 21. Makes the directors absolute; no reporting required to delegates, of business transactions.

Two more points.

Section 23. Land transfer restrictions makes the corporation the *Maclean's* of the Prairies. And I'm quoting Roy on that, Roy Atkinson. It's put in legislation. The corporation is above the courts and becomes its own master in perpetuity. Who wouldn't want this legislation, and this a legislative cooperative adherent classed as a natural person — really bodes well for a citizen's idea of cooperation.

I say to you, damn the lawyers who wrote this; damn them to hell. We'll all rot for this.

Section 24. Control of the many by the few. Just hope for a benevolent CEO. But this Bill 04 does not portray this position. This is a money Bill and money looks after money.

I have to say to Mr. Beke, he has a Midas touch. And I protest this treatment of my values and I want this legislature and this body to stop this Bill. I want my vote. Quite simply, I want my vote, and by that vote I will get some discussion on this matter out in the grass roots field.

And I have another eight pages I wrote up this afternoon telling you . . . you were trying to figure out your position here as a committee because you found it strange that this has never been done before. And I'd really like to go through that, Madam Chair.

The Chairperson: — Well perhaps I could suggest that maybe you could file it.

Mr. Crush: — Well I need a copy of it; this is my only copy.

The Chairperson: — Well we'd be happy to . . . our clerical staff would be happy to make copies that can be distributed to the committee. And it's unfortunate that it doesn't allow any time for questioning, because sometimes some of the most enlightenment comes about in the give and take.

Mr. Crush: — Well I think I gave the full load anyway, Madam Chair. But I just want to make one more point that, you know, as a leader, and that's what you people are here as a committee . . . Mr. Burton and all you people here are leaders. And I'm not telling you what to do here, but I'm just pointing out what the values are here. At prima facie value you have to be a servant first to be a leader. And you have to remember that we vote for you, not the corporation behind me.

Thank you very much.

The Chairperson: — Thanks very much.

Mr. Crush: — And I have copies of my . . .

The Chairperson: — Okay. If you'd like to provide them to the Clerk, then we can make sure that all the committee members have copies.

Thank you very much, gentlemen.

Is Mr. Gabriel here? We'll just give them a few moments to clear their material away. Go ahead, Mr. Gabriel — whichever way you're comfortable, sitting, standing.

Mr. Gabriel: — Madam Chair, thank you. Members of the Private Members' Bills Committee, this is not a very comfortable situation for me. I'd feel a lot more comfortable in the cattle pen pulling calves or engaged in farming.

The Chairperson: — You and me both.

Mr. Gabriel: — I wondered if it might be possible for me to stand during the presentation. I spent quite a bit of time in the last three days sitting, putting my thoughts

down in this presentation.

The Chairperson: — Whichever way you feel more comfortable. We know it's a very intimidating venue, so try to relax.

Mr. Gabriel: — Bill 04, Saskatchewan Wheat Pool Amendment Act, March 15, 1995. My name is Patrick Gabriel. I farm, mixed farm, with a cooperative operation at Englefeld and I've been a Sask Wheat Pool member for about 12 years. My grain has been delivered to the Pool, and also some of my cattle.

The private members present, and this government, need to seriously assess the impact of these amendments to privatize Saskatchewan Wheat Pool. Globalization has placed all of us in a casino game called the lottery of survival. If you control enough capital to set the rules of the game, then you win. Understand that in the survival lottery, investment capital always flows to the highest jackpot. It also means that winners in this game of survival have an enhanced power position to set new rules and enhance the ability to win again.

What happens to all those who have to continue to play in the survival lottery but have no power to change the rules in their favour? I submit to you that this is an unethical, immoral principle on which to base human survival. As Saskatchewan Wheat Pool member-shareholders in rural Saskatchewan, we are rapidly losing our potential to win in this lottery of survival.

By now you will all have heard of Nick Leeson. He is the 28-year-old international currency investor who worked for Baring Bros. bank of England. After investing heavily in currency markets on the Tokyo Stock Exchange and the subsequent collapse of Baring Bros., the bank called him a rogue investor. Several days after the collapse, bank officials reported that Nick Leeson consistently generated one-third of all the revenue earnings within their group of investors in stock and currency markets. He was not in fact a rogue investor operating on his own, but had been given authorization to play the global currency markets with bank assets at will.

I raise this scenario because it describes graphically the nature of global capital and the investor practices. Maximum return on investment is the only motivating ethic. Investment capital is secured only by the promise of maximum return. There is absolutely no consideration given to the effect on people. This concept daily continues to enhance the wealth and power of global market manipulators. Conversely this concept daily places at increasing risk the survival of farm families; viable, vibrant rural communities; and long-term employment opportunities.

Let's consider briefly what response we might expect from the men and women who struggled to build the Saskatchewan Wheat Pool. Their resolve to secure honest returns for their production was profound. They also recognized that the principles of cooperation, the Rochdale principles, were essential to give equality and collective strength to every shareholder, no matter how big or how small. We cannot imagine the degree of anger or stunned disbelief that might be the response from original organizers on these points.

No. 1, inclusion in this Act of section 5.3(1) which states Saskatchewan Wheat Pool is continued as a body corporate with all the rights, powers, capacity, and privileges provided in this Act; and is, under (c) organized and governed by and adheres to cooperative principles in accordance with this Act and the by-laws. This section might well be considered deceptive when part 2 32.3 repeals a basic co-op principle, the allocation of patronage dividends following conversion.

No. 2, the inclusion in the Act under section 5.5(f), the opportunity to nominate and elect by two-thirds majority vote of delegates, representatives from class B non-voting shareholders to the board of directors. Whose interests would be served by a director serving on behalf of class B non-voting shareholders?

And no. 3, that a provincial NDP (New Democratic Party) government which has its foundation in the same basic root stock as the organizers of Saskatchewan Wheat Pool would even consider passing amendments in this Bill allowing outside investors to realize on their investments in class B shares at the expense of primary producers and their economic survivability, suggests a considerable loss of historic convictions.

No. 4, the repeal by delegates in November 1994, of Saskatchewan Wheat Pool by-law,

section 8.10, prior consultation with delegates. The corporation informed delegates of any major capital commitments in new fields of activity at a district meeting attended by a director or at a meeting of all delegates attended by the board prior to making such a commitment. This section has been repealed.

Throughout the discussion of this privatization process, Saskatchewan Wheat Pool has maintained that the delegate body will retain effective policy controls. With the repeal of the above section, delegates are not required to be notified of any new major capital commitments. How will they then make valid decisions in the interests of class A voting shareholders?

And no. 5, Saskatchewan Wheat Pool was conceived by producers to serve effectively the needs of its member-shareholders. Now that the corporation has matured and become bloated with its own importance, it is now turning on its member-shareholders to serve the needs of the corporation.

This is not an idle statement. Many people who have patronized Saskatchewan Wheat Pool faithfully for years have a sense of being betrayed. Patronage dividends have not been payable to shareholders because these funds were used to buy doughnut shops. Local country elevators, in many cases in good working condition, have been deemed by management to be obsolete and have been destroyed, forcing shareholders to go elsewhere with their business.

The destruction of many small town elevators with their array of numerous small bins has reduced storage capacity in the system. Larger delivery points with more deliveries are unable to accept these grain grades of specific quality. Bin space is simply not available in larger plants for smaller quantities of special grades. Producers come under increasing pressure to accept lower grades rather than travel the distance to the next point.

Services like fertilizer blending and chemical storage and sales are being phased out by management decree at many country elevator locations. Many member-shareholders express great frustration that they have no say on the local committees regarding company policy and services retained for members. For example, a young neighbour who served for several years on his points committee told me the biggest decision they got to make was whether to have chicken or roast beef for the annual meeting each year.

Is it any wonder then that the non-vocal support for this public share offering among member-shareholders is due to their ability, finally, to cash in their class B non-voting shares and bail out with their equity. The remaining members, given the opportunity to discuss the certainty of privatization, feel we are being swindled.

The proposal allows us to receive class B non-voting shares equal to the value of our equity during in-house trading, but we cannot share monetarily in the assets of the corporation. As member-shareholders if we seek to share in the assets and the wealth-generating potential in the future, we will have to share that profit with outside investors.

Saskatchewan Wheat Pool management has disclosed very little since '91 about the number of studies commissioned to seek funding alternatives. They have disclosed nothing to the shareholders and delegate body from these studies to inform member-shareholders of other workable alternatives. We suggest that there are other viable alternatives that would serve to keep the corporation functional to the membership instead of becoming functional to investor capital. As shareholders we request the right to discuss alternatives researched in these studies prior to a vote by member-shareholders.

There exists a real possibility that after the period of in-house trading most members will be left with only the class A voting share. Working capital investments by outside investors in class B shares may well rapidly overtake the amount of capital held by primary producers in their retained class B shares.

It is entirely possible that member-shareholders will have simply sold themselves out of a controlling position. This scenario is even more serious when we consider that the value of Saskatchewan Wheat Pool assets in the country elevator system has been drastically reduced by the recent federal government announcement to phase out the Crow benefit subsidy.

The imposition of a chaotic, variable freight

rate structure will phase out the country elevator delivery system overnight. Many of my neighbours work in Doepker Industries plant, manufacturing grain trailers and B-trains. They report that since the Crow benefit announcement, orders for units are pouring in and that five more plants of equal size would not increase capacity enough to meet demand.

Who is going to pay the cost to maintain our public road system safe and passable? This erosion of the value of country elevators serving declining numbers of shareholders shifts the priorities of management toward all the other value added interests of the corporation. Member-shareholders are not directly served by most of the agri-business subsidiaries.

Farmers have a history of supporting facilities which serve their everyday needs in the production and sale of produce. This is a hands-on, everyday relationship. Investing in stocks in agri-business interests in someone else's domain is foreign to our psyche. Many have not the funds left to maintain viable operations, let alone invest in additional class B shares.

We understand very well the chaos resulting from deregulation. We believe that the amendments before this private members' committee in Bill 04 are precisely a deregulation bid by the corporation. It is this legislation which will allow Saskatchewan Wheat Pool to exploit member-shareholders by extracting maximum benefits for outside capital investors. We view this as a bid to operate in the new world order, not unlike their competitors. The competitive global environment demands conformity.

The ethic of stability, creating service to members, is being replaced by the basic greed of market competition and exploitation. The requirements of capital investors will result in policy shifts within the corporation, devastating to rural survival.

Number one, Saskatchewan Wheat Pool support for the Canadian Wheat Board orderly marketing system will inevitably turn to opposition; number two, contract production will become a prerequisite to sell; number three, variable handling charges will assist in directing grain to centralized locations at members' expense. The note is from *The Western Producer* of May 26, '94.

I am not optimistic. As a member-shareholder of Saskatchewan Wheat Pool I believe privatization will become a disaster; for me personally, for members everywhere, for the ideals of the company itself, and for this province.

I urge that we as owners of Saskatchewan Wheat Pool be given a vote to decide democratically the future of our company, our personal survival, and the survival of our children. I also request that the Bill be tabled until a member vote is conducted.

I note that termination of patronage dividends has been adopted without passage of enabling amendments in this legislation under patronage dividends, no. 32.3(1). Does this mean that the passage of Bill 04 is guaranteed? What will be the cost to Saskatchewan Wheat Pool to convert to a public share offering? Who will incur that cost? Will RBC Dominion Securities be required to disclose their fees for in-house trading services?

Notwithstanding the request for a member vote, I suggest this committee amend the legislation if you see that you have no other choice but to pass it. Saskatchewan legislature must require a shareholders' list be filed with Saskatchewan Securities Commission and that it be open for inspection by members.

I respectfully submit my presentation. Thank you.

The Chairperson: — Thank you very much, Mr. Gabriel. Are there any questions that members of the committee have to put to Mr. Gabriel? Any questions? I guess there aren't any questions and you've made yourself abundantly clear, Mr. Gabriel.

