

[Chairman: Mrs. Black]

[10:06 a.m.]

MADAM CHAIRMAN: Good morning, ladies and gentlemen. I'd like to call the committee to order. We are the Private Bills Committee. The first order of business is that I'd like to have the agenda approved as circulated. Mrs. Hewes, thank you very much. All in favour? Thank you.

We have quite a busy morning with three Bills on the agenda, so I'd like to start right away. The first Bill we're going to hear is Bill Pr. 10. It's La Societe de Bienfaisance Chareve Tax Exemption Act. Please excuse my French; it's not up to snuff. I'd like to welcome to the Private Bills Committee this morning Vital Ouellette, the solicitor, and Bishop Raymond Roy. We are a standing committee of this Legislature, and our role is to receive representations from various groups on private Bills. Today we will be receiving your presentation. At a later date we will reconvene to go over the deliberations, and then we will be filing a report with the Assembly.

At this time, Mr. Clegg, would you like to make some introductions?

MR. M. CLEGG: Thank you, Madam Chairman. I would like to present my report on Bill Pr. 10, La Societe de Bienfaisance Chareve Tax Exemption Act, pursuant to Standing Order 99. This Bill provides for tax exemption for certain properties owned by the society with respect to municipal taxes. The Bill does not ask for any powers which are considered to be exceptional. There is no model Bill on this subject.

Madam Chairman, at this point I'd like to mention that in transcribing the Bill from one draft to another, unfortunately we made some errors in the numbers in the legal descriptions. I have prepared an amendment which will be necessary to be passed by the Committee of the Whole and recommended by this committee. It has been distributed to members. It corrects those errors in the Bill which are all in the legal description.

Thank you.

[Bishop Roy was sworn in]

MADAM CHAIRMAN: Bishop Roy, would you like to make some opening comments to the committee with regard to the Bill? Or Mr. Ouellette?

MR. OUELLETTE: Yes. Thank you, Madam Chairman and all members of the committee. I wish to thank all the members of the committee for accepting the fact that we had a late filing of one of the notices in the *Alberta Gazette* – that is, the last one. We missed that by about five days. We do appreciate the committee accepting the late filing, which otherwise would have resulted in us having to wait a year. So we greatly appreciate that. I would also like to thank Mr. Zarusky for accepting to be the sponsoring MLA for the application of this private member's Bill. Also, I would personally like to thank Mr. Clegg and Noreen Jensen for all their assistance in the preparation and application of this private member's Bill. Thank you.

I will proceed and simply give you an overview of what we are seeking and the reason for seeking it, and then I will pass it on to Bishop Roy to give you more detail of what is exactly involved in this society. For the purpose of ease, instead of saying "La Societe de Bienfaisance Chareve" every time, I will simply say "the society," if you don't mind. After that we will ask you if you have any questions. We are definitely open to any questions you may have, and if we can be of assistance, we would like that.

As indicated, this is an application for an exemption of assessment and taxation of some property which is located within the village of Radway. There are approximately 45 acres on this property. There are some buildings. The property is basically operated as a farming operation. Unfortunately, through previous annexations the property is within the actual boundaries of the village of Radway even though the property does not receive any services from the village of Radway. The water supply is from an independent source – that is, a well on the property itself – and in relation to sewer systems, again that is within their own properties and the town does not provide any of those services. There is one road which touches the property, and that is the only connection there actually that is with the town, even though it is within the village of Radway.

The society itself is a nonprofit, charitable organization and was recognized by the federal government as a charitable organization in 1986 shortly after its incorporation in 1986. We wish to stress to the committee that the exemption we're seeking from taxation and assessment would only be for such periods of time as the society continues to be a nonprofit, charitable organization providing for recreational, social, cultural, educational, religious, and charitable facilities to the general public, as it is presently doing. The society doesn't purport to put a motor hotel on these properties and then continue to seek the committee to give an assessment, because obviously at that stage it would be not be a nonprofit, charitable organization. On the whole, the society operates on donations. The income to make the farm operate and to make sure everything balances – at present it doesn't; the society is actually operating in a negative balance – comes from donations. It should also be noted that the taxes in less than three years have gone from \$200 and some to over \$2,000 for this year, that being with relatively few changes on the property itself. Obviously the problem is that the property and the buildings are located within the village of Radway.

Therefore, we would ask that you consider the exemption we are seeking. I have provided to all members of the committee a summary of a brief that I hope all committee members have received and had a chance to look at. It is for that reason that I won't go in greater detail in relation to the application.

I would then pass on to Bishop Roy. I will ask him to outline to you the reasons the society was originally incorporated, also the actual purposes of the lands and the buildings on the properties, the funding arrangements and how the operation of the farm is presently being carried out, and Bishop Roy's undertaking that the society will continue to operate as a nonprofit organization and will not seek to make a profit off these properties as a result of an exemption you may give. Bishop Roy.

BISHOP ROY: Madam President, members of parliament, I'd like at this time to say good morning to my good friend John Drobot from my constituency, from St. Paul. But we are talking about Radway right now and Mr. Steve Zarusky also. My role here this morning is to talk to you about the educational and the spiritual aspects of a farm. Usually we talk about a farm as a business operation. In my concept it's altogether different; it's an activity to achieve the goals of the chareve. Chareve, by the way, is a combination of two words; a synonym, "char," means charity and "eve" means everybody. You will see that in the purposes of the constitution of the society we really want this to be a Catholic institution. Being a Catholic bishop, this is my view, and the founding members of the constitution wanted it

this way. But we're open to any human that needs help, that needs to be rejuvenated.

In this way of seeing society around us, we see – and this is not your fault – that it's a throwaway society. You just have to look at the dumpyards; you have all kinds of things happening there. You don't have to go there, but you know that they do exist. We have a problem around our cities, around our towns, as to the dumpyards. Everything is thrown there. I want to tell you that the society was shaped and formed and instituted and approved just to work against that current, to make sure, in small aspects, that we will be a sort of witnessing of a counter-sign of what's happening in the larger society. This will be our way of educating people.

The second thing we want to see: if we do that, we want to be very practical. So we want to go into retrofitting, salvaging old material. Just to give you a sample of this, I think it's the sixth building that we're demolishing on free labour and with paid labour from the provincial government as well. We had two programs in the years past. This winter we've been demolishing two elevators in Radway, and we've salvaged over 125,000 square feet of lumber, mostly two by fours and two by sixes, under my blessing. I've been working there myself because I'm so much involved in all of this, but I didn't put all my time into that. But I can tell you – and you can hear it from my heart this morning – that I am the one involved in all this with my committee. When I say we want to do some salvaging to renovate and do retrofitting, that happens concretely all over and on the farm.

And the farm? Well, we have animals. We have everything, not to flood the market, by no means, but to tell these young people in their 20s that they can go back to Mother Nature and find there the balance, find there all the supplies they need to give a good healthy life. If you want to have well-balanced citizens, you must allow them to go back there. That's my philosophy, and that's the philosophy of the chareve.

So we want to educate people by doing it on the job – do it as you travel, do it as you go along. You can read books on it, but you can discuss that. When you see people giving their voluntary work, their labour – gardening and taking all the vegetables from the garden, the fruits from the garden, and retrofitting, building new buildings with old material – it's a sort of creation in a way. Our young people are fond of that. They want to do something different. So that's the opportunity for us at the chareve in Radway, to show that there is another option in following the people out there. That's my philosophy and the philosophy of chareve.

I can guarantee you that because it's been going so well in the last years – we've been in operation for just the last two or three years – each year we're about doubling our activities. Because there are people there that want to really look into their lives and say, "Well, we're going nowhere; we're not capable on our own." So we need a system that will help us to pass on that philosophy. That philosophy of going to Mother Nature and seeing the balance in Mother Nature is in the blood of every human who wants to open his eyes and see. It's as simple as that. I've seen people out there, families coming in and remodelling their lives from scratch. Well, that's beautiful.

For that we need all the pennies we can have. So if the purpose is what you see on page 4, to raise funds and everything, that's why we need to come to you the government and ask you to give us a dispensation of the taxes so we can take all the moneys of donations, all the petty cash we have in selling things, rabbits and whatever. It's not a business. It's not even a small business. It's a spirit that we're creating. So we need from you

people this understanding that we will be able to finance by not being taxed \$2,000 last year and maybe more this year. We'd have that money to operate in a better way and a more fruitful way for our people living on that farm.

I would stand for questions and answers. I want to tell you, as I finish my presentation, that since the need is there to react to this throwaway society – we don't want to create anything by ourselves – we need a system to be able to react to that. As long as you have the need to react against this throwaway society, as long as that will last, we need the society to do exactly that.

Thank you.

MADAM CHAIRMAN: Thank you very much, Bishop Roy. Can we turn to the committee and see if there are any questions? I'll go to Mr. Hyland first, please.

MR. HYLAND: Thank you, Madam Chairman. Maybe to either one of the gentlemen. When the society was formed and the land purchased, it was within the town boundaries, I would assume. But when that land was annexed, do you know if there was a rider, like there is on most annexation orders that are farmland, that it will continue to be assessed and taxed as farmland until such time that it becomes something else? You're still really farmland. How is the village getting you for so much money?

MR. OUELLETTE: The problem that arises is that the village of Radway – I can't give you the answer in relation to exactly when it became annexed. We did receive great assistance from the town administrator of the village of Radway, Mr. Styra. I simply can't recall when it became annexed. It's not that long ago. The problem is that although it's an actual farm and is not even part of the town – it was divided because of a railway and the highway – the village of Radway is taxing it as town property and not a farm. Otherwise, if it was basically a farm, normally a 47 acre parcel would be taxed at a rate of probably \$200 or \$300. But that's not what's happening. It's being taxed as a village property, and that's the ultimate problem.

MR. HYLAND: So you can't convince the village to tax you as a farm. They're taxing you as a commercial entity. They won't look at you for taxing as farmland, which they have the power to do. What happened when you went through the assessment appeal process, et cetera?

