By Gossip and Myths: The Winnipeg Takeover of McKenzie Seeds

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ABSTRACT. McKenzie Seeds is a crown corporation owned by the people of Manitoba. In 1983, the company was rocked by a scandal involving its senior management. During the course of the controversy, George F. MacDowell resigned as chairman of the McKenzie Seeds board of directors. He subsequently wrote a pamphlet which attempted to provide a context for understanding events at McKenzie Seeds. This paper provides a brief history of the company and a discussion of MacDowell’s pamphlet. A postscript provides information on some recent developments, which suggests that the issues raised by the scandal and identified in the pamphlet remain unresolved.


This is a short pamphlet — 32 pages, which deals with an incident which rose in McKenzie Seeds, a Manitoba crown corporation, in 1983. The story is in many ways a parochial one, but it raises issues and contains insights which are of general interest, and which have implications which extend far beyond McKenzie Seeds and the province of Manitoba. Before turning to a consideration of the contents of the pamphlet, it may be useful to provide a brief historical sketch of the company and its relationship with the Manitoba government.

Historical background

McKenzie Seed Ltd. is one of the oldest companies in Brandon. The firm was established in 1896 as the Brandon Seed House. It was incorporated in 1906 by A. E. McKenzie, a Brandonite. In 1945, the company became a crown corporation when 90 percent of the shares were transferred to the crown as part of an arrangement which had been worked out in 1939 to obtain government financial support for Brandon College. The government acquired complete ownership in the early 1970s, when it purchased the remaining 10 percent of shares from Brandon University.

A. E. McKenzie continued to manage the company until just before his death in 1962. After his death, the company’s financial and market situations worsened — a result of long-term stagnation and inept management on the part of A. E. McKenzie’s successors. The then Conservative government responded to the company’s deteriorating position by attempting to sell it at a bargain-basement price to Northrup-King, knowing full well the sale would probably result in a transfer of production to central Canada.

An election intervened, however, and the new government, an NDP government, decided to retain the company as a crown corporation and seek ways to strengthen it. In 1982, the company purchased Steele-Briggs Ltd. As a result of this acquisition, McKenzie Seeds increased its share of the national packaged-seed market from 25 to 75 percent. Moreover, production and head-office facilities were concentrated in Brandon, raising peak-period employment from 90 to about 250. Other actions designed to improve performance were instituted, and, by the mid-1970s, the company started generating modest profits.
The 1977 election brought another change in government; a Conservative government was elected on a platform calling for restraints, curbs in the public sector, and the sale of some crown corporations, including, as it turned out, McKenzie Seeds. The renewed efforts to sell the company encountered much opposition from company employees and organized labour, who insisted that the company's activities be assessed on the basis of social rather than private benefits and costs. The Conservative government was unable to conclude a deal for the company before the 1981 election, which saw a return of the NDP to office.

Shortly after this election, the NDP government replaced the board of McKenzie Seeds. The Conservative board had been dominated by local businessmen: Ed Mazer of Mazer Implements; A. C. Wilton of Wilton Implements; C. G. Christianson, Brandon Industrial Commissioner; and C. K. Lewis, a chartered accountant. The board which replaced it was chaired by George MacDowell, Professor Emeritus in Economics at Brandon University (who had served on the board under previous NDP governments), and included people of diverse backgrounds—a nurse, a librarian, a Botany professor and a small businessman. The Conservative opposition expressed concern about the lack of business expertise on the board, citing, in particular, the two women (the nurse and the librarian) who had been appointed.

Scandal

In June 1983, members of the Conservative opposition began raising questions in the legislature about apparent conflict-of-interest transactions involving senior employees of the company: Mr. William Moore, president; Mr. Charles McEachern, vice-president; and Mr. Louis Boisjoli, assistant controller. The Manitoba government directed the provincial auditor to investigate the allegations. When the auditor's preliminary analysis of the transactions in question indicated that there were indeed conflicts of interest—some of them involving substantial amounts of money, the board, on June 24, 1983, instructed its solicitor to seek the resignations of the three employees. They refused to resign and were therefore fired. The three were subsequently charged with fraud, theft and conspiracy. The trials, held in 1986, resulted in convictions and jail sentences for all three.

In the immediate aftermath of the firings, there were two developments which eventually led to the resignation of George MacDowell from the board. First, in July 1983, Vic Schroeder, minister responsible for Crown Investments, assumed de facto control of the company. The government appointed Mr. Harold Grant, a retired businessman who was used as a consultant and troubleshooter by the government, as acting chief executive officer. Under this new regime, MacDowell discovered that Grant was dealing directly with Schroeder and the provincial auditor and that the board was being bypassed on key decisions.

Secondly, the provincial auditor, William Ziprick, submitted his final report to the government in October 1983. MacDowell believed the report deficient and presented his criticisms in a letter published in the Brandon Sun, November 9, 1983—“McKenzie Seeds chronology key; chairman.” The thing that particularly irked MacDowell was that Ziprick had “neglected” to point out that two boards and two chairmen had been involved in the events leading to the scandal. He stated specifically that by the time the NDP board assumed responsibility for the company “...the conflict-of-interest firms had been established and their transactions were well in train—leases signed and transfers of funds made.” In other words, the businessman-dominated (Conservative-appointed) board was in charge when most of the conflict-of-interest activities were initiated. MacDowell concluded that he was being made a scapegoat to take the political heat off the government.

As a result of these developments, George MacDowell resigned from the board in January 1984. Following his resignation, MacDowell decided to write a pamphlet giving his version of events.

The pamphlet

The pamphlet details events at the company while MacDowell was chairman. He is extremely critical of William Ziprick, Harold Grant, members of the Pawley cabinet, and the civil servants who were involved with the company. The discussion of issues and personalities provides interesting reading, but