But I'd just like to make a comment that I hope that people, petitioners and witnesses to the committee, realize and appreciate the effect this has on some of the committee members as well, given our background in the co-op movement.

For example, I was raised on a co-op farm, and my father worked for all his career at Federated and part of his job was to build Federated, to bring what was then the Alberta-

B.C. . . . the Alberta and B.C. co-op wholesales into the Federated family.

So when we had to do things . . . for instance like the issue of the refinery or the upgrader in Regina, where you know there are things in our background that we all bring to these issues on all sides of the questions that have profound effects.

And members of the committee are certainly, you know, not immune from that and we have an appreciation for the kind of things that witnesses bring forward because we live in that space ourselves in a great many of these issues. Thank you very much.

Mr. Gabriel: — Thank you.

The Chairperson: — Originally, we were scheduled to hear from Mr. Atkinson at this time, but he, we're told, has deferred to Mr. Faller.

Mr. Faller: — Thank you, Madam Chair, and thank you for the opportunity to speak. First, a bit about who I am. My name is Douglas Faller. I have been actively farming since 1973. I was a member of the Southey Wheat Pool committee for nine years and its chairman for eight years. I have been a Sask Wheat Pool delegate for the past seven years.

Next, a bit about who I am not. I am not a member of the committee called the Co-operating Friends of the Pool. I cannot, as a Sask Wheat Pool delegate, recommend their agenda. Not because Sask Wheat Pool prevents me from saying openly that a membership vote is a good idea, but because I feel bound as a delegate to represent my members' views. My members were strongly supportive of a member vote before the delegates' meeting in July 1994. But now that the privatization option has been chosen by delegates — now that it is clear that Sask Wheat Pool members may not decide this issue — they see it as a *fait accompli*, as a done deal. They have become discouraged by recent events and are now looking forward to getting their share value statements in their hands before something happens to it. So I am not here to talk about a member vote.

Why am I here? I am here to represent myself and my interests as a Sask Wheat Pool member. What I am here to do is to object to the intention of the new Act to call Sask Wheat Pool a cooperative. What has been presented to this committee at length, I believe, and with great skill, is the legal definition of a cooperative under the new Act. This narrow legal definition says that Sask Wheat Pool is a cooperative if it has a legally defined democratic structure. You have been given the legal — the *de jure* — definition; and I apologize for my Latin here, pronunciation. It's not up to a lawyers' standards. That's the definition you've been given — the legal. And I point out a typographical error in the text here.

What has not been presented is the de facto case: in other words, the real situation, the practical implications — the actual effect this Act will have on Sask Wheat Pool members.

As both legislators and politicians, you are keenly aware of the difference between *de jure* and de facto — between legal definitions and the real world. The Acts you pass have real consequences for real people.

I hope to demonstrate that Sask Wheat Pool will cease to be a cooperative in real economic terms. I will try to show that a narrow, legal definition is insufficient to merit the label cooperative and that this legal democratic structure itself will be severely eroded in practical terms over time.

For Sask Wheat Pool members, the new corporation ceases to be a cooperative primarily because the system of patronage is eliminated. Patronage is critically important for both economic and democratic reasons. Why? Let's look at how such a cooperative works.

First — and now economically speaking — the members of a producer cooperative pool their capital. They put that capital to work to serve the business needs of their producer-members. They hire managers to manage the use of their capital. If the capital has been well managed, there is a surplus. Some capital is retained to maintain the corporate structure. The owner-members are the first in line to share in the rest of the profits. They share in the profits of the cooperative based on their patronage. In other words, how much business they do with the company. Patronage not paid out in cash is used, interest free, by the company as part of corporate working capital.

The key points here are: one, the members are

first in line — in other words, on a par with the corporation — to receive the profits; and two, they share according to their patronage.

What do these key points mean? I argue they mean everything. To receive most of the profits, the members simply carry on their regular business function. They haul their grain or livestock to the Pool. Just by doing their normal farming business, the members have the right to share in the bulk of the profits; in other words, to receive a direct economic benefit they do not have to dig in their pockets at the end of the year and pull out their own money to buy stocks in a farm-related company. That would defeat the whole purpose of having formed a patronage-based producer cooperative in the first place.

Why? Because the central function of our cooperative is exactly like the concept of value added — one of the business buzz-words so widely used today to justify the share conversion.

Sask Wheat Pool, as a cooperative, acts as an extension of the members' farms. It performs the functions of handling members' products, servicing their farm input needs, and even finding markets for non-board grains.

As these jobs are being done for them, the members share directly in the surplus created. Structured as it is today, Sask Wheat Pool, as a cooperative, adds value to the members' farms. When the share value is complete, members will never again have the opportunity to utilize the cooperative structure of Sask Wheat Pool to add value to their farms. And it will be a cruel irony if members lose their right to add value on their farms precisely because management wants more value added opportunities for the corporation.

Secondly — and now I'm speaking politically within the organization — patronage is key to member control of the organization. May I repeat, patronage is key to member control of the organization.

It is clear that members and the management have direct and competing economic interests. Both legitimately want access to the company's surplus. The competing interests are resolved in the process of allocating the profits.

The first question asked by the organization when the profits are known at the end of the year is: how much do the members get and how much does the corporation keep? And the answer should take into account the financial needs of both.

Now the board may not have the legal obligation to allocate any current earnings to the members, or even to redeem the equity in their eligible categories, but it does have a well-established and well-understood moral obligation to do both. Here is where members exercise control. It is the patronage system which provides the members with a counterbalance to overly aggressive spending by management, provided the delegates and board represent the members' interests.

Based on this long-standing moral obligation, the members have at least an equal right to the profits. In fact our policy has been to retain 30 per cent of the earnings and allocate 70 per cent to the members' accounts.

Once the members' equity is converted to shares, there will no longer be a moral obligation to pay profits to the members first. The question of how much do the members get and how much does the corporation keep will never be asked again. The profits will accrue directly to the corporation first. Only after management and the board have committed the surplus to capital investments, will the members' interests be accounted for and then it will only be a question of whether there is sufficient surplus left to pay them a dividend on their shares.

We can see that members' equity, both their share of the current year's earnings and what has accumulated in their accounts, is precisely what brings all players in the organization together in common cause. Members have a right to the profits, management needs capital to maintain the corporation.

The delegates and board of directors are obliged to ensure that the interests of both are met, that management does not usurp the surplus, and that members don't draw out all the earnings and kill the goose that laid the golden egg.

The annual pay-out of equity to members has been described to you as a liability. In fact it has been described as a contributing factor to

creating an uncertain financial future for Sask Wheat Pool, for making Sask Wheat Pool cash starved and unable to invest in external ventures in the future.

Of course a joint stock company would certainly call it a liability to have to pay its shareholders the lion's share of the profits before the profits accrue to the corporation. But this is a cooperative. Large pay-outs of equity to members are not a measure of a cooperative's failure, but of its success, at least for the members.

Large allocations of earnings to members are not automatic. They are made by conscious decisions based on the level of retained earnings recommended by the board of directors. If large allocations to members pose a threat to the financial viability of Sask Wheat Pool, or prevent it from reinvesting, then recommendations should be made to Sask Wheat Pool members that we retain larger shares of earnings in the corporation, lest we kill the goose that laid the golden egg.

Thus the impact on Sask Wheat Pool members of becoming a publicly trading company include at least the following. One, it will destroy their right to be first in line to share in the annual surplus. They are moved to the end of the line after management has satisfied its needs to use the surplus for rebuilding and external investment, and after the board has deemed there is enough surplus left for the members to get a dividend.

Two, Sask Wheat Pool members will no longer be able to add value to their farms by using the functions of Sask Wheat Pool as an extension of their business. Their share of surplus no longer is based on their patronage, nor on simply doing their normal farm business. As I said before, they will have to use their own after-tax discretionary income to buy shares in order to increase their share of the earnings.

And three, existing Sask Wheat Pool members are the last of a kind, the last beneficiaries of the patronage system. New members cannot share in Sask Wheat Pool surplus at all by simply doing their farm business. Their share will be entirely dependent on how much money they have available to buy shares.

Sask Wheat Pool is not breaking with the past; it is breaking with the future. When the share conversion is complete, the corporation will come first. Members will be placed in a residual category. The strongest means and the last vestige of effective, internal member control will disappear, along with the patronage system.

I understand you have been told that Sask Wheat Pool's MVP (maximum value plan) marketing incentive program will replace patronage. I argue this is not accurate.

Firstly, the greatest value of patronage is not a matter of dollars. As we have seen, patronage is the central structural element of a cooperative, which gives the members the right to be first in line for the surplus, along with the corporation, and thus gives them effective control in the organization. It is this same structural element which binds members, delegates, directors, and management together in common cause. The MVP program and similar marketing incentives can never replace the structural benefits and rights that patronage gives to the members of Sask Wheat Pool.

Secondly, where patronage is a matter of dollars, the MVP program now in existence is in addition to the present patronage system. When the Act is passed, members will be giving up patronage just to get the MVP plan they already have.

Thirdly, the MVP program can be matched or improved upon by Sask Wheat Pool's competitors. It is the patronage system they cannot match. It is the patronage system that differentiates Sask Wheat Pool in the market-place.

Finally, the MVP program is not cast in legislation nor in traditional practice, like patronage is. These programs can end at any time and will be eliminated if Sask Wheat Pool loses its competitive advantage, or if financial conditions in the corporation demand their elimination, or if the internal demand for earnings to invest in capital projects overrides the priority of MVP.

The real effective control within Sask Wheat Pool has always been economic, not legal. The concern expressed to this committee that class B shareholders will gain some kind of legal control in the future is serious enough, but this is not the most pressing issue. The

real influence of class B shareholders will be economic. If they are not satisfied with Sask Wheat Pool policies or performance, they will invest elsewhere. The board will be forced by the realities of the stock exchange and investment markets to respond to the interests of class B shareholders.

If class B shareholders find the cost of Sask Wheat Pool's democratic structure unacceptable — and its present cost represents a high proportion of net earnings — then this democratic structure will eventually be rationalized. It will be reduced to the minimum which is acceptable to class B shareholders or to the level that will be acceptable to future investors, who will be assessing the merits of Saskatchewan Wheat Pool share offerings designed to raise more capital.

Will future class B investors want to invest in a company with legal control given to farmers who only have to pay a $25 voting share and invest nothing else in a company, with control given to farmers who may value service from the company as much or more than whether it makes a profit? Not likely. And can new class B investors be attracted to such an organization without offering them positions on the board of directors? As you know, present changes to the by-laws will allow delegates to provide for the election of additional directors to represent class B shareholders.

So effective control is more a matter of economics than legalities. Members will lose effective control immediately when patronage is eliminated and will slowly lose what legal control is left as class B shareholders, the stock exchange, and investment markets exert their influence over time.

But perhaps it doesn't really matter. Perhaps it only matters what you call yourself. You may have been told that the cooperative movement is redefining what a cooperative is. The last statement of cooperative principles that I received from Saskatchewan Wheat Pool clearly included patronage as a fundamental principle. I understand that the International Cooperative Alliance will not address changes to the basis principles before April of this year. I am not aware that patronage will be taken out of the statement of principles at that time. And if it is, I believe it will be tantamount to double-speak because the essential element of cooperative action, patronage, will be eliminated.

The key issue here is whether Saskatchewan Wheat Pool, not any other member of International Co-op Alliance, whether Sask Wheat Pool will provide a cooperative model to serve the needs of its members. It is not what we are called, but what we make of ourselves, that counts.

These are my understandings of Saskatchewan Wheat Pool as a cooperative. To support my argument, I refer to analyses made by the centre for co-op studies in Saskatoon prior to the delegates meeting in July 1994. At least one member of this co-op think-tank, Ph.D.s at the top of their field, concluded that once it became a joint stock company, Sask Wheat Pool would be a cooperative in name only.