MR. OUELLETTE: I'm glad you asked that. Prior to appearing before the Local Authorities Board, Bishop Roy and I attended the village of Radway and met with the councillors. At that stage, it was our impression that they were in favour of the exemption. They're biggest concern, of course, was that certain portions of the taxes they have to collect they in turn have to give to different areas of the government. They're concern was: "Well, if we have to give out money when we can't collect it, that's not fair. The moneys that we keep for ourselves: fine, we'll forgive that amount where we don't have to turn it over to somebody else." That was what we received as information.

When we appeared before the Local Authorities Board, the same position came out, and as a matter of fact the chairman of the board was somewhat upset that the town still hadn't taken their official vote on it. All the councillors were there, and there were some that were saying, "Yeah, so long as it's money we

don't have to grab out of our pockets to turn over to somebody else, we don't mind." I put them to the test before I was able to bring the application before you, because I wanted the committee to be aware as to the town's position. I've enclosed in the summary of the brief their exact position. That was only obtained this year, in 1990.

Now it appears that their official position is: no, they're not in favour of the tax exemption. The reasoning they had given us in our meetings was that their sewer systems, their fire systems, and the water supply of the whole town were costing so much that they needed the moneys in order to help pay for that. Of course, our argument was that we're not using the town supplies, we're not using the sewer supplies, and Bishop Roy undertook with them to sign a basic agreement that for every time we may need a fire service, we will pay it on a fee-for-service basis, which a lot of the counties do with the towns right now. So if there is a call out in a county, you pay a hundred dollars or whatever it is to have the fire service attend.

MR. HYLAND: Do I get one more?

Do you have any idea if they're doing the same thing with all farmland around the village or that may be within the village? Are they hitting them as hard, or is it just because you're an identity that they can get you?

MR. OUELLETTE: No. I believe the only reason is because this is the only larger parcel of land situated within the village of Radway that contains this number of acres. Actually the rest of the village is all houses within a small area, and therefore this is a sort of exception because of the fact that they annexed the whole portion of 47 acres into the town because of the railway track and the highway cutting it off and making it a nice pie shape.

MR. HYLAND: One comment about the Bill. Unless I'm reading it wrong, on the first page it says, "containing 19.235 hectares (947.58 acres)." I think there's a mistake . . .

MADAM CHAIRMAN: Mr. Hyland, I think there was an amendment that was passed out.

MR. OUELLETTE: The error has been corrected. It's 47 acres minus approximately two acres for road allowance, so it's actually 45 acres.

MADAM CHAIRMAN: I believe the amendment has been circulated.

Mr. McEachern.

MR. McEACHERN: Yes. I got some clarification of what I was about to ask, but I think it still needs further clarification. I'd thought this problem should be taken to the town of Radway rather than to us, but I see you already have. In the explanation the town of Radway gave, they seemed to be implying, if your words were a correct interpretation of what they said, that they have some costs to meet and some money they have to give out in lieu of the taxes you would pay, let's say your \$2,000. Now, I suppose about half of that would go towards the school assessment. Are they suggesting that they don't have the right somehow to not levy that school assessment on your property? It would seem to me that the town council might be caught in that kind of bind. I don't know if you can explain further the

rationale for their arguments or for turning you down. Perhaps Mr. Clegg can give us some legal clarification of that point.

MR. OUELLETTE: I'll leave Mr. Clegg after. My understanding of the whole situation is that in relation to school foundation taxes and other portions of the actual whole of the taxes paid, if they simply decide to exempt, to collect from the property owner, they still have to send that portion to the government as part of their requisitions. However, the only way they can get away with not having to turn it in and therefore not collecting it is if there is a private member's Bill saying it is exempt. Then they don't have to send those portions in, because it has been exempted by law.

MR. McEACHERN: Well, I guess my question might be to Mr. Clegg. Besides the school taxes, would there be any other areas of taxation that would have that same problem? I guess the school tax would be about half of it, would it not?

MR. M. CLEGG: Madam Chairman, I'm not sure if I can add any further clarification beyond what Mr. Ouellette has said. If this property is exempted by law from taxation, then my understanding is that the municipality would not have to remit any portion with respect to education. The other portion to the taxation is for funding which is consumed within the municipality, and they would not have that revenue. But as the petitioners have pointed out, it is their position that they do not have the expenditure either with respect to this property because they service it themselves. I'm not aware of any other portion of tax collection which has to be remitted to a higher level of government. There may be something I'm not aware of. Maybe Mr. Ouellette can add something to that.

MR. OUELLETTE: Actually, in relation to this property there are four requisitions that do have to be turned over. There's the Alberta school foundation, which is not a great amount. Then the larger one is the school funds which we were talking about. In this case it falls under Thorhild county school supplementary. [interjection] Yes. And then there is a senior citizens' lodge, out of Thorhild actually, which is again moneys that have to be collected and turned over because it is government run. The last one is the Alberta municipal planning fund. Those are the requisitions which they must collect and, in turn, turn over to the government. In relation then, Mr. Clegg is exactly right. Then when you're talking about municipal services, those are the portions they don't have to turn over, and those are the ones that are in relation to their expenses - that is, their sewer expenses, fire and water and roads and such items. Those are usually their debentures that they've taken out to cover those expenses.

MR. McEACHERN: Okay. Thank you for that clarification.

If I could follow up with one other question then. On page 2 in the Bill you're asking to be "exempt from assessment and all municipal taxation except local improvement taxes." Surely most of those . . . Oh, I suppose local improvement taxes, then, would apply only to your property, is what you're saying. If there's something as specific as being to your property, then you would be prepared to pay it.

MR. OUELLETTE: That's right. If for some reason the bishop requested that a sewer system be brought to that property, then

we're saying, "Well, we should have to pay for our share of those services." Or if we're requesting water supply.

MADAM CHAIRMAN: Mr. Zarusky.

MR. ZARUSKY: Thank you, Madam Chairman. I've got a couple of questions, and since it's in my constituency, I know a little about what the society is doing. I guess what comes to mind in maybe the village of Radway is since it's fairly prime property bordering the highway, there probably would have to be some guarantees of someplace along the way people not going commercial. This is, I'm sure, some of the guarantees. Can we get some direction from you that the intent is just for a charitable farming operation?

MR. OUELLETTE: Thank you, Mr. Zarusky. Yes, as a matter of fact, I believe the bishop gave his undertaking that it would remain that way. But the way the Bill was drafted, it provides that the assessment shall continue until such time as the property is being used for the purposes "of recreational, social, cultural, educational, religious, and charitable facilities to the general public on a non-profit basis." If at any time the property is changed and its use is changed in that it would become a commercial and viable business, then the tax exemption would no longer apply. So it's only for such time as it continues to remain nonprofit and charitable and recognized as such that the exemption would continue.

MR. ZARUSKY: Okay. One other question. I guess Bishop Roy outlined it so well. There are families moving in and actually enhancing the area or the village. How many families would you have living there right now in your group?

BISHOP ROY: Well, right now, as you know, the school year is over – it's sort of like university – but the elementary school is going on. So there are three families sending their children to the school. I think there are about six or seven children going to the school. I was talking to Mr. Styra, the secretary of the town, about a month ago, and he told me that this is one of the benefits of an added presence of new people in Radway because of the Bible school, which is on the west end of the town and we're on the east end of town, but we're connected in a way that we work together. And we're talking here today about the other one. So we have families living right there. We have one family living right there on the farm, and they have two children going to school. Then we've got another house. It's just in the process of being finished. We will have another family moving in there. So we have the system of the Bible school and the chareve community. We increased their school population by six or seven students this year. In the years before we had more than that; we had about 10. Mind you, some of them are going to Thorhild for high school, which is an arrangement between the town and us.

Is that all right? Thank you.

MADAM CHAIRMAN: Mrs. Hewes.

MRS. HEWES: Thanks, Madam Chairman. I just want to be clear about the history, Mr. Ouellette, and perhaps you can walk me through it again. At the outset, when the land was purchased for this purpose, there was no application for exemption. The taxes were understood and were moderate and acceptable. Is that correct?

MR. OUELLETTE: That's correct to a certain extent. Although there were no formal applications for exemption, the taxes were under \$1,000 at the time. Bishop Roy, I believe, had discussions even at that time, back in 1986 and slightly prior when the land was bought, with Mr. Tony Styra of the village of Radway in relation to the taxes and trying to receive some form of assurance as to the increases and if they were going to skyrocket or what was going to happen with the taxes.

MRS. HEWES: The taxes to begin with, Madam Chairman, were more or less acceptable. Then when they went from \$200 to \$2,000 a year, you appealed that amount.

MR. OUELLETTE: That's correct.

MRS. HEWES: And the village council turned down your appeal.

MR. OUELLETTE: In effect they did. They never did give us a response and told us to go to the Local Authorities Board, which is what we did.

MRS. HEWES: You went to the LAB anyway.

MR. OUELLETTE: Yes, we did. Yes.

MRS. HEWES: And they have not sustained your appeal.

MR. OUELLETTE: No, they turned us down.

MRS. HEWES: So then you went the route of a total exemption.

MR. OUELLETTE: That's correct.

MRS. HEWES: Madam Chairman, Mr. Ouellette, is there a chapel or a sanctuary on the site?

MR. OUELLETTE: Maybe I'll leave Bishop Roy to answer the question as to the actual buildings on the site.

BISHOP ROY: All right. Besides the barn and chicken coop, we have a residence for seven students, and in that residence there's a chapel for their private devotions. Then we have annexed two other family dwellings. We like the context of two families with individual high school or university students who want to take a year or two off. So to answer your question, we have a chapel in that residence where they can go for prayer and meditation and celebrate the sacraments.

MRS. HEWES: Madam Chairman, Bishop Roy, when the appeal was made and when you went to the LAB, was it also understood that there was a chapel on the premises?

BISHOP ROY: Yes. We told them that, because the plans had to be approved by the town anyway.

MRS. HEWES: As the taxes are levied, that is not taken into account either.

