

those who appeared before the Commission thought that it was really better than any of the others. Under the circumstances I recommend that nothing be done at this time about these trust provisions.

Based upon the suggestion of analogy between the provisions of a Mechanics' Lien Act and what is intended to be attained by Bill C-5, we were also asked whether "under the circumstances and in view of the fact that the Mechanics' Lien Act is established and has been accepted for years, the terms of this Bill are inconsistent and unreasonable in view of the general acceptance of the principles of the Mechanics' Lien Act."

So far as the trust provisions of mechanics' lien legislation are concerned, it is pointed out that they have had an unsettling effect on the construction business. Their scope and meaning still have not been finally settled by the courts, even though the Honeywell case was decided as long ago as 1955. There has been judicial comment as to the adverse effect of the trust provisions upon the ability of contractors to finance their operations. It has also been pointed out by the Honourable Mr. Thomson in the course of his report that the trust provisions of mechanics' lien legislation have resulted in a lot of litigation especially in Ontario and British Columbia. Accordingly, we cannot agree with the statement that the legislation has met with general acceptance.

Alternative Proposals

To enlarge upon the suggestions offered in our first presentation for alternatives to the proposals in Bill C-5, if there are processing industries with a record of insolvencies resulting in grievous financial misfortunes for primary producers, the producer organizations might give consideration to establishing standards of financial responsibility for that class of processor which standards would of themselves effectively reduce the credit risk. When under such standards a processor's financial position is not as strong as it is felt it should be, conditions of sale by the producer could call for the providing of an appropriate form of payment insurance or bonding to supplement the processor's own resources.

In principle such measures are now availed of in the construction industry through the use of bonding arrangements; in Ontario, contractors are required to meet prequalification financial requirements when bidding on Government contracts. Another example of establishing financial standards is in the licensing and bonding of livestock commission houses and dealers who operate at stockyards.

Where producers are organized as a group a reserve fund for credit losses built up by levying a small percentage of sales could provide relief when processor failures occur. Associations of producers undoubtedly have officials who are as well qualified by experience and knowledgeability, as their counterparts in other business fields, to have an awareness of credit risks in their dealings with processors. When doubt exists as to financial responsibility, the element of risk must either be accepted, cash demanded upon delivery, or another outlet found for the produce. In making this statement we recognize fully that when only one processor services a local area growing perishable crops, the farmer is in a serious position should the processor collapse financially during the harvest season. As mentioned previously, it should be possible to limit these hazards through the use where desirable of a bonding or insurance arrangement.

Since our last appearance, evidence given at the hearings has emphasized the plight of the farmer who suffers financial loss through the insolvency of a processor of his crops perhaps to the extent of the value of an entire season's harvest. These happenings, while fortunately infrequent in terms