I refer also to Dr. Ian MacPherson who is widely acknowledged as Canada's pre-eminent voice on cooperative theory and practice and who addressed the Sask Wheat Pool annual meeting in November of '94. His presentation was largely academic in nature, and he outlined his central involvement with the assessment of basic cooperative principles being done by the International Cooperative Alliance.

This re-evaluation of basic principles is being done to accommodate changing world conditions and the diversity of cooperatives worldwide. At least in part, it is being done because we have begun to lose sight of what cooperatives mean. In answering a direct question about whether Sask Wheat Pool would be a cooperative after share conversion, he made several points. Democratic structure was important all right but the needs of people came first, ahead of capital. He added that at the end of the day it will depend on what you do with the surplus. The disposition of surplus is still the deciding factor. He pointed out too that regardless of other considerations it would be the Saskatchewan legislature that would define what Sask Wheat Pool was.

And so it has come to pass. Now I too have been at some length — and perhaps little skill — to demonstrate that when this Act is passed Sask Wheat Pool will no longer be a cooperative.

I ask this committee to consider my presentation, and to recommend amendments to the proposed Act which will delete references to Saskatchewan Wheat Pool being a cooperative. It is my understanding that the word cooperative does not appear in the original Act. If so, Saskatchewan Wheat Pool has functioned for 70 years as a cooperative in real terms without a single reference in the Act. Now that it will be cease to be a cooperative, it wishes to legally define itself as a cooperative.

It is this ad hoc, legalistic, and inaccurate redefinition of a cooperative that I object to. And for you, it is a historical irony that I hope you will not enshrine in legislation.

Thank you.

The Chairperson: — Thank you very much, Mr. Faller. Mr. Kowalsky, you have a question?

Mr. Kowalsky: — Thank you very much, Mr. Faller, for your very clear presentation.

Mr. Faller, in the proposed Bill I believe there's only one place that there's a reference to a cooperative, and that is section 3(1)(c) which says:

> Saskatchewan Wheat Pool is continued as a body corporate with all the rights, powers, capacity and privileges provided in this Act and is:

Now the (c) portion says it is:

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

If and when this Act is passed with those words in it, how would you then interpret the word cooperative from now on? How would you then interpret the word cooperative from the moment this Act is passed — this Bill would be passed?

Mr. Faller: — The implication for me is that it would be defined to be a cooperative by the passing of the Act. I'm not aware of all of the by-law changes but I wonder what references are made there as well.

Mr. Kowalsky: — Yes. We don't have any copies of by-laws yet, I don't believe. At least they haven't been given to us.

But I take it from what you're saying in here that because there is no reference to patronage in the Act that there would be a substantially different definition of cooperative according to this Act.

Mr. Faller: — That's a fair interpretation of my presentation.

Mr. Kowalsky: — And that would also differ, then, from the definition of cooperative as presently understood under our Co-operatives Act, which is a different Act which I'm not totally familiar with, but that's the general Act under which most cooperatives are formed in Saskatchewan.

Mr. Faller: — I don't know that. I couldn't answer.

Mr. Kowalsky: — And the last question is: did you have an opportunity to present your point of view to delegates of the Wheat Pool?

Mr. Faller: — Which point of view?

Mr. Kowalsky: — Your point of view that you presented here tonight.

Mr. Faller: — That Saskatchewan Wheat Pool will cease to be a cooperative?

Mr. Kowalsky: — The general point of view that you presented in this paper tonight.

Mr. Faller: — Yes. I have taken my opportunities over the past year, since this issue has been placed before us as delegates, to comment on the process and the implications of what we're about. And that has included remarks which say, as I say here, that I don't believe it will be a cooperative once the Act is passed.

Mr. Kowalsky: — Thank you.

Mr. Johnson: — Mr. Faller, as you began your remarks, basically the second paragraph that you have in your remarks can be sort of read as a historic series of events, or it can be read as an acceptance that the procedure that was followed by the Pool in how the Act arrives here fits the control structure of the Pool. Do you have any disagreement that says, that you would give some detail to, as to that it doesn't

fit the control structure of the Pool?

Mr. Faller: — The remarks in the second paragraph give you an understanding, I hope, of my intent. And it is my obligation to represent my members' interest. And so I've put before you the reasons why I am not addressing those issues because my members' views, for the reasons stated, have changed.

But it is not my burden and my intent today to discuss with you ramifications of the democratic structure in that sense and I haven't brought those concerns forward.

There are a variety of concerns that have been expressed by many people, including delegates and members, over the course of the last year about that issue. And I think in my recollections certainly many have claimed that the letter of the democratic requirements of the organization have been adhered to.

But others have argued, I think perhaps as convincingly, that there have been opportunities to enhance and make that process more democratic, and I guess the issue of a membership vote has been central to that debate.

Ms. Stanger: — Mr. Faller, under the representative democracy of Sask Wheat Pool, 80 per cent of the delegates voted to accept the share conversion. How do you account for this?

Mr. Faller: — The fact that 80 per cent support it? Well personally I can't account for the other 130-odd and their own views; I'm not sure what informed them, personally, individually. I can only speak for my own representations there. I'm not sure what your question is intended to elicit.

Ms. Stanger: — What it's intended to elicit is that as I listen here I always have to remember that I am a member of the legislature, and I am a representative in a representative democracy. And as a member of the Legislative Assembly of Saskatchewan I have to sit here and listen to a group of people, Sask Wheat Pool, that have come here with the authority of 80 per cent of their representatives that have voted for a share conversion.

No matter how I feel, as Mrs. Teichrob says, on either side of the question, did you have full . . . you were a delegate as you said at the beginning. Did you have full discussion before your vote? I imagine that your annual meeting would be a 10-day annual meeting? Did you have full debate? Did you discuss the issue? This is what I'm getting at.

Mr. Faller: — Let me respond to your first point. The burden of the second paragraph I think addresses the question you've raised. I point out there, that in fact I am attempting to represent the interests of my members here and that I am not at cross-purposes with the agenda of the organization. Moreover since the meeting in July which I attended, the position I have personally adopted as a Sask Wheat Pool delegate has been supportive of the decision taken.

And I have argued that it is important for all of us to go forward with this issue now. So I have fulfilled that role I think, with an adequate measure of respect for my colleagues and for the organization that I represent. And what my personal opinions are on that issue are not what I brought forward today. I intended instead to address the question of Saskatchewan Wheat Pool as a cooperative and how it's defined.

Your second point was in reference to sufficient debate being held at the meeting in July; is that what you're saying? Oh, there was extensive debate there, and I was given my opportunity along with others to do that. I expressed my views vigorously, I think it would be safe to say. And I think my views for the most part were respected at the meeting, and afterwards and despite the differences of view, I've gone forward with a supportive position on this issue. And in fact I can report to you that at least in one or two occasions have been complimented on that fact by my colleagues despite the fact that I was opposed to the issue at the meeting in July.

Ms. Stanger: — Thank you very much. I think Mr. Johnson has a follow-up to what I was saying.

Mr. Johnson: — Really what I would . . . Then the presentation basically in its entirety comes down to the definition of whether it is a co-op or not, your presentation.

Mr. Faller: — The arguments presented are presented in support of that objective.

Mr. Johnson: — Okay. Thank you.

The Chairperson: — Thank you very much, Mr. Faller. Our next witness will be, I'm given to understand, Stewart Wells, speaking on behalf of the Co-operating Friends of the Pool . . . (inaudible interjection) . . . Oh, it's a joint. Okay.

Just while these gentlemen are taking their place, let me remind anyone here that there are copies of all the verbatim proceedings of all the sessions here available for the taking. And if anyone . . . this will be the conclusion of the public hearings tonight and the *Hansard* won't be ready until late tomorrow, sometime on Friday. So if there's anyone who wants copies of the proceedings containing their own submission or all of the submissions, either call the Clerk's office or call your local MLA, and they will be mailed out to you or provided to you. I think everything is available now until, including the 14th, morning session, and so the balance of the sessions will be available by Friday. Okay, go ahead, gentlemen. We are running about half an hour behind.

Mr. Miller: — Okay. I'll get right on with our part of the presentation. Should I go through the introductions again, Madam Chairperson?

The Chairperson: — Well just for the purposes of the record, maybe. I'm not sure if we have the same reporter here or not.

Mr. Miller: — My name is Bruno Miller. I'm vice-chair of CFOP (Co-operating Friends of the Pool). On my left is Mr. John Burton, member of our group; on my right is Stewart Wells, member of CFOP also; our legal counsel, Henry Kloppenburg.

Thank you, Madam Chairperson, members of the committee. The Co-operating Friends of the Pool wishes to thank the committee for the opportunity of presenting opposing statements to these hearings on Bill 04 concerning The Saskatchewan Wheat Pool Act. Your action is a demonstration that the committee recognizes the significance and importance of the legislation before you. Your action in extending the hearings to accommodate a large number of people interested in Bill 04 is also appreciated by all concerned.

Mr. Burton: — Madam Chairperson, the hearings have demonstrated, as one member of the committee aptly pointed out, that there are two different visions of the future before us, based on similar things being said. These two divergent approaches are designed to address a set of issues and problems which are, by and large, commonly recognized and acknowledged.

There is also a common understanding that the world is changing and that our institutions and policies cannot survive in the long run by simply sitting still. The difference comes in determining what to do.

It is regrettable that the real debate on these issues is only now beginning to take place. Had the Pool undertaken in-depth discussions with Pool members over an adequate period of time, they could have avoided placing the legislature and this committee in the awkward position of having to address these matters in a forum that may not be suitable for the kind of debate that is really necessary before embarking on the kind of course envisaged in Bill 04.

Some observations on the state of affairs in Saskatchewan Wheat Pool may be useful in considering the issues arising out of Bill 04. Considerable discontent with the performance of the Pool had developed prior to the announcement of the equity conversion plan. This discontent has grown significantly since that time and has now reached the stage that, regardless of the outcome of the equity conversion plan, the Pool has a massive job of rebuilding and revitalization before it.

The plan before the committee has been management driven from the beginning. The changes proposed by the Pool are one of a host of changes and issues that are bombarding the rural community in Saskatchewan and are contributing to a hapless atmosphere of hopelessness, bewilderment, and finally resignation and apathy.

It is critical that Saskatchewan develop economic instruments to cope with the global economic situation in the future and which are firmly under the control of Saskatchewan people.

For some time, three fundamental pillars have

shored up Saskatchewan's agricultural strategy. They are the Canadian Wheat Board; the transportation system accompanied by the Crow benefit; and finally the farmer-owned cooperative, the Saskatchewan Wheat Pool. The Crow benefit has just been wiped out and western Canada has been left to squabble over the leavings.

The Canadian Wheat Board is under constant attack from the international grain cartel and other United States' interests. Due to the unwillingness of the federal government to protect a clear national identity, there is a growing chance that the Canadian Wheat Board will be even more undermined than it already is.

Now we have our farmer-owned cooperative, the Saskatchewan Wheat Pool, under attack. The change from a true cooperative to an organization that is essentially investor driven, with the cooperative front, will cripple the Pool in its ability to serve the best interests of Saskatchewan farmers and the rural community on both the political and economic fronts.

It is entirely possible that all three of the foundation pillars of our agricultural strategy will be destroyed within the foreseeable future. The removal of even one of these pillars will have a devastating impact on this province. If all three elements are gone, the impact will be catastrophic.

What then will be our agricultural strategy? If we do nothing, we will simply witness what might be described as continental drift. We will become even more closely tied to the United States economy and as a consequence will be more subservient to broader United States' interests. Saskatchewan's geopolitical position is such that we will be the losers.

What then is the best thing to do in the face of these broader concerns? There are those, of course, who disagree with our analysis of the implications of the changes to the Pool as contained in Bill 04. That disagreement will not be resolved quickly. It is clear to us that from the perspective of the committee, enough evidence has been presented on both sides of the issue that it would not be wise to make a snap judgement at this time. We submit that the best thing the committee could do at this time is to recommend that the Bill not proceed further at this session.