BISHOP ROY: That parcel for the chapel? I wouldn't know at this point. Would you have any . . .

MR. OUELLETTE: Actually, they haven't taken it into consideration, because if they had, they would have simply applied the sections of the Municipal Tax Exemption Act, and therefore we wouldn't have to be before you. So, no, they haven't applied it.

MRS. HEWES: They have not. Thank you, Madam Chairman.

MADAM CHAIRMAN: Mrs. Gagnon.

MRS. GAGNON: Thank you, Madam Chairman. Monseigneur Roy, could you explain the relationship between the John Paul II Bible school and the society? Are students either graduates of the Bible school or are they intending to attend the Bible school? Are they required to? Exactly what is the relationship?

BISHOP ROY: Locally, one is at the west end of the town; the other one is on the east side of the town. The Bible school started before the chareve, the vine workers' farm, which is on the east side. They're connected together because of the philosophy, but they are totally different as far as the functions and activities that are going on, although the people from the Bible school, when they have free time, will come and work on the farm and we take only – we might have a few exceptions here – students that have been going to the Bible school for one or two years. We take them on the farm after that. So we are connected. We're different in our functioning. They pay their own bills. We don't help them, except that we sell them some goodies cheaper than what they would have.

So there is a close relation as far as the candidates are concerned, as far as philosophy is concerned, but they're on their own. As I said, they pay their own bills. They have their own fund-raising. They have their own tuition for their students. We don't have these activities. That's a school; ours is a farm with schooling in it.

MRS. GAGNON: Is there a board of governors or something, and are they the same people, in actual fact?

BISHOP ROY: Well, the Bible school has a board of governors that's on their own, their constitution. It's not a registered organization, but it's a charitable organization with the federal government. On the farm we have the governors of the society, and then we pass on the function of the farm, which we call the vine workers' farm. It's run by the people who are living on the farm.

MRS. GAGNON: Thank you.

MADAM CHAIRMAN: Rev. Roberts.

REV. ROBERTS: Thank you, Madam Chairman. This presents a unique challenge to us, to look through this. I'm concerned about the use of the chareve. As you say, it's a charity for everyone, yet as I read through it, it seems as though it really is for the benefit of a small number of people. But maybe I'm misunderstanding. Is the chareve used as a retreat centre, or do people from the wider dioceses come to use it? I mean, the values and the benefits of retrofitting and recycling and being close – it's very Franciscan. I feel like I'm wanting to go with Thomas Merton and be with some Trappists in Gethsemane and so on. I think they're wonderful virtues, which our society so desperately needs, yet I don't like, I guess to use a biblical

phrase, to hide our light "under a bushel," and I'm wondering whether it is able to be used by a wider constituency, that in fact they take advantage of that.

BISHOP ROY: Per se we have the residence, because we want to work on them through activities on the farm. You will have people who will come for a weekend, but they are small numbers. You see, we don't have much room for live-ins, but we were operating this year on putting on three prayer houses – we call them "poustinias," a Russian word that means a prayer house in English. The people there could take three out there all the time. The buildings have been constructed in part; we just have to put a roof on and move them onto the premises. That would be the place where the people can go into. We don't like to have people come from outside and live in the house and just use the house for their own facilities, not being blended with the spirit that we want to put into the people. So it's not a retreat house. The Bible school does that. We want to have a closed-in group of people that will change every year, or a newcomer could come in, but we have a sort of a core group that stays there year-round. So then we can operate; we can do our own education of members by working on the farm. Does that answer your question?

REV. ROBERTS: Yes, thank you.

MR. DOYLE: Madam Chairman, I'd like to ask Mr. Ouellette, having myself been a former councillor and mayor, if he really thinks it's fair that all the rest of the taxpayers in Radway should pick up the cost of your organization. It comes right down to the bottom line: somebody has to pay the bill.

MR. OUELLETTE: I appreciate your concern, and we had lengthy discussions with all the town councillors when Bishop Roy and I met with them. Our basic submission to them is that the property and the buildings and everything is not costing them anything. If it was costing them moneys that had to come out of all of the other residents of the town and the village, if it came out of their pockets, then it wouldn't be fair to ask them to subsidize this particular property, but as such there are none of those expenses. In addition, we are stressing to them – and we felt we had most of the councillors agreeing with us at the time – that not only is it not costing you anything, but we're putting something back into the community in that you're going to go to the store; you're going to buy things. The students that go to the school are going to make sure that this school remains viable because of the numbers of students and all the grants that go with the students, the \$2,000, et cetera. That is going to support the town as a whole.

We definitely accept your concern. As a councillor I'm sure you're right. It's not easy to make sure that budgets balance, but it's our view that in this particular case none of the expenses in relation to that budget comes from this property, and if they do, then we're saying, well, we should pay our fair share then.

MR. DOYLE: Yes, I would see where your prayer houses and those could be easily exempted under the Taxation Act, if so wished by the council and the Local Authorities Board. But the rest of the properties – I have a difficult time making a decision as to why it should be exempt when other people, in fact, have many lots with nothing sitting on them and they still have to pay their local improvements and the other things that are provided to you by the municipality because of your closeness to the

municipality; i.e., quick response to fire, quick response to other functions you might need, ambulance and other things.

MR. OUELLETTE: Again, I can only add that in relation to those specific services, those are services that if needed, the society is ready to enter into a contract to pay on a fee-for-service basis for those services, similar to what the counties do with the towns right now.

MR. WOLOSHYN: In case I missed it, Madam Chairman, what year was that property purchased?

BISHOP ROY: In '87.

MR. WOLOSHYN: In 1987. From the comments that Mr. Zarusky made and from the descriptions I'm getting, that appears to be from your own words the largest property in Radway. All the other properties are residential properties, and in the sense that it's located by the railway and highway, then it becomes a very viable commercial property. So if the village gives you an exemption ad infinitum for 47 acres, they have in effect strangled any kind of commercial development in that particular area. The question that I pose to you: have you considered subdividing a smaller portion out for exemption?

BISHOP ROY: No, because we need all those 42 and some acres for farming, to sow grain, to work it out from there. I might say that when we went to see the town of Radway, they told us that this parcel of land had been annexed to the town, because - I'm sure Mr. Zarusky will remember that - there was a project that came to the parliament here about a German company putting up something that was secret at that time. Well, the town of Radway immediately jumped their guns and they annexed that now so they could have a fringe benefit from this huge German plant that would be built in Waskatenau, and it failed. So then they stayed with that, and nobody was paying taxes on that land; nobody was using it. They couldn't sell. There is a lot of property in Radway that is north of the Bible school. There are seven lots there next to the church and the Bible school and the hospital, that area. It was never sold for seven, 10 years down the line. The owner of that property north of the Bible school is living in Radway. He's trying to sell, but nobody wants to buy it. Nobody wants it. So even if it's next to the highway - and there's a lot of noise there - and by the tracks, it's not that viable for development.

MR. WOLOSHYN: Further, sir, I gather that that chapel is a private chapel.

BISHOP ROY: Yes, it is.

MR. WOLOSHYN: And you have residences there that if they were located across the tracks, there would be fair taxation paid on them because they are in fact residences for people for whatever purpose.

BISHOP ROY: I didn't get your question.

MR. WOLOSHYN: I said: you've got some homes there that you're renting out. If they were in fact across the tracks in the town on another lot, they would be subject to taxation?

MR. OUELLETTE: I'm not sure I understand your question.

MR. WOLOSHYN: The point I'm trying to make is that we don't have a public chapel; we have some homes there that are used as residences that would be subject to taxation elsewhere if they were in fact within the town limits, as this particular parcel is. Are we being asked for an exemption from farming, for an exemption from rental for residences on the taxation there, for an exemption for a private chapel that's restricted for use only by the residences? I'm really quite confused. It seems to me that in a short three years a lot of things have happened on that particular parcel.

MR. OUELLETTE: It's actually one house, although it's all in one piece. The chapel is in the middle and the two living quarters are on each side.

The answer to your question: if it were located elsewhere, again it would depend on what its purposes were. If its purposes were similar to being nonprofit, charitable, or were used for something other than for personal living without any other goals, then probably the answer would be yes, if they were located within the limits of a town, receiving services, then they probably would be taxed. But that's not what you have here.

MR. WOLOSHYN: With all due respect, I don't think the services have any kind of impact on this. Properties are taxed with or without services in communities all across this province.

To Mr. Clegg, I would like to know if we have had any written communication from the village of Radway specifically stating what the village's intent for that parcel is, whether it be for commercial, residential, religious use, or what have you. Although we may say that this does not impact on the village's taxation plans, as long as those particular tenants are there and that property is restricted from being developed, that could in fact impact on a taxation base for the village, from my understanding. Is it possible to get some sort of communication from the village?

MR. M. CLEGG: Madam Chairman, the village has provided a letter only to the petitioners to state and confirm that they were opposing the petition. We've had no information as to what their development plans are and how they would wish to use this land if it were not already owned by chareve.

MADAM CHAIRMAN: Mr. Thurber.

MR. THURBER: Yes. Madam Chairman, I'm still just a little bit confused on the procedure you've gone through here. If I could, I'd ask for some clarification on that. Now, did you appeal this to the court of revision of the village on religious grounds or on agricultural grounds, to start with?

MR. OUELLETTE: Religious.

MR. THURBER: Religious grounds.

MR. OUELLETTE: Religious, charitable, and nonprofit is the reasoning we used when we went before them.

MR. THURBER: I do know from personal experience that in a lot of counties and municipalities not only a church but the manse and the grounds surrounding it - and there are other Bible schools, I know, in various parts of this province, various municipal districts, that are totally exempt. I can remember that in a county I was involved in, I think we had 17 of them, and

one of them involved a total quarter section with several houses on it, a church, a manse, and a variety of other things. I'm curious: is there any other precedent within the county of Thorhild? They're saying to you that they have to pay the school requisition on that land to the county whether you receive an exemption from them or not. Have you approached the county of Thorhild for an exemption on that basis from the school requisition?