In our original submission, we recommended that an eminent person or persons be appointed to review the Pool's situation and make recommendations. That would be a good course of action. We now submit that there would be merit in considering the needs of the entire cooperative movement and indeed the role of the cooperative movement as an instrument to help secure for Saskatchewan a sounder and more stable position in the world of the future.

We recognize that some elements of this suggestion go beyond the immediate terms of reference of the committee in considering Bill 04. Obviously the committee has to respond with its recommendations on the Bill. However, it can certainly be made clear in debate and by other means that the committee recognize the broader implications of the Bill. In this regard, it is also essential to point out the key role that the Pool would play both in the context of the cooperative movement and the Saskatchewan economy.

We feel that the hearings that are concluding tonight should not become known as the end of the debate. If the committee adopts our suggestion to appoint a body to review the subject, or if the committee would adopt an amendment to allow for a membership vote, the debate on a new vision for Saskatchewan agriculture and the cooperative movement would spread out of this room and all across the province. That would be a proper forum for this debate.

This debate would already have been in progress for a year if the board of Saskatchewan Wheat Pool would have allowed a membership vote. It is not too late for a membership vote. It is never too late to do the right thing.

For the last two weeks, we have pointed out to the committee many provisions of Bill 04 that are troublesome to farmers and the cooperative movement. We have the impression that many members of the committee agree with various points that we have been making.

However, potential problems may exist for us if it is determined that restrictive terms of reference for the committee may make some

of our suggested amendments impossible without the agreement of the Saskatchewan Wheat Pool. A case in point might be section 3(1)(c) — 3(1)(c) is a case of the Pool naming itself a cooperative in the new Act. For 71 years the Pool was not called a cooperative in the Act, but it was universally recognized as a co-op. Now that it will no longer be functioning as a co-op in practice, but rather as a joint stock company, it would like to call itself a co-op in Bill 04.

If the committee does not feel comfortable with unilaterally removing 3(1)(c), then we would recommend that the committee adopt an amendment calling for an all-membership vote. An all-membership vote amendment would not change any of the principles of the Bill. It would however move the debate back to the owner-users of the Pool.

There are tremendous advantages in this for everyone. An essential element would of course be provisions for a fair and open debate with an adequate allocation of resources. The same rationale can be used for any other amendments that the committee does not feel comfortable adopting without the agreement of the Pool.

Mr. Wells: — At this time we would like to reopen the discussion in regard to the roles played by the Pool senior officials. The top three officials in the Pool are the president, the chief executive officer — CEO — and the executive director of policy and member services. The CEO and the executive director appear at the same level in the Pool's organizational charts.

At the 1993 annual meeting of delegates, all three of these officers reported to the delegates. And we would like to table their presentations. These reports were made just four months before the delegates were shown the proposal to end patronage allocation and sell shares to the public.

Starting with the president's address, delivered by Mr. Larsen, there is no mention whatever of an impending fundamental change to the Pool. The address covers nine pages, but there was not a single hint in his address that the management of the Pool would announce their intention to sell shares to the public in four months.

Turning to the CEO's address, Mr. Fair's address was 19 pages of written material with another 19 pages of charts and graphs attached. In these 38 pages of material, Mr. Fair devotes three sentences to making a reference to financing alternatives. The most direct reference is the last sentence of the three which states: Your chief financial officer will be considering possibilities with you next winter in some meetings currently proposed for March 1994.

Again there is no discussion of ending patronage allocation, no reference to selling shares to the general public, and no reference to making it easier for outsiders to sit on the board of directors of the Pool. As we now know, the March meeting to which Mr. Fair referred was a meeting at which the privatization of the Pool was presented to the delegates virtually as a *fait accompli*.

That brings us to the presentation of the executive director, Mr. McGlaughlin. Part of Mr. McGlaughlin's job description, as stated in 1992, is to ensure liaison with the chief executive officer and the chief financial officer on all matters which affect the general welfare and operations of the organization.

The executive director's address covers five pages. There is no reference to any of the fundamental changes that must have been discussed by senior management by that time. From reading the address, one might assume that the executive director was unaware that changes were afoot. This is important, because the executive director's position has always been accepted as the members' counterbalance to the strictly commercial considerations of the CEO. History will judge whether or not the executive director carried out the duties of his position.

Moving forward to 1994, but staying with the topic of information available to delegates and directors, we would like to table a letter from Lyle Spencer, chief financial officer, addressed to Mr. L. Cholin of Kerrobert, Saskatchewan, and dated September 12, 1994.

In the letter, Mr. Spencer says that the financing review was initiated in 1991 and that RBC Dominion Securities was engaged to provide consulting assistance during the review. In regard to the question of a report of the review, Mr. Spencer says: "The

consultants have not produced a report for distribution to elected officials."

We submit to the Private Members' Bills Committee that these are further grounds to support an amendment providing for an all-membership vote.

We maintain our position that there are public policy considerations in Bill 04 in spite of the fact that it is a private Bill. In the first place, this Bill establishes the constitution for a corporation that does not fit the regular mould set out in either The Business Corporations Act or The Co-operatives Act. Bill 04 has some unique features, and a decision to allow a variation from the standard mould established in the above-noted Acts is an important public decision.

There are other public considerations. For example, at the present time, large new concrete elevators are now being erected by various companies and in time will replace many of the existing network of wooden elevators. The pattern being established is that many of these structures are being built next to each other. And we have examples at Weyburn, Davidson, Humboldt, and around the province.

That is an inefficient system. The new Pool will further encourage this trend. This point was made by Professor Murray Fulton in an article in *The Western Producer* in June 1994. The nature of the grain collection system is a matter of public policy. All new elevators need a complete economic and environmental review.

The impact on road systems is one major area of concern. Many of us have said the system is farm gate to market. The same applies to the elevator system. While some of these elements go beyond Bill 04, the institutional framework established by the Bill will influence other areas of concern.

Our preference is that Bill 04 should not proceed at this time. As already noted, we are not opting for the status quo. Rather, we think that the issues are so important that they require further study by people in the cooperative movement, and in particular by the shareholders of Saskatchewan Wheat Pool.

The question of a membership vote, fairly conducted, is critical in our view. Whether that is accomplished by a decision to delay the passage of the Bill until a vote has been taken, or by an amendment to the Bill, is something the committee will have to decide. Failure to provide a membership vote will haunt all concerned for many years.

We wish to reiterate other recommendations made in our original submission. They include, no. 1, adoption of a sunset clause in the Bill. This would avoid the situation where conceivably an Act could remain on the statutes for years in an unproclaimed form.

2. Deletion of clause 3(1)(c) of the proposed Saskatchewan Wheat Pool Act, 1995 concerning cooperative principles. This has been noted by many presenters at these hearings.

3. Place all share transactions and related changes under The Securities Act. The Securities Commission can and does grant exemptions and that is the way Saskatchewan Wheat Pool affairs should be managed.

4. Remove the provisions that open the door to class B shareholder representation on the board of directors.

5. Retain for the Lieutenant Governor in Council the power to proclaim the legislation rather than vesting that power in the Pool board of directors.

Two other items have come up during the hearings that we feel warrant the attention of the committee.

1. Clause 15(2)(c) allows the directors to grant exemptions from the 10 per cent rule for class B shares. This clause is not needed.

2. Clause 10 exempts the Pool from submitting a list of shareholders with its annual return to the corporations branch. While provisions of the corporations Act may cover part or all of the situation, we would request the committee to make sure that such a shareholders' list is maintained in Saskatchewan and that shareholders have access to the list in this province.

Our objective is to ensure that the Saskatchewan Wheat Pool is maintained as a strong and true cooperative whose first object

is service to its members. The cooperative approach has met the test of time in Saskatchewan and has made life better for thousands of Saskatchewan people. The cooperative approach will be needed even more in the future as we become ever more caught up in globalization. Without strong cooperatives, including the Pool, Saskatchewan could find itself at a severe disadvantage in coping with the world of the future. That is why Co-operating Friends of the Pool objects to the legislation, the process by which it was brought forward, and the fundamental error of failing to seek the approval of the shareholder-members.

Mr. Miller: — Madam Chairperson, I would wish that our counsel, Mr. Kloppenburg, be given a few brief comments to address the hearing committee.

Mr. Kloppenburg: — Madam Chair, I thought it might be worthwhile to review the scope of your committee's jurisdiction, the power that you have, in dealing with these issues in considering the Act. And that's primarily what I would like to talk about.

The Chairperson: — Found at Beauchesne's in 295?

Mr. Kloppenburg: — That's . . . well I'm talking about . . . as a matter of fact I have Beauchesne's here. Thank you very much.

The Chairperson: — So do I.

Mr. Kloppenburg: — I see green right at your desk. I recognized it even though I am . . .

I'd like you to have a look at what I shall call legislature rule or House rule 68. We're in a process where a matter has been referred to the committee. Under House rule 70, the committee takes the legislation under consideration. Under House rule 71, the committee deals with questions. Under House rule 22, it has an especial duty. Under House rule 74, it refers the matter to the legislature, a Committee of the Whole. Under House rule 77, amendments shall be fairly written. So your committee, on the face of the rules, can amend the legislation.

Now I'm also mindful of the fact that under House rules, where the House rules do not apply, the laws of the federal parliament — and we're into Beauchesne — applies.

I would invite you to consider the provisions of Beauchesne's which deal with amendments in committee at rule 1092 — or I shouldn't say rule 1092 — however you describe it.

> (1) A committee on a private bill is precluded from making amendments which are beyond the scope of the bill as defined by the clauses and the schedules of the bill. It is within their competence, however, to make amendments in the bill which are within those purposes, though such amendments, necessarily, must not enlarge the powers sought by the bill.
>
> (2) The admissibility of amendments made at the committee stage of a private bill is governed by the same principles as those for public bills.

So you're essentially, Madam Chair, in the same position as you would be if this Bill originated as a public Bill presented by a member of the government.

Now, secondly — and I think this is really, particularly worthwhile — I attempted — and Beauchesne's was a rich lode — to find out grounds that legislative committees had used to reject private Bills. And Beauchesne's has a list of 10 different examples where there has been a rejection of a private Bill. The first one is:

> (1) insufficient evidence offered in favour of the preamble; antagonistic evidence.

I suggest that one of the issues that might fit into that is the claim that the Pool is a cooperative when in fact the Pool may no longer be a cooperative. I had the opportunity for postgraduate education abroad and I recall one of my professors of jurisprudence saying to me, the legislature can say the moon is made of green cheese and that makes it so. And then to quote Dickens "but then the law is an ass". Now I want to save you from that fate, I suppose in a joking sense.

But to say the cooperative . . . To say the Pool is a cooperative in the legislation is arguably inconsistent with the preamble — the premiss of the legislation.

On the topic of what is a cooperative and what the essential elements of a cooperative are, I commend to you a text called — pardon me — a paper, bound in a volume, called *Co-operatives in Principle and Practice* by Anne McGillivray and Dan Ish from the centre for cooperatives. And I'd be happy to leave it with the Chair.

And that textbook really and truly I think deals with the issues that define a cooperative. And the essential elements of a cooperative — in fact to use Mr. Faller's words, de facto — and the essential elements of a cooperative in all of the listings I think you'll find just are . . . include distribution of the surplus to members in proportion to their transactions; limited interest in capital. And those two are the fundamental features of a cooperative, and a cooperative in fact, and they have been by the Wheat Pool.

The Chairperson: — What is the name of it, Mr. Kloppenburg?

Mr. Kloppenburg: — It's *Co-operatives in Principle and Practice*, and I'd be happy to lend it to you. I got it . . . and happened to get it . . . *Co-operatives in Principle and Practice* by Anne McGillivray and Daniel Ish. It's published by the Centre for the Study of Co-operatives, ironically, which is in part happily financed by the Saskatchewan Wheat Pool, in part.

The Chairperson: — It's very likely that the legislative library has a copy.