MR. OUELLETTE: No, we haven't approached the county of Thorhild because the county of Thorhild in turn has to turn that over to the Alberta Education portion, so that wouldn't help at all. They would, in turn, just turn it over also.

MR. THURBER: I'm personally not aware of any funds being transferred back to Alberta Education from any county as per their property taxes. As far as I know, that property tax that they collect under a school requisition goes into their school program. It does not come back to the Alberta government.

MR. OUELLETTE: All of the requisition portions of your taxes don't remain within the municipalities; that's my understanding.

MR. THURBER: I would have to have a little more information on that, but I'm not aware of any leaving the municipality.

MR. OUELLETTE: We'll leave that one.

To answer your other question, in relation to precedents, I'm not aware if there are any precedents in the county of Thorhild, first of all, or within the village of Radway. I don't know.

In relation to your statement that there are several other churches that are exempt, that is correct. But I think the other committee member hit it on the head in that we're not trying to pull the wool over anybody's eyes and say that this is a chapel, and therefore we should fall under that category, and because it is, we're going to say it's a church. We haven't gone that route because that's not what it is. As has been noted, it's not really open to all public; it's open to those people that are there and also other people who may come and visit and wish to go. But it's not open to the public, and therefore it wouldn't have been fair to say that we should fall under that category, because we don't.

MR. THURBER: You have gone through the court of revision of the village, and then you've appealed it further to the Alberta appeal board?

MR. OUELLETTE: To the Local Authorities Board, yes. We've basically gone through all the appropriate channels to reach where we are today.

MADAM CHAIRMAN: Mrs. Gagnon.

MRS. GAGNON: Thank you. Just to clarify, my understanding of the way education is funded is that you have the foundation grant and then the local tax base, which would mean in this case, as I understand it, that it's the village of Radway that could not collect on the basis of this property and send forth that money just as far as the county, not to Alberta Ed. I mean, the county keeps its local tax base moneys as far as I understand.

But my questions would be two. If people would come and live for one or two years, would they pay any costs at all, or is

their labour the fee for living there? Do they have to pay something, or is it totally free?

BISHOP ROY: They come and work on the farm for free. We give them room and board for free, and we give them some subsidies as well. But there's no salary paid.

MRS. GAGNON: So when they leave there, they have not earned any money that they take with them, but they have lived from the fruits of their own labour, so to speak.

BISHOP ROY: From there, on weekends they will go on outreaches in which they visit schools or groups in different parishes. They might give them an allowance or a premium to go there to talk to them, and that's their own personal money.

MRS. GAGNON: Another question. If you have seven children at this time attending at the local school – and that number may increase – and you are tax exempt, would you propose to pay school costs on a fee for service for those seven children? Are there tuition fees? How would you propose to pay your share of the education for those seven children?

BISHOP ROY: Well, there's no tuition, because they're like public school children; they're subsidized. But the fact that they're present there gives them a chance to tack on other allowances that they wouldn't have if they had a smaller roll of children. So the fact that they have more children – they can have more teachers; they can have more grants. That's a fringe benefit they have because of the farm.

MRS. GAGNON: My last question: what is the relationship between la société and the diocese of St. Paul?

BISHOP ROY: None at all. I happen to be the president of that, and I'm the bishop of the diocese. The person has two hats, but the diocese does not subsidize at all.

MR. TANNAS: Madam Chairman, I'd like to ask a couple of questions of Bishop Roy, at least one question of the Parliamentary Counsel, and another question to Mr. Ouellette.

First of all, Your Grace, if things go well, would you acquire more farmland?

BISHOP ROY: Would we require more farming?

MR. TANNAS: Acquire more farmland.

BISHOP ROY: I don't think so. It's a small farm. There are all kinds of things going on on the farm. We'd like it to stay as it is now.

MR. TANNAS: Okay. Again, if things were going well, how many families do you see being housed there at any given time?

BISHOP ROY: Two families and seven students.

MR. TANNAS: No more than two?

BISHOP ROY: No more than two, no.

MR. TANNAS: Okay. Thank you.

To Mr. Clegg: would this organization fit under the communal properties Act or whatever Act governs similar organizations within the province that are religiously based and make their living through agricultural pursuits?

MR. M. CLEGG: Madam Chairman, I'm afraid I can't answer that question at this point, but I will gladly look into the matter and report to the committee when it's considering this Bill further.

MR. TANNAS: Okay.

Then to Mr. Ouellette: have you considered operating under the communal properties Act much the same as some of the Mennonite groups and the Hutterian Brethren groups and so on?

MR. OUELLETTE: No, we hadn't considered it. I'm sorry.

MADAM CHAIRMAN: Okay.

Mr. McEachern.

MR. McEACHERN: Yes, I wanted to ask more about education, because I'm thinking in terms of the taxes. You're asking us to have you exempt from local taxes, and local officials are the ones that will basically benefit from those taxes. I understand the town of Radway is sort of saying, well, they've got to come through with the education dollars relevant to the, say, \$2,000 in taxes that you pay, whatever portion would go to the local county. So I think it should be their decision, really. I mean, you're asking us to exempt you to somebody else's detriment, not ours. So the question I wanted to ask was really about this school. Now, these six or seven children you have – you have a certified teacher, I assume, that teaches those on the property: is that it? Or do they go to one of the regular local schools? If they go to one of the regular local schools, then they are in fact getting benefit from the education tax dollars of the county or the town, whichever the case might be.

MR. OUELLETTE: Maybe I'm mistaken, but my understanding is that there are two types of grants that go with every student, and that is money that flows down from the government.

MR. McEACHERN: That's out of general revenues, the taxes raised on property taxes.

MR. OUELLETTE: Yes. You have your regular grant, and then you have your equity grants that follow each student no matter where he's going to go. That is your vast majority of the moneys that go with the student. The portion that is usually taxed by the municipality or the county or whatever is very minor compared to those two grants.

MR. McEACHERN: That's not really correct. Out of your \$2,000 the biggest proportion by far will be the county tax, the county school requisition, the local supplementary requisition it's called.

MR. OUELLETTE: It may very well be I'm not understanding correctly the way the system works, but my understanding is that that would be something that would flow, and if there's an exemption, then it's not something that the county has to come up with in any event.

MR. McEACHERN: Oh yes, they do.

MR. OUELLETTE: It's maybe something we have to verify.

MR. McEACHERN: If you've got six or seven students using the county school, then that local requisition tax, which is some 37 or maybe almost 40 percent of the cost of education in the province, has to come out of the local requisitions. You are using local facilities that cost local property tax dollars in a substantial amount.

MR. OUELLETTE: That may be one of the things Mr. Clegg can verify for us.

MR. M. CLEGG: Madam Chairman, I think there are two separate directions here, and it relates to a question I was going to ask. Firstly, of course, the education itself is funded partly from provincial grants and partly from property taxes, and both of those are significant portions of the total cost of the education.

The other factor is that a significant proportion of the total of municipal taxes assessed goes towards education. In each case, they are not really minor proportions, and in some municipalities the education levy is a fairly large part of the total municipal taxes.

I think that one question I was going to put to the petitioners was: they have addressed in some detail the reasons why it would not be an unfair burden on the municipality if they did not pay taxes which relate to municipal services. They have not specifically addressed the question of why it would not be unfair if they didn't pay the education portion of the taxes. Perhaps if the committee were to be asking itself should we be exempting those proportions of municipal taxes assessed on the property but not the education portion, what would the petitioners' reaction to that be?

MR. OUELLETTE: At this stage, Mr. Clegg, unfortunately, that would be a matter we'd have to consider, because I obviously was under a misimpression as to which way the funding worked. Again, I think our submissions to you, as to if we're getting a service we should pay for it, still stands, however. In general, if I'm wrong in relation to how the system works in relation to collecting money and where it goes, we're still of the opinion that where there is a direct benefit to be gained, then you should pay your proportionate share.

MADAM CHAIRMAN: Thank you.

MR. HYLAND: Madam Chairman, I know this is an important issue, but in looking at the clock and looking at our agenda that we adopted, we have one more Bill – not that this Bill isn't major – and we have probably 15 people, I think, from the Alberta Wheat Pool out there to deal with too. Perhaps we should move on. We've had a lot of information here. Perhaps we should move on so we can at least get to the other two, because we're not going to make it by 12 o'clock, I don't think.

MADAM CHAIRMAN: Do you have any closing comments you'd like to make?

MR. OUELLETTE: Yes. Simply that we wish to thank the committee for hearing our application, and again thank you for accepting the late advertising. Thank you very much.

MADAM CHAIRMAN: Thank you very much for coming before us today.

Committee members, our next Bill that we will be looking at is called Bill Pr. 9, the Young Men's Christian Association Tax Exemption Amendment Act, 1990. We'd like to welcome Mr. Bill Stewart, the president and chief executive officer, and Shaunna Maclellan, who is the solicitor for the YMCA. Welcome to our Private Bills. As you heard in the introduction before, we are a committee of the House. We hear representations from petitioners, and then we report back to the Assembly at a later time.

There are a few peculiarities to start off with as far as administration, and maybe, Mr. Clegg, you would explain those to the committee before we proceed.

MR. M. CLEGG: Madam Chairman, first of all, I would like to explain the timing of this presentation. Petitioners are normally only heard by this committee after the Bills have been introduced. In this particular case the advertising for the Bill was only completed yesterday. The Bill has now gone on notice and will be introduced tomorrow. The limitations on the committee are really that the committee cannot make a decision on the Bill and cannot report to the House until after it's been introduced. However, we have in the past, on occasions where it suited the committee's timetable and there was some time pressure to finish the business, heard evidence on a Bill that the committee knew was going to be before the House, prior to its actual introduction. This is done for the committee's convenience. When we were planning these hearings, we had to bear in mind the possibility that the House might rise before the end of May and the risk that if we deferred this meeting to a later week, we might run into difficulty dealing with all the business. So we have a Bill here that will only be introduced in the House tomorrow. Nevertheless, it is my opinion that the committee is competent to hear evidence on the matter but not competent to make a report to the House until after the introduction. As a result of that, the Bill is not yet printed. It will be printed and available to members within a couple of days, but it will be in the form distributed to you in your binders prior to that.