Mr. Kloppenburg: — If they don't have it let me know, and I'd be happy to get it to them.

The second ground for reporting against a private Bill is:

> (2) no proof of the consent of the parties interested.

Now that raises the questions . . . or gets to one of the questions that we have raised in our lawsuit, and I have copies of the claim which will be certified and which were so kindly described as groundless. But it's conspicuously still intact and on the books. In any event, no proof of the consent to the parties interested.

One of the issues in the lawsuit is that the members of the Pool bought into the Pool on a contract basis. When you buy shares, you buy it on a contract. And the point is, is that all the members of the Pool have not unanimously agreed to restructuring of the Pool, to change the cooperative character of the Pool.

Next, the petitions against the measure are being as numerous as or even more numerous than those in its favour. But you can balance that.

Next, a great difference of opinion in the locality affected as to the expediency of the measure.

Number five, legislative interference not being desirable or necessary.

Number six — and I think this is important to you — the Bill would interfere with lawsuits pending or with existing rights. And I think that's a particularly important issue, because if the legislature, on the advice of your committee, should find that the Wheat Pool in the aftermath of the current legislation was in fact a cooperative, it would undermine and take away the basis of the pending action. Because the pending action says, or alleges, that the essential features of a cooperative are, or include, patronage dividends, limited return on investments, democratic provisions.

So our point is, is that if this legislation goes through, it puts a pale or a shadow on the pending litigation. And that is a ground of itself for refusing to consider this particular . . . for reporting against the Bill to the legislature.

The powers sought would not advance the interest of the locality. And that makes a very telling point, Madam Chair. It makes the point that your legislature, that your committee, has the obligation of considering the public interest. It's not, with respect, just good enough for the Pool to come in and say here's a draft Bill; we've agreed to it.

One of the grounds for rejecting or reporting against a Bill is, after all, that you as members of the legislature take an oath of office and have the obligation of advancing the interests of the province. And you have to come to the conclusion that the exercise of your power, or that the exercise of your power in relation to this Bill, would advance the interest of the locality. If it fails to advance the interest of the locality, I suggest and submit to you on behalf

of CFOP, that it ought to look at it again.

The next is the Bill asking for an extension of powers of a certain company to purposes entirely foreign to its original charter. If you reach the conclusion that the Pool has been a cooperative and it is ceasing to be a true cooperative, this is arguably a Bill looking for an extension of powers foreign to its original charter — foreign to the charter that is before you here today.

And nine, most unusual provisions; I don't know what that would encompass.

And number ten, the provisions of the Act affording sufficient facilities to the promoters to obtain the powers asked for.

So having said that, Madam Chair, I suggest there are many reasons why . . . or I should say many avenues, if your committee should be so inclined, to deal with the issue of reporting back that the legislation should not be approved. You've a very broad and indeed wide jurisdiction.

And lastly, I was going to deal with what I think is a fundamental issue that has arised and is supplementary to the submissions that were made, and that is the issue of the autonomy of the Pool. If one looks to by-laws of the Pool, there's a very important . . .

The Chairperson: — Mr. Kloppenburg, I don't want to cut anything short but we're just wading into heavy water here. You've got about four minutes.

Mr. Kloppenburg: — I have no problem with that. If one refers to article 8(10) . . . or section 8(10), and this gets to the democracy features of the Pool, the corporation shall not undertake major capital commitments in new fields of activity without a prior meeting by a director or directors with the delegates on a district basis or otherwise.

Very interesting point. The Pool is responsive to localities. That, with respect, I invite you to ask the Pool personnel. I believe you said four minutes, so I'm well within. I invite you to ask the Pool representatives and Mr. Larsen, as to why article 8(10), the obligation to consult, was taken out of the by-laws.

It was taken out of the by-laws because of the fact that it has now become impossible to comply with the Ontario securities Acts and the Ontario securities legislation if it is incumbent on the board of directors to go back to the membership, to the delegates, in order to make capital investment decisions.

So a fundamental change in the way in which the Pool will make capital investment decisions underlies these changes, and I invite you to consider it, and that's a very fundamental change which I think I commend to you. Thank you very much for the audience.

The Chairperson: — Thank you. It's just that I kept the committee here until . . . we had several unscheduled people; we stayed in until after 11 and we have tomorrow night too, clause by clause.

Mr. Kloppenburg: — Thank you very much. I won't be very much . . . That's it.

The Chairperson: — There's time for . . . anybody has a small, burning question?

Ms. Stanger: — Yes, I missed the one point, Mr. Kloppenburg. That was after the point: petitions against, overwhelming; more for than against . . . or more against than for. Then you had another point: before legislation not necessary. What was that point? I missed that one, I just want to have . . .

Mr. Kloppenburg: — Yes, this is from Beauchesne, chapter 1098.

Ms. Stanger: — Oh, okay, thanks.

Mr. Kloppenburg: — And I believe your Chair has the section.

Ms. Stanger: — Okay, thanks.

Mr. Kloppenburg: — And I also will wish to table provisions of Queen's Bench Acts in 3840, the statement of claim, so that you can see the focus of the issues. I propose to table it with the Clerk in a minute.

The Chairperson: — Any questions? Well it was certainly a very thorough and more than adequate summary of all the issues that have been raised and for that reason thank you very much. We'll call now on the representatives from the Saskatchewan Wheat Pool to make their summation.

Mr. Larsen, if you wouldn't mind just introducing the members of your group so that . . . for the benefit of the *Hansard* reporter.

Mr. Larsen: — Well thank you, Madam Chairperson, members of the committee, ladies and gentlemen. My name is Leroy Larsen. I'm the president of Saskatchewan Wheat Pool. I have on my left, Dr. John Beke, legal counsel for Saskatchewan Wheat Pool; Mr. Erin Canham, from our financial resources division of Saskatchewan Wheat Pool; and Mr. Don. Loewen, on my extreme right, is the chief executive officer.

The purpose of this response is to answer, rebut, and correct various statements made by those in opposition to the passage of Saskatchewan Wheat Pool Bill 04, '95. The headings in this paper set forth the issues addressed.

Conduct of the hearing. You have been generous in allowing everyone as much as time is necessary to ensure a fair and open hearing. Unfortunately, a few have abused your generosity; specifically I refer to Mr. Ed Wallace. Mr. Wallace was slanderous in his comments about me, the directors, and of the Pool generally.

I've attached our counsel's letter to you dated March 13, 1995 in which we protest Mr. Wallace's behaviour. We want the letter to form a part of the record.

We appreciate that people who lose a vote can get angry. However, the Pool, its officers and directors, have treated the CFOP and its supporters with respect and dignity. I think we should be entitled to the same treatment. Surely this must be part of the democratic process.

I'm advised that since the committee is in charge of its own process, an appropriate way to deal with Mr. Wallace's testimony would be to strike those portions that are unparliamentary. I invite the committee to do this.

Allegations of deception. Mr. Wells, in challenging the process followed by the Pool, makes serious allegations to the effect that the Pool is engaged in some kind of deception. He also said that the Pool is "misleading its members, delegates, and through the MLAs, the people of Saskatchewan," and that it made false statements. And that's in the *Minutes and Verbatim Report* on page 79 and 80 on his presentation.

Number one, the allegation about an outside director. His first allegation is that the statement made in the explanatory notes to the effect that the Act is to be amended only to the extent necessary to permit Saskatchewan Wheat Pool to raise equity on capital market is false. It is false according to him because it is not necessary to amend the Act to permit the delegates to add a non-farmer director to the board in order to raise equity.

In fact the only reason to provide this flexibility in the Act is for this purpose. We have been advised by our consultants that the class B non-voting shares would be a more attractive investment if this group had at least one director representing them.

At this time the delegates have decided not to do this. The amendment merely allows the delegates the flexibility to do this in the future, if they should decide that it is in the interest of the Pool, without the necessity of another amendment to the Act.

Amending the Act is an expensive and time-consuming process. In seeking to block this amendment the opponents of the Bill are asking that the legislature be used to regulate the Pool's democratic structure. This is not the function of the legislature. This is not a Crown corporation or a corporation owned by the general public. It is owned and controlled by the farmers. They alone should make such a decision.

Number two, evidence of a flawed process; a failure to conduct a membership vote. The most significant flaw, in the opinion of Mr. Wells, the CFOP and its other supporters, is that a vote of the members should have been held. The process used was not flawed. In fact this is a legal and correct procedure for the following reasons.

(a) Section 4 of the Act provides that the delegates:

> . . . may exercise fully and completely in every way all or any part of the powers of the shareholders that the delegates may decide;

I don't think anything could have been more clearly stated. I suppose the only addition the founders of the Pool could have made to make it more clear was to note in parenthesis, and we really mean it. Of course this probably would not have been approved by the Legislative Counsel.

(b) The intention to leave all decisions, including fundamental decisions, to the delegates is further affirmed by the fact that in 1928 the provision for a plebiscite, which had existed in the Pool's Act to that date, was deleted.

(c) Delegates could by law decide to return some of the board power conferred by the Act on delegates. However this would have required an amendment to the by-laws. The question of whether to have a vote of members was put to the delegates at the July 13, 14, 1994 meeting, and again at the annual meeting of delegates in November 1994. And that vote was overwhelmingly defeated on both occasions.

(d) If the delegates had conducted a vote among the members, such a vote would have been merely advisory and not binding. In this connection, see the attached opinion of our counsel, Dr. John Beke, Q.C. (Queen's Counsel), which confirms this. He also states that the opinion of Mr. Wells's counsel, that the board could have ordered a membership vote, is not correct.

Number four. The timing of the move to restructure is criticized. A criticism is made that the matter of restructuring was presented to the delegates after the delegate election in the spring of 1994. The suggestion is that the delegates could have run on a platform for or against the restructuring had it been raised earlier.

The answer to this is that restructuring had been discussed generally in the organization for at least two years prior to the spring of 1994. In this respect, see the attached chronology of events prepared by Mr. Canham. Also delegates are not elected on platforms, like members running for the legislature or for parliament. They are selected because of their personal abilities and attributes.

The Pool's democratic process. The delegate-representative form of democracy has worked well for the Pool for 70 years. There was no request for a member vote on previous fundamental decisions such as the acquisition of Federal Grain or moving from a grain handling company to an international diversified cooperative.

The district meetings of members is a more effective way for members to inform their delegates, and for delegates to inform their members, than the meetings of shareholders held by corporations which are not attended by the vast majority of shareholders.

Evidence of this is given by the opponents of the Bill. Mr. Wells says as a delegate he voted according to the wishes of his members. So did Mr. Gehl. Why are they suspicious that the delegates who voted in favour of the restructuring were not representing the views of their membership?

If the decision to restructure is so out of step with the majority of the members, would there not have been more than 5 contested elections out of the 69 delegate elections? But the excuse for this given by the CFOP and its supporters is that the members have given up; they are so discouraged that some delegates have resigned. These claims do not match reality. Only two delegates resigned, both of whom have appeared before you.

Also the reality is that there has been considerable opposition demonstrated at these hearings, and as well, these opponents appear to be sufficiently motivated to take the significant step of legal action. In fact this group of so-called discouraged members is a small minority that wants to frustrate the majority, the 80 per cent majority.

As members of the legislature you have a great deal of experience with debates between people who are on either side of an issue. It is not the democratic process that was followed that is being challenged here, it is that the democratic process did not yield the decision the CFOP wanted. It is time for this group to realize that in democracy there invariably is a losing side on any issue, but when this happens in a country, those on the losing side do not leave the country. Similarly, these members should not leave the Pool. I invite them to get behind the Pool to ensure that it continues to work for them as it has in the

past. That is the intention of the majority. The amendments will not hinder this; only negative attitudes will.

Will the Pool continue to be a cooperative? Mr. Wells accuses the Pool of deception in petitioning the legislature for a Bill that states that Saskatchewan Wheat Pool is "organized and governed by and adheres to co-operative principles" in accordance with the Act and the by-laws. On page 80 of the *Minutes and Verbatim Report*, Mr. Wells is reported to have said:

> In the explanatory notes, this statement appears: "Fundamental co-op attributes do not change." This statement is false.