Now, Madam Chairman, I'd like to just give my report on Bill Pr. 9, the Young Men's Christian Association Tax Exemption Amendment Act, 1990, pursuant to Standing Order 99. This Bill provides for tax exemption of newly acquired land. The Bill does not ask for any other powers which are considered to be exceptional. There is no model Bill on this subject.

[Mr. Stewart was sworn in]

MADAM CHAIRMAN: Mr. Stewart, would you like to make some opening comments?

MR. STEWART: Yes. Thank you very much, Madam Chairman. Again our apologies and our thanks for the extension and the courtesy shown to us. Basically, I have submitted a supplement to our Bill in which I try to, in two pages, summarize a little bit about the Edmonton YMCA, the YMCA in general, and this particular project.

The Edmonton YMCA has been operating in the Edmonton community for about 82 years, since 1907. During that time we've provided many different kinds of community services, and I've listed some of them on the first page. They include quite

a wide range of things: from employment programs, to youth leadership programs, to housing programs, et cetera.

This latest endeavour is the construction of a family YMCA in the far west end of Edmonton. It's on 178 Street and 71 Avenue. This particular facility will serve all of the community. It will have complete access of members and nonmembers. We've worked in close co-operation with the city of Edmonton, particularly the Parks and Recreation Department and city council; two school boards, public and separate; and also the United Way to bring these services to the citizens of Edmonton.

The reason for the request is that the amount of taxes that would be required on this particular facility would impact significantly on our provision of service for people taking our programs. We would ask, basically on the basis that we are in fact providing services for the benefit of the entire community, open in access for all, that this request be considered.

MADAM CHAIRMAN: Thank you very much.

Ms Maclellan, do you have opening comments?

MS MACLELLAN: Thank you, Madam Chairman, members of the committee. The YMCA is a registered, not-for-profit, charitable organization. A prior Bill exempting all lands and buildings in the city of Edmonton from taxation is requested to be amended. The reason for that is the prior Bill listed various lands and buildings. Some of those lands and buildings have been sold, those being in south Edmonton. The YMCA at present is very pleased to be building in the west end the Jamie Platz family YMCA, and therefore an amendment is requested to add those lands and building to be exempt from assessment and taxation. It is required as an exemption under the Municipal Taxation Act. The city of Edmonton has indicated that it has no objection to this legislation, and we have a letter to this effect.

MADAM CHAIRMAN: Thank you.

Mrs. Hewes.

MRS. HEWES: Ms Maclellan, if I understood you, the Y wants to add this site. Are you taking certain other sites out?

MS MACLELLAN: Yes. Certain lands and buildings were sold a number of years ago. It's really just a matter of cleaning up the Bill, because a prior Bill exempted those lands from assessment and taxation.

MRS. HEWES: I understand that, Madam Chairman. Therefore, will those lands now be taken out of the Bill?

MS MACLELLAN: Yes.

MRS. HEWES: So we're taking some out and putting some in. What's the net effect?

MS MACLELLAN: Madam Chairman, I'm sorry; I'm not sure what you mean by net effect.

MRS. HEWES: If you're giving some lands back, which will then return taxation to the city, and taking this other property out through this Bill, is there a net effect? Do we know that? Acres or dollars?

MR. STEWART: Oh, in dollars? No, I guess I really don't know the exact dollar amounts. The particular land that was put back in was a house property that Alberta Housing actually purchased about 1969, somewhere in that vicinity. This particular property that we have right now, which we purchased from the city for a dollar, is 3.8 acres.

MRS. HEWES: It's just interesting to me, Mr. Stewart, that in fact the Y by the existing Bill had a tax exemption on properties that presumably were no longer being used for Y purposes. Is that correct?

MR. STEWART: Yes. Actually, it was requested when we approached the city and we were working with the city on this particular arrangement. They asked us if we would at the time of requesting the new exemption, or the addition of this new land, take into consideration and have the original land cleaned up.

MRS. HEWES: Thank you.

MADAM CHAIRMAN: Are there any other questions?

Rev. Roberts.

REV. ROBERTS: Yes, being a big fan of the Y, even the YW in Edmonton-Centre, and the good work of the YMCA. Just some clarification, if you would, in terms of your programs and the concern that has been raised with me that, in fact, the Ys are competing with private, commercial health clubs. I see in your statement of purpose that, in fact, you're deserving of tax exemption because of the wide range of community services, education, and other services. Are those kind of program items to be retained in the new Jamie Platz centre? It's not just a health club, is it? Could you expand a bit on that?

MR. STEWART: No, it's not just a health club. It will become an entire community focal point. In fact, that's where we've worked very closely with the different parties that I mentioned. For instance, the two school boards: all the children in a prescribed area will take swimming lessons in that particular pool as a part of their physical education programs. That would be one example. There will be a day care centre in the centre. There'll be some babysitting services for drop-in moms that want to take an afternoon break. There would be community space for meetings. There'd be youth leadership programs, and there'll be referral into our unemployment programs out of that centre.

I think the other thing I should mention is that as a not-for-profit, charitable organization, basically all we do goes back to the benefit of the community. We make it widely known that no one is ever turned away because of economic circumstance and, in fact, take provisions to help people in need.

REV. ROBERTS: I think that shows why I'm such a fan of the Y.

MADAM CHAIRMAN: Thank you very much. Are there any other questions?

MR. M. CLEGG: Madam Chairman, I'd just like to add a note, subsequent to Mrs. Hewes' question, that, of course, the property which is now being taken out of the Bill – the exemption was attached to the ownership by the Y. Therefore, when that property was sold some time ago, since then it would have

been attracting taxation to the benefit of the city of Edmonton, because it would only remain tax exempt while it was being used by the YMCA.

I'd just like to add that I think it's very appropriate that the YMCA, which has such a very high health and fitness profile, is represented by a solicitor who is herself a very distinguished athlete.

MADAM CHAIRMAN: Are there any other questions?

Well, I'd like to thank you for coming before us today. As I said earlier, we will be making a report to the Assembly, at which time we'll notify you of our decision. Thank you very much.

[The committee recessed from 11:17 a.m. to 11:23 a.m.]

MADAM CHAIRMAN: Order please. We will proceed with Bill Pr. 6, the Alberta Wheat Pool Amendment Act, 1990. We have quite a large delegation with us today, and we'd like to welcome you all to the Private Bills Committee. We are a standing committee of this Legislature. We're comprised of all three political parties in our membership, and our job is to hear representations from petitioners for private Bills. At a later date we will review the deliberations and then make a report back to the Assembly, at which point the Assembly will make the decision on the Bill.

We'd like to welcome you all here today. I will try to go down the introductions as best I can. I'd like to introduce to the committee Mr. Steve Wood who is the counsel for the Wheat Pool. Next to him is Mr. Ray Schmitt, the president; next to Mr. Schmitt is Dave Riddell, the secretary. Mr. Cameron Mack is a solicitor. Mr. Vern Schaefer is a delegate. Mr. Al Hubbard is the controller. Mr. Alex Graham is next to him. Mr. Doug Livingstone, and then Mr. Omar Broughton is next to him.

Mr. Clegg, would you do the introduction of the Bill, please?

MR. M. CLEGG: Madam Chairman, this is my report on Bill Pr. 6, the Alberta Wheat Pool Amendment Act, 1990, pursuant to Standing Order 99. The Bill provides for a number of changes to the Act relating to reserves and the way in which they're dealt with, and transfers much of the control in the use of reserves and earnings from the Act to the bylaws. The Bill does not ask for any powers which are considered to be exceptional, and there was no model Bill on this subject.

MADAM CHAIRMAN: Would you proceed with the swearing in? Thank you.

[Messrs. Schmitt, Riddell, Mack, Schaefer, Hubbard, Graham, Livingstone, and Broughton were sworn in]

MADAM CHAIRMAN: Thank you, Mr. Clegg.

Mr. Schmitt, would you like to make some opening comments?

MR. WOOD: I think, Madam Chairman and hon. members, that Mr. Riddell, the secretary, is going to make those preliminary comments, if I may call on him.

MR. RIDDELL: Thank you. Madam Chairman and hon. members, in just a couple of minutes I'd like to review some of the basic characteristics of the Alberta Pool and also some of the basic functions of our reserves structure as it functions today.

The first comments on the characteristics of the Alberta Pool are that it's an organization that was formed in 1923, acting as a voluntary marketing association for farmers, and it was incorporated in that same year. The pool began by selling farmers' grain, and in the year 1925 began building an elevator structure. It has developed and expanded to the size it is today, where we operate in some 300 communities around the province of Alberta and in the northeastern part of British Columbia. Alberta Pool today buys, handles, and sells nonboard grains, and we also handle board grains as an agent of the Canadian Wheat Board. We are marketing farm supplies, seeds, fertilizer, and specialty crops. We are a co-operative. We have a membership list that exceeds 60,000 members. Our active number of members in that is close to 40,000.

The members, because we are a co-op, each have one vote in selecting a delegate to represent their interests at the annual meeting. The delegates, usually from their midst, then in turn elect a board of directors who are charged with conducting the affairs of the Alberta Pool and also hiring a chief executive officer to manage the business on a day-to-day basis. In the existing reserves structure, I'd like to point out that because we are a co-op, as I've mentioned earlier, that means we are not a joint stock company. We have no share structure. Alberta Pool is financed primarily by capital. It's supplied by the members in proportion to their business they conduct with the organization, and this capital is referred to as "reserves."

The earnings of Alberta Pool are looked at by the annual meeting each year, and they have the choice of allocating them to the members in the form of patronage refunds. That group of delegates at the annual meeting also has the option of deciding how much will be allocated to the member, the cash portion, and how much will be retained in their name as a reserve.

The first reserves were set up by members who actually agreed to sell all their wheat through the Alberta Pool, and there was a portion that was checked off. That was the beginning of the reserves. Today, when a farmer wants to join Alberta Pool, he simply puts up \$5 and meets some other criteria that indicate he has to deliver a certain volume of grain, and he becomes a member. He builds on this ownership by leaving a portion of their patronage refund with Alberta Pool and accepting the reserve instead.

The reserves are used by the organization as the working capital for day-to-day operation and perpetuation of the business interests. These reserve credits represent the members' ownership of all the assets and are left with the pool until a certain number of criteria come around that would indicate we would pay them back their share of the reserves. I'd like to mention that there is no interest currently paid on these reserves.

To get the reserves back, there are a number of criteria, and we try to keep this reserve fund revolving. So we always try to keep it moving down into active farmers' hands. Some of the ways they can get their reserves back would be: the revolving membership number criteria; the delegates have the option at the annual meeting of selecting so many members to buy their reserves back. A second way is if a member is 66 years of age and has had three years where he is inactive or has not received a patronage refund; then he is eligible to have his reserves paid back. If the member sells his land, retires from farming; if it's an estate, and so on.

MADAM CHAIRMAN: Thank you very much, Mr. Riddell.
Mr. Wood.

MR. WOOD: Madam Chairman, could I next call on the president to explain to the hon. members why we are applying for this change in our existing reserve structure?

MR. SCHMITT: Thank you, Mr. Wood. Madam Chairman, hon. members, as you know the Alberta Wheat Pool Act was legislated in 1929, and at that time it was to accommodate the needs of the organization in that era. Until now the Act has been changed several times to accommodate the changes in the organization and to satisfy our members' needs. About four years ago Alberta Wheat Pool started a process that we called strategic renewal, which was really a major internal review of our organization. We looked at our strengths, our weaknesses, opportunities, and threats to the organization at that time. We looked at how Alberta Wheat Pool could perhaps be more flexible and efficient and adaptable to the changing domestic and international marketplace.

Another very important factor of that internal look was an extensive look at how Alberta Wheat Pool would fit into the needs of its farmer members. This led to the need to address and to change the reserve structure of the organization so that it would become more equitable and responsive to the members' needs, as well as being a vehicle for providing some capital requirements for upgrading and rebuilding an aging country elevator and terminal system. This new structure addresses the needs of, number one, the beginning farmer; number two, the active farmer; number three, the retiring farmer; number four, the farmer who would like to diversify his operations; and five, the farmer who wants to invest in the organization. Also, it addresses the needs of that farmer who chooses not to do business with our organization.

To address these concerns, a committee was formed. This committee consisted of two delegates, Mr. Vern Schaefer of Olds and Mr. Alan Watson of Dawson Creek, along with sufficient Alberta Wheat Pool staff from our financial department. Mr. Al Hubbard, our controller, was part of that committee. I guess I'd just like to point out to you that we had grassroots. I like to call Mr. Schaefer and Mr. Watson the grassroots architects of this new proposal; they had a great deal to do with the eventual result of the new proposal.

The results of this committee work are what we are discussing here today, and we asked Deloitte Haskins & Sells - I guess it's now Deloitte & Touche - to do an independent review of the thing at that time of our equity program. Their response to the review was, and I quote:

It meets its objectives and fairly allocates and distributes the earnings of Alberta Wheat Pool, and furthermore, the capacity of each member to determine his position under the plan represents a significant improvement in administering the Pool's business. This plan was accepted by a wide majority of our delegates at our annual meeting two years ago. Since that time we've made an extensive effort to take the plan to the country, to explain it to our members either at meetings or in elevator offices or wherever we can and many times just around kitchen tables. Once the plan is understood, it seems to gain a great deal of acceptance by our members.

So I'd just like to review the reasons for those changes: number one, to meet the changing needs of our members; number two, to be more responsive to our members' and our organization's needs; number three, to address the perceived inequities in our existing reserve structure; number four, to provide a fairer way of distributing the earnings; and number five, that it would provide a fairer share of equity of each

member in relation to the amount of business he does with our organization.

So thank you, Madam Chairman.

MR. WOOD: Well, Madam Chairman, I would like to ask Mr. Vern Schaefer, the delegate from Innisfail, to explain to the hon. members how the new plan is proposed to work.

MR. SCHAEFER: Thank you. Madam Chairman, hon. members, as you've heard, I'm a delegate from the Innisfail area. I think it's important to realize that the Alberta Wheat Pool must change as time goes along. We need to change our Act at this time to get the financial management of the equity into the hands of the delegates so we can make fast, effective decisions on behalf of the members. If you've looked in depth at the Bill, you'll understand that we are taking quite a bit out of the Act and moving it into our bylaws, but I think the valuable time you members spend up here should not be spent worrying about the financial stability of the Alberta Wheat Pool. I think the delegates as elected by the members are capable of doing that and should be able to do it without any problem.

If the Act is passed, it will allow us to get that portion of the Act into our bylaws so we can go ahead and put the equity plan into effect on August 1, 1990.

Some of the major things that I think are important as a member – not as a delegate now, but as a member of the Alberta Wheat Pool: it gives me a target, an amount of money that I have to have in reserves compared to the amount of grain I deliver to the organization. When I have reached that target, I no longer need to put any more money into reserves. My reserves should be paid to me on an annual basis. It also allows me . . . As Mr. Schmitt has mentioned, if a member decides he's dissatisfied with the organization and doesn't want to deal with us anymore, over a five-year period he would be able to get his reserves out of the organization assuming we're profitable, which we have been every year I know of. I think it's most important that we realize that in the future of the grain business the elevator system is going to have to be rationalized. I'm not certain that in 20 years the Alberta Wheat Pool will be able to serve every member that it's serving now in the local communities. So elevators are going to have to be removed from some areas. Some members at that time may not want to haul a longer distance to an Alberta Pool elevator. After five years, on the rolling average they'd be able to get their reserves out. I don't think it's fair for the Alberta Wheat Pool to hold the reserves of members we can no longer serve. Don't get me wrong; the Alberta Pool and the delegates will make sure we do our best to serve all members in all parts of this province from now on, but we realize situations will change in the grain business.

I think that's all I'm going to say for now. I'll entertain questions, Madam Chairman, and we'll go from there. Thank you.

MR. WOOD: I think that's all the direct evidence, Madam Chairman. We have people here who can answer, I think, almost any question the hon. members may want to put.

MADAM CHAIRMAN: Well, we'll move to the committee now. We have Mr. Tannas. You have a question?

MR. TANNAS: Okay. Thank you, Madam Chairman. I'm not sure to whom I should direct the question, but I guess to Mr.

Schaefer. Mr. Riddell mentioned in his comments that the Alberta Wheat Pool is a co-operative, and we do have a Co-operative Associations Act. Something that really puzzles me: why wouldn't the Wheat Pool come under the Co-operative Associations Act, where they would have some sort of help for what you're talking about? For instance, they approve all amendments to memorandum of association and bylaws and that kind of thing, and inasmuch as they are geared to looking at these kinds of associations, it would seem to me that would be a more reasonable way to go.

I have another question to follow that. Anyway, it's related but separate.

MR. SCHMITT: I think I'd ask Mr. Wood to answer.

MR. WOOD: I take that as being more a legal question perhaps. This was studied, as a matter of fact, in 1977 by a committee that was struck by the then Minister of Agriculture and was reviewed by two appointees of the province plus two appointees of the pool, and that question was reported back to the Legislature on the basis that there was no real advantage one way or the other.

We have as Alberta Wheat Pool under our private Act certain rights and privileges which we would also have under the Co-operative Associations Act. One of the things we would not have to do is appear before this Private Bills Committee to amend our Act. That is also the reason we have framed our petition in the way we have, so we can handle our own financial affairs as any organization formed under the Co-operative Associations Act would be able to do with reference only to our bylaws and not to our statute. We think that if this amendment is passed, we will bother you much less in the future. But there is no major advantage one way or the other.

MR. TANNAS: That does kind of lead into another question, and that is: how many times have you amended the Act in the last 10, 15, or 20 years, say the last 20 years?

MR. WOOD: We did a consolidation, I believe, in about 1976 or '77 when this question of being incorporated under a different Act came up. Since then I think we have amended . . . This is probably our third appearance since that time, so that would be maybe three times in the last 10 years. I stand corrected on that, but I think that's fairly accurate.

MADAM CHAIRMAN: Committee members, before we go any further, I was negligent in not introducing the opponents to the Bill, and I didn't give you the opportunity, Mr. Broughton, to make introductory comments to your opposition to the Bill.

MR. BROUGHTON: Madam Chairman, hon. members of the private Bills committee, I appreciate the opportunity to appear before you today. My hearing isn't the best, Mrs. Black. Should I make my presentation now, or was your invitation to comment on what has been said?

MADAM CHAIRMAN: I was asking you if you wanted to give opening comments to your objections to the Bill, and certainly once questions have been asked, you will be given an opportunity to make comments to those questions as we proceed. So if you'd like to make opening comments, a summary of your opposition to the Bill at this point, we would welcome that.

MR. BROUGHTON: Thank you. I think I'd prefer if you'd carry on with your discussion. Then when my turn comes, I would like to read my submission, and I will add any comments that I have at that time, if that's acceptable.

MADAM CHAIRMAN: Well, we would like to give you the floor now to make your comments.

MR. BROUGHTON: Well, my name is Omar Broughton and I'm a farmer near High River. My pool membership number is 100907, and I'm representing only myself here today. I was corporate secretary and executive assistant to the president of the Alberta Wheat Pool for more than 15 years, 1956 to 1972. In the latter part of that time I had the misfortune to be not only a bystander but an unwilling participant in what has become a serious deterioration of a very fine and useful organization.

You have before you a petition for some major amendments to the Alberta Wheat Pool Act.

MADAM CHAIRMAN: Mr. Broughton, may I interrupt you for a moment, please? Sir, we did receive your written presentation, and we have distributed that to the committee. I was wondering if you could contain your comments to a summary form as to your objections to the Bill.