But it is Mr. Wells who misrepresents. The quote is a heading, not part of the narrative. I attached the relevant page from the explanatory notes. As you can see, the passage immediately above the heading identifies the three amendments required to sell shares on the stock market and which will change the Pool: number one, sale of shares to the public; number two, deleting the restrictions on the amount of interest and dividends that can be paid; and number three, deleting the provisions relating to patronage dividends. But he omits the sentence which follows the heading: "In other respects, Saskatchewan Wheat Pool's cooperative characteristics will not change." Clearly the explanatory note identify the changes and then states that all of the other cooperative attributes do not change.

Let's consider the principles as set forth in Mr. Wells's presentation, one by one. Open and voluntary membership. The Pool will, because of the amendments, comply with this principle. It does not under the present Act. Presently membership is not voluntary because if the Pool redeemed the shares of a farmer who wanted to leave the Pool, there would be the risk of a run on its equity base. Accordingly, members are forced to remain as members until they die, retire, or stop farming. This is not a happy circumstance for many members.

Number two, democratic participation. The democratic control by the farmer-members, which does not change, is the most fundamental attribute, next of course to continuing as a viable cooperative to serve farmers.

One member, one vote; no voting by proxy. These provisions remain unaffected and apply to the class A voting shareholder, the farmers who have control. The class B non-voting shareholders have one vote for each share they hold, but they are non-voting shares and have a vote only if there is a fundamental change. And you've heard those all — sale of substantially all of the assets, change of control by amalgamation, or change in the attributes of the shares — which are not events likely to happen in the foreseeable future.

Number three, limited interest on share capital. This had to be deleted. However, it is also proposed to delete this principle from the International Co-operative Alliance co-op principles.

Surplus earnings returned to members. This is deleted because it is not compatible with the publicly traded shares. However, the amendments also provide for payments in proportion to patronage, section 14(c)(viii), as part of the marketing programs.

Also it should be noted that the federal model co-op Act presently being proposed to the federal government will provide for the sale of shares to the public. So this co-op attribute will be changed if the model Act becomes law.

Number five, cooperative education. This principle will remain unaffected by the amendment.

Number six, cooperation among cooperatives. This principle will remain unaffected by the amendment.

As you can see, the Pool will continue to adhere to the most fundamental attributes of a co-op. The two that it cannot adhere to are a problem for all large cooperatives. One is being dropped by the International Alliance of Co-operatives and the other attribute will be modified in the federal government . . . if the federal government adopts the model co-op Act.

It should also be remembered that the Rochdale principles designed for consumer co-ops have been modified significantly, and only in certain respects apply to large producer co-ops like the Pool.

One speaker said, when commenting on the demise of Co-op Implements, that, and I quote: you can't put philosophy before business. I think another way to say what he meant is that the most important cooperative principle is that the co-op survive in order to be there for the farmers. If the Pool does not adapt to changing competitive forces, it may not be there with competitive prices and services in the future.

Employee stock purchase plan. Opposition was also expressed against employee share purchase plans. The evidence presented to the board by consultants is that the cost/benefit of analysis of such program is favourable, that is, the cost is more than made up by increased productivity.

Also the plan proposed by the Pool is modest by comparison to plans adopted by corporations of similar size. The cost of the Pool plan represents only 1.8 per cent of payroll cost. It is strange that opponents of the Bill would oppose such a plan which would encourage loyalty to the corporation and better service to the customers.

Demise of the Canadian Wheat Board. The reasoning of some persons that claim that the capital restructuring of the Pool will result in the demise of the Canadian Wheat Board is a mystery to me. Firstly, the same farmer group will be in control of the Pool as now. Secondly, the Pool has always supported the Wheat Board because single-desk selling produces better financial results for farmers. If our members are better off financially, the Pool will be more successful. Why would the Pool want to change this?

Amendments to the Act. Now Mr. Johnson pointed out the purpose of the committee is not to interfere with the internal decision-making process of a private Bill cooperative like the Pool. The committee's function is not to take sides amongst shareholders. If a group in the Pool is being oppressed, they have a right of action before the courts, but even oppression action don't assist a group just because they lost a vote.

It is interesting that although 80 percent of the delegates approved the amendments on July 14, 1994, CFOP waited until the end of December to launch their challenge in the courts. Could it be that they were more interested in timing their legal action with the period in which Saskatchewan Wheat Pool's Bill would be considered by the legislature? I am advised that the injunction they seek could have been heard within a month.

The proposed amendments have been thoroughly reviewed by various departments of the government; Agriculture, cooperatives, Justice, and the Securities Commission. Several changes were negotiated as a result of this process.

For example, the Pool adopted a policy that each member would get at least $1 for each of their par value shares. The Department of Justice asked that this be included in the Act. We've agreed. Under the present Act, the member has no right to receive more than $1 par value for such member shares. There is no right to the breakup value or the goodwill value of the cooperative. Notwithstanding this, upon conversion a member will receive for the member's par value $1 share, an amount that is related to the fair value of a pool as a company.

There have been requests made of the committee that amendments to the Act be made in respect of two matters. First, section 3(c), Saskatchewan Wheat Pool is:

> (c) organized and governed by and adheres to co-operative principles in accordance with this Act and the by-laws.

The Government of Saskatchewan, I submit, wants the Pool to continue to adhere to cooperative principles. The Department of Justice has specifically approved this section.

This request by the opponents of the Bill is not, I submit, made in good faith. This section would not harm or injure any other organization or person. Unfortunately the opponents have the attitude, if I can't have the Pool in the form I think it should be, I would rather see it destroyed. This scorched earth policy is no longer acceptable, even for wars.

Number two, another amendment the opponents to the Bill have requested, is to delete the provision making it possible for the delegates to add representatives to the Board to speak for class B non-voting shareholders if they approve it by a two-thirds vote. I've already indicated the need for this provision.

This matter should be left to the democratic process of the Pool.

I would urge the committee to approve Bill 04, '95, in its present form, as it has been approved by the delegates and the directors. To do otherwise and to accede to the requests of the opponents of the Bill would have the affect of forcing the Pool to become a business corporation instead of remaining a cooperative.

The amendments we propose are important to prepare the Pool for the next century as a new generation cooperative. The passage of this Bill will help the Pool remain as a vital force in agriculture for the people of Saskatchewan. Thank you very much.

And I would like to now call on Dr. Beke to respond to the comments on the legal action.

Mr. Beke: — Madam Chair, and members of the committee, I have a comment about the fairness of the procedure. It's not a significant point, but I wondered if Beauchesne's provided for a second presentation by the CFOP.

I raised this with the Chair, and I wondered if Mr. Kloppenburg found somewhere in that book that he should, representing the CFOP, have two opportunities to present before this board when the normal practice is that the Bill presenter has the final say and other people shouldn't be having two kicks at the cat, so to speak. But that's not that important.

What is more important is the procedure followed in respect of determining that the section 3(1)(c), which is the provision that says, "organized and governed by and adheres to the co-operative principles . . ." should not be in the Act.

And this is a letter that was just handed to me during this evening, and it is by Legislative Counsel. And yesterday, I remembered quite clearly you indicated that he should consult with all of the lawyers — and I presume that would include me — and I suggested to him to discuss with Mr. Koschinsky. And in his letter he states:

To this end, I have consulted with the drafters of the Bill, essentially, Dr. Beke, and at his suggestion, Mr. Tony Koschinsky . . .

Well now he may have called my brother, who is a lawyer in town, but he certainly didn't discuss this with me. And I'm really surprised that he would come to the conclusion that this matter should be deleted from the Act, in so far as the reference to the Act, when there was no consultation.

And what surprises me further is that we have been negotiating with the Department of Justice on various provisions. And in Mr. Larsen's presentation he identifies one and that is the guarantee of the $1 payment, which was a matter of policy anyway, but they wanted it put in the Act.

But this was the other major point that was discussed, because in the original draft that went to the delegates on July 14, the wording in there was that the Saskatchewan Wheat Pool is continued as a co-op.

Now it's interesting that my learned friend, Mr. Kloppenburg, has not picked that up, that this did not say that. And everyone is saying that we are alleging it is a co-op. I ask you to refer to the section and read what it really is saying. And what it is saying, section 3(1) states:

> Saskatchewan Wheat Pool is continued as a body corporate with all the rights, powers, capacity and privileges provided in this Act and is:

Now that preamble is the same as in the existing Act; and is:

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

Now that does not claim to be a co-op; it claims to adhere to certain cooperative principles and you saw those listed in the brief of Mr. Larsen. I won't go into that again but I think you should also note some other provisions in the Act, not in the by-laws.

Look at 5(a). It has the power to operate pools for livestocks. Now pools for livestock has to be a legislative power and that is given to cooperatives that operate pools. Now we do operate pools for livestock today. Now for someone to say, as Mr. Cosman has stated in this letter, that it's fine to just say you adhere to co-op principles as set out in the by-laws, he's

ignoring some very fundamental co-op attributes that exist right in the Act.

Let's go on to another section. On page 8 of the draft Bill, section 5, subsection (c), it provides government and control by way of a delegate body. Now one of the reasons we have to have our private Bill is because we cannot, with that structure, get incorporated under The Business Corporations Act. Now that democratic, delegate structure, is common to co-ops, and it's in The Co-op Act.

Now that attribute is not in the by-laws and will never be in the by-laws. It's in this Act. And we also provide in section 5(e) that there shall be meetings by district. Again that doesn't exist in any other legislation. That is unique to a co-op with a delegate structure.

Now we look at section 6(1). Here we're talking about the delegates and we say, the delegates will have one vote each. That again is an important co-op attribute that does not exist in the by-laws. It exists in this Act, in this draft Act.

And then we should move on further to the class A shareholder which is a shareholder that's the same as a shareholder today. Again it's in the Act — that one member, one vote. The delegates cannot vote by proxy. Neither can the shareholders. That, according to Mr. Wells's recitation of the important fundamental principles, are co-op attributes and all we're saying is that we adhere to co-op attributes as stated in the Act and in the by-laws. We are not saying more than that.

Now my suggestion on this is that I think Mr. Cosman would acknowledge that he is not an expert on co-ops, and since Mr. Kloppenburg and since I are on the other side, I would suggest that we get Mr. Dan Ish to tell us whether this clause in this Act violates any other Act and whether it's offensive in terms of its definition within the Act, because I don't think that I have been — nor has the Wheat Pool been — treated fairly when we were supposed to discuss this in a common manner and I was not even called about it.

There is only one other point that I would like to make and then I will close, Madam Chair.

I have heard the term privatization bandied about here tonight, and I think this is disturbing because there is generally, when you have antagonistic sides as we do here, the movement toward labels or terms with a different meaning.

Privatization, as you know, was a controversial issue a few years back, and probably still is at the government level, and it means privatizing a Crown corporation. I just wanted to emphasize, this is not a Crown corporation. This is not a corporation owned by the general public. This is a company and a cooperative owned by approximately 80,000 individuals. And I think that the use of the word privatization is there to inflame — and you've heard a lot about inflaming juries in the O.J. Simpson case. Well I think that word is used to inflame and it's an improper use of the term.

Now with that, Madam Chair, I think our presentation is complete. But I trust that you will reserve on the matter of the co-op attributes so that we can consult with someone like Dan Ish who is impartial and independent, and get him to review this. Because I assure you that just looking at textbooks . . . And incidentally Dan Ish is approved, I think, by Mr. Kloppenburg because he was co-author of that book. But Mr. Dan Ish also has written another textbook and is one of the authorities on co-ops.

The Chairperson: — Well I think . . . Does that conclude the presentation?

Mr. Beke: — Yes.

Mr. Kowalsky: — On a point of order, Madam Chair.

The Chairperson: — Yes.