MR. BROUGHTON: Thank you. Yes. The petition before you today appears to have the objective of wiping out the status of the members' reserves as trust funds. Then I've gone on to say a little bit about the history, but in short, my objection is that the amendments, if passed, would wipe out the status of our equities, known as reserves, as trust funds. That is my objection, and my request is that hopefully your committee would consider repealing the Alberta Wheat Pool Act, which hasn't been necessary since 1931, and giving the pool the opportunity to reincorporate either under the Co-operative Associations Act or the up-to-date Alberta Business Corporations Act on a basis that will give the owners financial control.

Thank you.

MADAM CHAIRMAN: Thank you very much. Can we turn back to the committee and go back to the questions, Mr. Severtson?

MR. SEVERTSON: Thank you, Madam Chairman. First of all, I'd like to compliment the Alberta Wheat Pool. I met with them in January and went over your plan in quite a lot of detail. In general I approve of it, but I have a question that I would like to ask. A member from your organization wrote me. He phrased it this way: the organization is making a financial change to the structure of the Alberta Wheat Pool without membership or shareholder approval other than through the delegate. He goes on to say that the Alberta Securities Commission requires businesses that have a fundamental financial change to notify and give shareholders a vote, which is different from giving the vote to two-thirds of the delegates. Could a member answer that for me?

MR. WOOD: Madam Chairman, first of all with respect to the second part, the Securities Act requiring votes. Presumably this applies to the comments that apply to some corporate enterprise. The Securities Act only comes into play if, as, and when the company attempts to issue securities to the public. I mean, that's what the Securities Act is all about. So I don't understand

the requirement of going to shareholders in order to get the approval of the Securities Act. But if your correspondent means, sir . . .

MR. SEVERTSON: I just used that as a comparison.

MR. WOOD: I see. Well, I think the comparison's wrong. That's all I'm suggesting. I don't think that a corporate body has to go to its shareholders in order to get the approval of the Securities Commission for some issue. But entirely aside from that, the Act is presently structured on the basis that the delegates who are elected by the membership, the same as the hon. members are elected by their constituents, and the hon. members present here make law that applies to all of the citizens of Alberta. That's precisely the same organization as the Alberta Wheat Pool. The members elect the delegates, and the delegates make the law, which applies to all the members. Now, if one can suggest how that differs from our existing democratic society, I would be interesting in hearing it.

MADAM CHAIRMAN: Mr. Drobot.

MR. DROBOT: Yes, in regard to section 24, it deals with refunding of reserves. You wish to repeal it and substitute words which do not even mention the owners' reserves. What is the purpose?

MADAM CHAIRMAN: Mr. Wood, who will respond to that?

MR. WOOD: Excuse me. I think they want Mr. Hubbard to respond to that. Mr. Hubbard is the controller and perhaps can give you the answer to that.

MR. HUBBARD: I'm trying to read that section here.

MR. WOOD: It may be, if I understand the question correctly, that it really relates to: how are we going to buy back reserves if we repeal this section? But that is then covered if this amendment is permitted or passed. It allows those purchases to be made in accordance with the terms of the bylaws as opposed to under the Act. So that while that section is repealed, the bylaws which are attached to this Bill for information of the hon. members will indicate how those purchases are to be made. So we simply move it from the statute into the bylaws. I don't know if that's the correct answer to your question.

MR. DROBOT: My question is:

Section 24 is repealed and the following is substituted:

24. The delegates may from time to time make, amend or repeal by-laws governing the financial affairs of the Pool, including without limitation the accumulation, application, allocation, distribution, payment, transfer and handling of earnings of the Pool and funds loaned or otherwise paid or contributed . . .

But no mention in that section made of reserves.

MR. WOOD: It's because - I believe that the reserves are called something else under the terms of the bylaws.

MR. DROBOT: My question is why.

MR. WOLOSHTYN: Section 23 is amended by striking of "reserves," and "funds of the Pool" become the substitute word for "reserves", and that's right in your law as being amended.

MADAM CHAIRMAN: Does that answer you?

MR. DROBOT: My question is still why? Historically, reserves have always been in the minds of the Pool members as some equity they have there. Now it's changed, and I thought maybe there was a logical reason for that.

MADAM CHAIRMAN: The question is what is the intent of section 24, I believe.

MR. WOOD: Mr. Mack is whispering in my ear. Perhaps he can answer that question.
Cameron.

MR. MACK: Thank you, Madam Chairman. I hope I understand the question properly. If I do, the section that we're seeking to put into the Act refers to earnings of the pool. In a point of fact, that's what reserves are. They are earnings of the pool that have been retained from prior periods and established as a financial reserve to meet the contingencies of the future. The reference to earnings, in my respectful suggestion, would catch the concept of reserves, because that's in fact what they were.

MADAM CHAIRMAN: Mr. Lund.

MR. LUND: Thank you, Madam Chairman. One question I asked back when we first met and knew this was coming and I would ask Michael: are we as members of the Pool in conflict when we're dealing with this?

MADAM CHAIRMAN: Mr. Clegg.

MR. M. CLEGG: Madam Chairman, I did distribute to members a memorandum of this particular point. Essentially what I said in the memorandum was – and I hope that members did in fact all receive that – that if would be very difficult to see that the passage of this particular Bill could result in a direct pecuniary interest or benefit to any member unless I was misunderstanding the effect of the Bill. The Bill is directed to the financial management of the corporation and not to the way in which benefits would be distributed. It would not result in a greater or lesser distribution to any member of the Pool in the future time. However, if any member felt that he was concerned about this, the matter could be dealt with at a later stage. The limitation and restriction on a member who felt he might have a conflict would be a limitation on voting on the matter, and no voting will take place at this meeting. So with respect to this meeting it's my advice that no member is in a position of conflict nor could they be, because there will be no vote taken on this matter.

MR. LUND: Thank you. I got the memo, but I did want to make sure it was on the record.

Madam Chairman, I listened with interest to Mr. Broughton's presentation. His submission to us has made some pretty harsh statements and really concerns me, and I would like to ask him a number of questions. In your submissions here you say to us, "not only a bystander but an unwilling participant in what has become a serious deterioration." Would you please expand on that?

MR. BROUGHTON: Yes, Madam Chairman. I made reference and I attached page 4 of my 1987 submission in which I pointed out that some dividends had been declared by Western Co-operative Fertilizers and passed on to the Pool. We took them into our accounts as though they were cash received. I let two or three years go by to make sure, and they were not cash received, and all the time I was there we never did get them. Now, we had falsified our books by taking those as cash and passing them on. I asked the question at a shareholders' meeting one day, and of the seven persons there five of them didn't know what my question was about, one kept quiet, and the other one came to my office in a fit of rage after hours: no more of this. And I said, "We'll never get away with this, falsifying our books, and I'm not going to have any part of it." I had the sole signing authority as corporate secretary, and custody of the seals. So I took a strong stand on it, and that's why I'm not there. But that's what I refer to as inappropriate. Inappropriate: I think in farmers we'd consider it fraud to have falsified our books to that extent.

MR. LUND: So further on you talk about the financial transactions which were wrong for several reasons and probably illegal too. That's what you're talking about, is it?

MR. BROUGHTON: Yes.

MR. LUND: You also made the comment this morning that you wanted to see it get back in owner control and you say in your written submission, "is out of control financially but possibly policy wise also." What do you mean out of control financially?

MR. BROUGHTON: Well, I think Mr. Wood referred to about 60,000 owners, and the annual meeting is made up of 90 delegates. If we each had an equal amount of equity by way of reserves, each vote in the annual meeting would represent 90 sixty-thousandths, which is probably much less than one-tenth of 1 percent. I believe in the adage that in a business corporation effective control is purely financial control, and we haven't got any. As a member, I can't even speak to the auditor, and the auditor has no way of directly reporting to us. So that's the context in which I presented this.

MR. LUND: So you don't feel that speaking via your delegate is sufficient. Is that what you're saying?

MR. BROUGHTON: No. The delegates in the annual meeting – occasionally a freshman comes in there and tries to discuss something, but it's become so institutionalized that an individual delegate is of virtually no concern.

MR. LUND: I'm sorry, Madam Chairman, if I took a little time that's really off the amendment, but seeing as how this is a document that has been presented to us for consideration, I thought it important that we ask a couple of questions on it.

MADAM CHAIRMAN: Thank you.

Mr. Schmitt, would you like to respond to Mr. Lund?

MR. SCHMITT: Madam Chairman, Mr. Lund, I guess in response to those questions I think there were some inaccuracies. First of all, Mr. Broughton indicated we had 90

delegates that represented our province as farmers; we have 72 delegates that represent the farmers in Alberta.

In response to being out of control financially and policywise, I guess I take exception to that. We have a very good audit control in our organization. Our auditors report to the annual meeting. We write an annual report with an audit statement in that annual meeting from the year's operations, and it is presented to our delegates and our farmers and the public at large. So we have nothing to hide, as far as I can see, and we certainly are in control of our finances.

MADAM CHAIRMAN: Thank you.

Mr. Fox.

MR. FOX: Thank you, Madam Chairman. I should make it clear for those who are here that I'm not a member of the Private Bills Committee and have no vote, but as a rural MLA I take considerable interest in the activities of the Alberta Wheat Pool. I just thought it would be useful for Mr. Schmitt to get some comments on the record for the benefit of other members of the Legislature here.

Now, this proposed change to the members' equity plan that is embodied by the changes you're proposing to the Bill here has been before the delegate body of the Alberta Wheat Pool and supported by a substantial majority of the democratically elected members of that delegate body. Could you tell us how strong the support was there?

MR. SCHMITT: Yes, Madam Chairman, Mr. Fox. In relation to that I guess I don't have the exact numbers, but it was a very clear majority. If I can recall from memory, it would be about 84 or 85 percent support from the delegate body at that time.