Mr. Kowalsky: — Is this the last group that we're meeting today?

The Chairperson: — Yes.

Mr. Kowalsky: — While they were shifting I was looking at my schedule and in my mind I somehow had to reserve that there was one more group prior to the Wheat Pool, and I had a couple of questions I wanted to ask of the previous group. And somehow I now realize that this has happened and I wanted to just sort of be able to reserve the right to be able to ask them one or two questions after we're done this?

The Chairperson: — Okay, yes. Can we finish with this witness, and then if there's some redirect we could do that afterwards?

Mr. Kowalsky: — I would like to do that, as long as that's . . .

The Chairperson: — Okay.

Mr. Kowalsky: — I'm sorry, I just . . .

Mr. Beke: — Well, Madam Chair, as a point of order, I trust that we would have the final say in response if something new arises, which is the normal procedure.

The Chairperson: — Yes, right.

Mr. Beke: — Thank you.

The Chairperson: — There isn't any provision for witnesses to raise points of order. There are only . . . points of order can only be raised by members of the committee. And I'd like to respond. I do have one person on the speakers' list; if anybody else wants to ask a question, if they would so signify.

But there were just a couple of things that I did want to respond to, and one is in response to the letter that you want to have tabled, and no objection to that. But I have reviewed the transcript of the evening in question with the Wallace witness that you raised objections to, and sometimes when feelings run high things aren't very nice, but they don't necessarily step over the edge. And in reviewing the transcript, there was nothing said that wouldn't have been allowed to be said, for instance, on the floor of the House. And this being a standing committee of the legislature, the same rules apply here as in the House.

And also the witnesses here, including yourselves, anyone who is a witness to the committee, enjoys the same parliamentary privilege and the immunity that members of the House do inside the House, as long as what they say is said only here in the presence . . . and directed to this committee.

On the other points of law, the last thing we want to do is to get caught in the crossfire between you know . . . and a whole bunch of legal technicalities. And I have the draft of the transcript from last night where the letter that Mr. Cosman wrote arose as a result of a question from Mr. Kowalsky who wanted an answer to some questions.

And then Mr. Cosman says: 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 draftsperson of the Bill for his input as well — Dr. Beke. I think it would behove us that I have some of his input in an 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.

And then Mr. Beke says: if I could be of some assistance, to save him a lot of trouble, because I dealt in this matter with the Department of Justice . . . Then it says — this is still Mr. Beke speaking — it has gone through the 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.

So I think that Mr. Cosman was given the understanding that he was to deal with Mr. Koschinsky and I'm sure that there was no intention on his part, you know, to abrogate the process, to leave anybody out, or to cast any aspersions on the integrity of the process. I don't know if there's anything else that you want to say, Bob, but I just wanted to make that comment.

Mr. Beke: — Madam Chair, does he at least acknowledge that he didn't call me because in his letter he says that he talked with me.

The Chairperson: — Oh, you see we just got this letter handed to us at the beginning. I'm sure that none of the committee members have even read it yet. It was part of the material that was here at the beginning of the meeting. It wasn't circulated to us today. So I'm sorry, I haven't had an opportunity to read it.

Mr. Beke: — Madam Chair, I would just like to repeat that it's a very unfair procedure for him to speak to the lawyer for the CFOP and not to speak with me on that account. But then he speaks with Mr. Koschinsky who had approved this, Department of Justice had approved this

version, and now Department of Justice changes their mind, according to Mr. Cosman, without even talking to me. And I think that both departments and the Legislative Clerk are not proceeding in a fair manner. That's my concern.

The Chairperson: — I'll ask Mr. Cosman to speak to it.

Mr. Cosman: — Thank you, Madam Chairman. Dr. Beke is correct. I did not consult with him beyond the consultation, in my mind . . . the attempt to have the permission of the committee, at Mr. Kowalsky's direction, to consult with the original draftsman of the Bill whom I thought was you. That was my intention last night — was to seek some assistance and some guidance from you. So my intention was, initially, can I talk to the original draftsperson? As a trained legislative draftsperson myself, coming in cold, and admittedly with no cooperative background, I certainly was looking to you for assistance.

I then took from the discussion that we had last night that you had referred me to Tony Koschinsky of the Department of Justice, so admittedly that was my total consultation with you, and I'm sorry and apologize to you if it appears in my . . . if an interpretation can be made of my words here that I consulted with you. I did not consult with you beyond the record.

I do wish to address one item though. What I thought I was addressing was a request to actually craft a definition of cooperative to be inserted into the Act at the definition section 2 in this Act, "abc" means what have you. That's what I thought I was addressing — Can I craft, as a wordsmith, a definition of cooperative that would be acceptable to yourself or Mr. Koschinsky, or as was referred to, Mr. Kloppenburg.

The input I got from both is clear in my letter. They said, don't attempt to create a definition section or a definition provision; essentially, leave it as it is. And that's what I thought I was trying to say in my letter, not to . . .

The Chairperson: — And I don't think we have any problem here now at all because Mr. Cosman's letter was based upon a request from a committee member for advice to the committee. And now that you have spoken to the point, Dr. Beke, that your advice will be taken in that same context, as advice to the committee. And so I think we've got the situation completely cleared up.

Mr. Beke: — Well I think there's still a little confusion because we have never asked that a definition of cooperative be included in the Act. And if that's what you were addressing in this letter, which is not clear to me, then we are not asking for that.

The Chairperson: — No. Dr. Beke, no. But a member of the committee asked Mr. Cosman for that.

Mr. Beke: — No, I understand that. I understand that. What I'm saying is, as long as I understand that the provision is drafted . . . Because it's not a definition of a co-op; it simply says, we adhere to co-op principles, and I've demonstrated how we do. And Mr. Koschinsky says that is acceptable to the Department of Justice.

And as long as that stays that way, we have no problem. But if there's an attempt to change it then that is a serious problem for us. I just want to make that very clear.

The Chairperson: — Any questions? Oh sorry, Mr. Johnson, you had one, and Mr. Kowalsky.

Mr. Kowalsky: — Well all that being said, I just want to say I appreciate the quick response of counsel to this, and I got from counsel what I asked for and that was an opinion. And I'm quite satisfied, Madam Chair, with that and I think he acted quite appropriately.

The Chairperson: — Thank you.

Mr. Kowalsky: — Now I have a couple of questions to the delegates. And thank you once again for your presentation, and particularly that you dealt with several matters which at the beginning I think the committee simply wasn't in a position to deal with because this has been a fairly intensive couple of weeks with what we call a fast learning curve.

A couple of questions that I have; first question is, what was it that led you not to provide a class of shares that would have provided

patronage dividends? Like you've got a class of shares A which provide the power of running the committee, which meets one purpose. You've got a class of shares which provides for your other, which I believe to be your major, purpose, and that is for fund-raising.

One of the controversial items of course is what has happened to the definition of cooperative . . . well it's not only the definition but the practicality of the working of this organization, that is, that there is no longer going to be any patronage dividends. What was it that led you to that, not to provide a class of shares where there would be a patronage dividends?

Mr. Larsen: — Well we of course have the class A voting, controlling share. And our objective in this exercise and our thinking is that the class B shares, many of them will be held by the same people, and therefore will be entitled through that process to some of the proceeds of the organization. And it was a matter of the options that we looked at.

Are you suggesting that there should be another type of share that would entitle people to a dividend, a patronage dividend?

Mr. Kowalsky: — That's right. I'm wondering whether you considered the option of . . . You obviously needed some money for the company, a way of raising funds and to keep the company viable. That is the basic premiss of all of this.

Mr. Larsen: — To put in place a strong financial base.

Mr. Kowalsky: — Right. Right. And I accept that. At the same time though, would it have been possible to put in another class of shares — either a class A or a class C type of shares — where people with existing shares could simply have converted to those shares and they would have received patronage dividends in those shares. And yet at the same time outsiders or employees could have entered into a class B type of share as you now have. Then you would have the benefits of both.

Mr. Larsen: — Well I guess one of the reasons for doing it the way we did is the market incentive programs that is part of the changes that we are suggesting here would replace, at least in part, patronage dividends as well.

And maybe I can ask Mr. Canham to comment further on the options.

Mr. Kowalsky: — Sure.

Mr. Canham: — That's correct what Mr. Larsen had indicated, that the class A shares do provide for a patronage payment as part of a marketing incentive payment. So there is that provision under the current Act. To provide it for a third class of shares like a class C share, or another type, that was looked at as an option. But what we thought when we looked at that is you get a very complex arrangement where you're trying to provide for a class A share that has the voting rights and entitlements, a class B share that may have the investment qualities of an investment type share, and then a class C share that would have patronage allocation rights attached to it as well.

And if I could, one of those complexities would be, when you have an allocation to that class C, as our current shares are, they're redeemable upon certain events occurring. There would be complexities in terms of how much income should be allocated amongst the different classes and how should those classes be treated in terms of redemption into the future, because if there was a redemption of some shares, obviously that takes away capital from the organization.

And so the complexity with managing that would not, in the end, we felt, succeed.

Mr. Kowalsky: — Now I want to just ask a couple of questions with respect to what I started with last night. And that is with a request for whether or not it was possible to define cooperative in this Bill. And the answer that I received both from I think from the counsel and also from the legal counsel of the legislature in consultation with Tony Koschinsky and Mr. Kloppenburg, it's just not something that can be done that would be helpful in this Act.

And as I had an opportunity to think about it further, trying to define it in this Act I guess just wouldn't work either. Because when I refer back to An Act respecting Co-operatives, which is The Co-operatives Act of 1989, there is a pretty clear definition of what a

cooperative is considered by the Government of Saskatchewan. And there are copies of this available, I think. Perhaps I would ask counsel to distribute that to people seated around the table.

> For the purpose of this Act, a body corporate is organized, operated (and) administered on a cooperative basis where:

And there are section (a), section (b), section (c), (d), (e), and then I'll go right down to (f), states:

> any surplus or saving arising out of its operation is:
>
> (iii) distributed among members in proportion to their patronage with the cooperative;

So my conclusion is then, if we make any attempt to define cooperative in this Act, in the Wheat Pool Act, and it would not comply with the definition in The Cooperatives Act of '89, then we are just creating problems for ourselves as a government.

And then I ask myself the question, are we creating ourselves a problem as a government by even using 3(1)(c), as you propose here. Because you clearly identified today that there are portions in this Act which define the word, cooperative principles. I don't think that the portions that are in this Act define it in a way differently than this, but that would be my first question, I guess. Is there anything in this Act, in the Act proposed, the Act before us, that defines the word cooperative differently than is defined in this 1989. I don't think it's as complete a definition as this, but I don't think it defines it differently. Could you talk to that?

Mr. Beke: — All along . . . and it's clearly stated in the explanatory notes that there will not be patronage dividends, and we recognize that that is an important attribute of a co-op. So obviously, we don't meet that test.

But then the existing Act and the existing Pool doesn't meet this test either because it says its membership is voluntary and available and as I . . . as you will recall in Mr. Larsen's presentation, once you're a member of the Wheat Pool you're trapped until you die, retire, or quit farming.

So does that mean that the Wheat Pool all these years was not a co-op? Of course it doesn't. There are all kinds of definitions of the co-op. For example, people have bandied about the Rochdale principles. Well the Rochdale principles required you to be selling your goods and services as close to cost as possible. There isn't a co-op around that does that any more.

And secondly, which co-op conducts the democratic delegate process similar to this Wheat Pool does? And I don't want to name some co-ops, but I have been members of them, and it's the employees and a few management people, and maybe some people from other co-ops, but by and large there is no grass roots involvement. They have a nominating committee really selected by the management, they select people, and this is not dissimilar to a lot of private corporations.

So the question really is: how does the entity behave? Mr. Faller has made that point. He said it's not a matter of legalistic definition, you recall in his brief earlier tonight. And the point is that this co-op, as I said the other night, has behaved more like a co-op than any other co-op in North America. There's no question of that. And they are struggling, and we are struggling, to stay with that democratic structure which is a vital part of any co-op.

And the opponents here want to push us to become a private corporation, and the question that I have is, the committee or the government want us to become a private organization — I don't think they do.

Mr. Kowalsky: — Well I think the committee in general wants to rely on the processes within your structure to decide what you're going to be. But what the committee, I think, and what I'm concerned about here is that we don't get ourselves caught with two different, or three different, definitions of co-op in legislation. And so just to follow up further, I wanted to ask you what would the effect be in your opinion if 3(1)(c) would be written not as is, but written by deleting the three words "this Act and," where it would refer just to the by-laws.

Mr. Beke: — Well I attempted to deal with all of that by pointing out that all of these co-op attributes are in the Act. So if we say, just as in the by-law, we are misrepresenting the position because the one member, one vote, is

in the Act. No proxy voting is in the Act. The delegate structure is in the Act. The district structure is in the Act. All of these things that are co-op attributes and listed in the co-op Act are in the Act and not the by-laws.

The Chairperson: — I've got Mr. Roy, Mr. Langford, and Ms. Stanger.

Mr. Roy: — Thank you very much.

The Chairperson: — Oh, sorry. Well Mr. Johnson was at the top and when I asked him I thought he was deferring to Kowalsky. Sorry. Johnson first and then everybody else.

Mr. Johnson: — As an example of what's taken place this evening, the procedures of these committee hearings and of the Legislative Assembly is a strange animal of movement and indicates what takes place. And every member of the committee here as a member in the legislature recognizes after awhile what happens with the impact of a *Hansard*. It doesn't matter whether what you say is offhanded at the time or not, it ends up being recorded and sometimes you find strange interpretations and things coming out of that.

It also means that, although it's not really something that's stated in the procedures and the rest of it, that a lot of questioning and a lot of things that take place and pressure that's put on people from different directions is in reality to get responses and answers in *Hansard* for someone else to read for whatever reasons in the future, and finding then that people say one thing one day and something else the next day. And although a lot of times it's not of any significance it does at some time in the future often happen.

The Chairperson: — Does the member have a question?

Mr. Johnson: — Yes. And in this regard I have a couple of questions, although the statements that were made this evening would probably be thought to have already answered those particular questions. But after having spent I don't know how many hours listening to questions and presentations by different witnesses, is there any amendments to the Bill that, of minor or major consequence, or anything that you feel that you're going to be asking to put forward or that . . . or is it just as the Bill sits?

Mr. Beke: — No. This Bill was approved by the delegate body, and that's one of the major problems we have if there's any amendment to it, because we are governed by the delegate body on this matter, not the directors. The directors were simply authorized for us to change drafting style and so forth.

And secondly, the Bill is as approved by the delegates and therefore that's the way we want it to go forward. We require everything that is there, in the manner that is there. So we have no further amendments to suggest ourselves. No.

Mr. Johnson: — Okay, then another question that I have dealing with, on page 10, basically of your presentation this evening, section 4, related to patronage dividends. As I understood the response to my colleague, Mr. Kowalsky, the answer to it is that it was looked at and it would maybe have been possible to have been done, but that there were some major problems in operating if the third type of a share was in place.

This was basically brought to my attention in a manner which was very hard to disregard basically by Larry Gislason, I think is how his name is pronounced. He was able to present to this committee a fairly . . . presented a knowledgeable and a very sort of statesman attitude in what the decision was. And he said in there that this must be done, that we must go ahead with the Bill, and at the same time pointed out that the one thing in it that made a difference was patronage. And he thought that it should be in there. And in the two different places that he presented it, he indicated that — at least in reading it from the two different places that was in his presentation — that he wasn't giving any direction exactly how it should be done, but that the organization should maintain the power to do that, and thereby would in his mind be a cooperative.

My assumption is, is once the power was there that it would be acted upon, but it didn't even express that it was necessary that it be acted upon in as great an extent. And I'm just wondering if that is a . . . with a second class of shares or a third class of shares, that could have been achieved if the two classes, the B and supposedly the C, would have always have maintained a transferability from one

class to the other but once transferred, what was allocated to them would differ as to whether they were . . . as to the percentages that were there.

One side would have its allocation provided on the amount of trade that was done with the company; the other side would have the shares . . . the funding or the dividend allocated to the amount of funds there. And I'm wondering if there's any comment that could be made as to that because it appears to me that that would be relatively a simple procedure for an organization to follow and be able to implement. I also believe that that would in essence gradually shift over to B shares in numbers anyway, but it does leave in position a structure of a co-op in combination with a structure of a company.

Mr. Larsen: — First of all, to bring about those changes in the proposed legislation would require delegate consideration, and I'll ask Mr. Canham to respond as well.

Mr. Canham: — That option was one that was considered. As I indicated earlier, the main difficulty with that was the complexity with enacting that. What we saw . . . the second aspect of that is really that you reduce the attractiveness of your class B share then because of a number of reasons.

You have complicated formulas in which you have to allocate splitting from each and every year. You have an ongoing redemption of the one class or a conversion of the one class to the class B's each and every year as they become eligible to be converted over. And so you have an ongoing increase or dilution of the one class of shares as opposed to the other.

To maintain that would also require us to maintain two share class systems, two accounting records, one for the class B-type share and a third . . . well actually three systems, one for the class A, one for the class B, and a third for the class C. And so administratively we'd be faced with the maintenance of records to accommodate that, which again added to the complexity.

You would be faced on an ongoing basis with the allocations of income and who's entitled to what. If you got to the point of an amalgamation or a merger or otherwise, how are those shares to be treated? What value should be attributed to each? One is trading in value, maybe going up and down in value with respect to the fortunes of the company; the other is at a set value, at a par value. How would that be reflected over time and at what value should it be valued at if there was a merger, amalgamation, or otherwise, or upon conversion to the freely traded shares that are the investment-type shares.

It is an option. It is one we looked at. In a circumstances it could work, but it becomes a lot more complex and it's not one that we put forward as a recommendation to follow.

Mr. Roy: — Thank you very much, Madam Chair. And I want to thank you for the final report here, the summary.

Just one very quick question, and I address it to you, President Larsen, because you have been duly elected by the members of the Saskatchewan Wheat Pool and directors. So you're accountable to the directors, you're accountable to the delegates, the delegates are accountable to the members; vice versa, the members have a responsibility to try and keep themselves informed and come to the meetings.

To the best of your knowledge — because at the end of the day, if this Bill does proceed, you are the chief spokesman for the Saskatchewan Wheat Pool and there's going to be questions asked of you until later on — but to the best of your knowledge, do you believe that the process, the democratic process, was done in a fashion that accurately represents the members out there? Because I want to hear that from you as an elected official.

Mr. Larsen: — Yes, I think the process that has been used and followed and the outcome was a result of that democratic process because of the information session that we have held with delegates. The information sessions and the information we sent out to the membership has been a communication process that is I think second to none, with the kind of structure that we can reach into every corner of the province. And the fact that we as delegates are accountable to the membership, as you state. And being a president, I am as well a delegate in my own subdistrict, and I am accountable to them as well as all the other delegates. So I think the process is accurate.

Both at the July meeting and at the annual meeting in November there was resolutions put forward: one to . . . In the July meeting there was one with regard to the timing of the vote and one with regard to a membership vote. And the decision that was made by the delegates at that time was, no, we will make this decision as our Act and by-laws give us the power to. We will make those decisions as delegates and we will make that decision now, in July. Because one of the resolutions was a deferral to the annual meeting; that was done.

We revisited both of those areas, both of those same resolutions, at the delegates' annual meeting in November with the same result. At the July meeting it was by a vote of show of hands. But at our delegates' annual meeting — and I think you visited there on occasion — we have electronic voting. And the vote was, I believe, with regard to a membership vote, was 82 per cent were opposed to a membership vote.

And what they were saying to me was the decision had been made, the process had been followed properly, and we'll move forward from here. So I'm comfortable that the process has been . . . democratic process has been followed.

Mr. Roy: — Thank you.

Ms. Stanger: — This is very short. Just to clear this up, I'd like to ask Mr. Beke, The Co-operatives Act does not apply to the Sask Wheat Pool Act because the Wheat Pool Act does not originate out of The Co-operatives Act; is that correct, Mr. Beke?

Mr. Beke: — That's correct.

Ms. Stanger: — So we don't have to worry about what's in The Co-operatives Act?

Mr. Beke: — It's irrelevant.

Ms. Stanger: — It's totally irrelevant. So what the definition is in The Co-operatives Act legally . . . somebody shaking their head behind there. So I just want to clear this up again, because I have asked people that are counsel outside of here; they tell me The Co-operatives Act does not apply to the Sask Wheat Pool Act because it doesn't originate under The Co-operatives Act. Now am I correct or am I not?

Mr. Beke: — You are absolutely correct. It has no relationship whatsoever. As a matter of fact, if you look at the Act you will see that those provisions that are not specifically covered by our Act are under The Business Corporations Act, not The Co-operatives Act.

Ms. Stanger: — Okay, just one supplementary to that. It says here:

> Saskatchewan Wheat Pool is continued as a body corporate with all the rights, powers, capacity and privileges provided in this Act and is:
>
> (c) organized and governed by and adheres to co-operative principles in accordance with this Act and the bylaws.

It does not say that it is a cooperative. Am I clear on that?

Mr. Beke: — Yes, you are. Because the original draft was originally that it is a co-op. Department of Justice would not agree to that because there would be confusion with this Act. And so what I suggest is that the Department of Justice is the one that ought to rule on a legal, technical question like that.

Ms. Stanger: — Thank you.

Mr. Langford: — Just a question to you, Madam Chair. We're going to go over this clause by clause tomorrow night, right?

The Chairperson: — Tomorrow night.

Mr. Langford: — And we can question it clause by clause, right?

The Chairperson: — The petitioners for the Bill will be here.

Mr. Langford: — Okay. That's all I want to clarify.

The Chairperson: — Nothing further? Thank you very much, gentlemen.

Mr. Larsen: — Thank you.

The Chairperson: — And, Mr. Kowalsky, did you still want to . . .

Mr. Kowalsky: — No, I will pass till tomorrow,

clause by clause.

The Chairperson: — Oh, okay. You didn't have any redirect then to the previous witnesses?

Mr. Kowalsky: — No, it's getting late, and I'd just as soon not do it at this time.

The Chairperson: — Okay. Well what happens from here on is . . . This is the end now of the public hearings. And so I certainly want to thank the committee and the staff that has been so patient and put in long hours and been so helpful in arranging the appointments for the witnesses and really facilitating the work of the committee. You've been very helpful.

And I certainly want to thank all of the witnesses and everybody who has been appearing before the committee, and here as observers, for their patience and the excellent quality of their briefs. And really their good answers to the questions, and their great assistance to the committee. And we know that there are a great many people here who have travelled great distances and are spending money to stay in Regina to be present at the hearings. And it's a personal hardship on them. I hope they're enjoying it.

A Member: — It's a learning experience.

The Chairperson: — For all of us. It's a learning experience for all of us. But we really, really do appreciate that.

And what happens tomorrow now. Tomorrow at 7 o'clock is the meeting. The committee will meet to consider the Bill clause by clause. And there is no provision for the calling of witnesses. But normally what would happen is the petitioner would be present — or representatives for the petitioner would be present — so that they can answer questions to the Bill. And it is an open meeting. And although there's no provision for dialogue with people other than the petitioner and the committee at that point, it's an open meeting and people are welcome to be there.

So, I'll entertain a motion . . .

Mr. Larsen: — What time does that start?

The Chairperson: — 7 o'clock, Mr. Larsen, tomorrow evening.

Mr. Langford: — I'll make the motion that we now adjourn.

The Chairperson: — Mr. Langford moves we adjourn. Agreed? Agreed. Thank you very much, everyone.

The committee adjourned at 10:50 p.m.