MR. FOX: That's my memory of it too. A comment I'd like to make if I may, Madam Chairman, is just that the Bill before us is relatively simple. There are only a few sections here. It's doing something that I think is very worth while, and that is recognizing that it's the delegate body elected by members of the Alberta Wheat Pool that is quite properly the decision-making body of the Alberta Wheat Pool. One of the sections here, section 8, repeals several of the things included in this private Bill so that it's not necessary for the Pool to come back to the Legislature, to come back to the Private Bills Committee to see changes in the things that they do to operate the business of the Alberta Wheat Pool. I think it's a definite step in the right direction, and I'm happy to see it.

MADAM CHAIRMAN: Thank you.

Mr. Drobot.

MR. DROBOT: Thank you, Madam Chairman. I'm puzzled a bit. You wish to delete sections 26, 32, and 37, which deal with reserves. Wipe them out. What alternate provisions are you proposing in the interest of the members? We have to realize that you have 40,000 active members and 60,000 in total. Could someone explain that to me? I have a hang-up on that.

MADAM CHAIRMAN: Mr. Graham, I saw your hand up.

MR. GRAHAM: Oh, Madam Chairman, I'd like to expand on it a little bit, Your Honour, and talk about it in terms of what it really means. The word "reserves" in the recommendation we're bringing before you doesn't quite mean reserves anymore.

Reserves were the earnings of the Pool allocated to members. We are now giving members the opportunity to have reserves but also have funds on investment with Alberta Pool that have the ability to grow and expand with them as Alberta Pool grows and so on. So they're two different sums of money put together that make up a package as a whole, and that is the funds invested or the funds within Alberta Pool.

So it's necessary, then, to change the wording slightly, in our view, to refer to them as "funds," because there's not simply reserves. There are dollars of earnings, which are reserves, plus investments of members. So it needs to be clarified in that regard. The removal of section 26 then takes that from the Act and, as Mr. Wood so, I think, appropriately pointed out, transfers it over into the bylaws and identifies within the bylaws the method that will be used to determine how many dollars of funds each member should have invested in Alberta Pool proportionate to how they do business with Alberta Pool. So while that section needs to come out of the Act, it is being transferred over into the bylaws and clearly defined and set almost in stone as to how you deal with those funds once they're there.

Now, we recognize that the delegates will have the ability to change the bylaws from time to time, but we do keep the Legislative Assembly of Alberta informed as we change bylaws and keep you up to date with what's happening within Alberta Pool. So that part has the same strength as it had before. The very strong plus of it is that section 26 and some of the sections attached thereto are so detailed that we have a clause in there that simply says that if a person is aged 66, hasn't done any business with Alberta Pool for three years, then we pay him some reserves. If the delegates in their wisdom chose to change that age to 62 because it was appropriate for our elderly people to be paid a year or two earlier than currently exists, we have to come back to this Assembly and go through that horrendous process all over again: tying up your time, our time, and so on simply to change the age from 65 to 62. We think that's inappropriate, that it's more accurately defined in the bylaws that would say that as that member scales down his farming operations or removes himself from the farming activities in the province, his reserve should follow with him and downscale appropriately, or his funds invested in Alberta Pool, because they can be reserves which are earnings of the organization or could be the funds that he's got invested with us that he would like to get back. Surely, he should be entitled to that.

So it's much more responsive and I think will do a much better job. So that, sir, is the need to remove section 26, which gets reallocated or put back into the bylaws and more clearly defined.

MR. DROBOT: Thank you. I think now I'm beginning to understand it.

MRS. GAGNON: I have a question, probably for Mr. Schmitt. What were the objections of the other 16 percent of delegates, just for our information? What is the downside? There must be some.

MR. SCHMITT: I guess, hon. member, that came up two years ago, and I think it was a difficult program to understand. I think perhaps that was one of the objections at the start, and perhaps at your first look at the equity structure of Alberta Pool you found it difficult to understand too, but after you have become familiar with it, I think the understanding increases.

Another one of the things was with the investment part of the thing. There seemed to be a feeling that that was perhaps too large, I guess. That was one of the areas that they were concerned about. There was some concern about the control over that investment part, I think. With the investment part itself, I think there was a concern that money was put in there that isn't readily available to be drawn out. There's a risk factor involved in that investment account, and that was one of the concerns that I can recall.

Mr. Graham, if you would like to fill in a little more on this too.

MR. GRAHAM: Well, thank you, Mr. Schmitt. Hon. member, further to Mr. Schmitt's comments, I was thinking as he was going through his talk about what was taking place in that delegate body. Our delegate body is very much like this House. I find it quite amazing. We have some great orators in there that have an ability to get up and speak and put forth these vehement points one way or the other. So I found it rather interesting.

The interesting thing that I noted, though, was that in the section that we're asking to be taken out and repealed and done away with is the issue of paying members on a revolving number basis. So arbitrarily each year, if Alberta Pool had \$5 million in earnings or whatever, the delegates arbitrarily would – through our good judgment, of course, as the board of directors – would recommend to them that they pay out 1,000 numbers or 1,500 numbers or 500 numbers or some numbers, and they were going in a rotational order.

We had been able to develop at the end of the '70s and in the first couple of years into the '80s, a trend where we were able to pay about 2,000 numbers a year. So people that were in that category from where we had last made the payment and then were in the next 1,000 numbers were saying: "Hey, I'm very close to getting a payout here. If I can object to this, and if the Pool has another really good year, my number's going to come up, and I'm going to get it real quick." The reality of that is twofold, though. First of all, the reserve levels and the rate of growth of the Pool in the '70s was, like every other business in Alberta, kind of exceptional for the times. We haven't had that kind of record of growth in the 1980s, with the economics of agriculture and so on, so our ability to fund 2,000 numbers is no longer realistic.

So the reality is that they're better off under the new plan than the old because even if they are close to being paid and they don't need the level of funding that is there, we will now be in a position to get that money out to them. We had some objection to that, and once we went to the farms, talked to the delegates, and so on, and had a good discussion around that, then they said, "Oh, well, that makes sense," and that issue has gone away.

So that was one of the reasons, and I think like everything else, you need good opposition to have good legislation.

MRS. GAGNON: Just a follow-up question: are there any other effects on members in the short term? If this change occurs, would anybody be caught in the short term other than with this cycle of payment?

MR. GRAHAM: No, I don't think so, because of the fact that the criterion still rests, in what we're proposing today and what has always existed since 1923, that in order to do anything, the first thing that had to happen was Alberta Pool had to make

some money. There had to be a level of earning in order for anything to happen, and that criterion still exists. We would not come before you suggesting a recommendation that was going to deteriorate or put at risk the financial structure of this organization, which as you all know, has got massive investments of members' dollars in this province and other parts of Canada, in terminal investments and so on. So the last thing we would do is bring to you a proposal that would put at risk that financial base.

Now, having done that, putting together the proper proposal in that regard, though, as Alberta Pool earns revenue and generates earnings, the proposal that's before you has equal ability to fund back to members a return and a share of those earnings and that growth, the same as the old plan. I think, though, it will even be more responsive. It'll be more immediate and it'll react quicker. So I think there's a definite advantage to switching to where we are, because I think we can respond quicker and not slower.

MADAM CHAIRMAN: Mr. Hyland.

MR. HYLAND: Thank you, Madam Chairman. A question to Mr. Schmitt. I'm not saying this is my opinion, but some of the comments that you sometimes get are that because the Pool is under a separate Act of the Legislature they don't have to file a copy of the annual report with anybody. I know that you don't give each member an annual report simply because of the cost, but you put highlights in the budget that's sent out, I think, to every member plus others as a report. Would the Pool be prepared, either through the co-operation of a minister or directly, to file two or three copies of the annual report in the Legislature Library so that somebody could access it if they wanted to? You could not then be accused of not supplying information to people. There is a place that it's available.

MR. SCHMITT: Madam Chairman, hon. Mr. Hyland, in response to that I believe we do supply that to the Legislative Assembly or to the proper authorities here. I could ask Mr. Wood to comment on that later, but as far as the members go, every member gets a copy of our financial report. It is sent to each and every member after our annual meeting. So I think we're already complying with those things, Mr. Hyland.

I would just like to make one more response here too. This kind of comes in line with a comment Mr. Broughton made earlier about the auditors or about our financial statements also and not getting that information out to the people. Our auditors are appointed by our delegates and not by the board of directors, and they are available to go out to the country meetings and talk to members, or members certainly are free to go in and discuss the financial affairs of the Pool with our auditors. So that option is there for them.

Perhaps Mr. Wood would like to comment further on your question.

MR. WOOD: Under the existing legislation section 38.1(4) and (5):

The Pool shall on or before February 1 of each year, file with the Clerk of the Legislative Assembly an annual return being a statement of operations and the consolidated financial statement of the Pool for its last fiscal year, certified by the auditor of the Pool.

And (5):

The Board of Directors shall, on or before February 1 of each year, issue to each member of the Pool a copy of the annual

consolidated statement for its last fiscal year, certified by the auditor of the Pool.

MR. WOLOSHYN: I think this is a significant change and long overdue. I would like to draw the committee's attention to section 24. The significance of that section is that the delegates are now the ones who run the Pool, as opposed to a whole bunch of sections, 21 through 32 – not just two sections; a whole works of them which are nothing more than bylaws that shouldn't even be in legislation as far as I can see. I like what I'm hearing here, that membership is open, people can join, can get out. If they choose to leave, I understand that provided the Pool is in a financial state, they can in fact be paid out their shares or whatever you want to call them. The other part is an opportunity for members to invest in the Pool in addition to what their participation levels are, if I'm understanding this whole thing correctly.

It's unfortunate that some of the people who are under the equity structure, whose numbers have come up this year, may in fact have to wait a little bit, and I think that would be one of the short-term harms, if you will. But other than that, I can't see anything really wrong with this legislation. As a matter of fact, I think it's progressive. I give it my wholehearted support largely because now the control of the Pool will be placed straight in the hands of the delegates and a lot of the bylaws, and hopefully it would eliminate having to come back here for some rather insignificant clerical changes from time to time.

Thank you, Madam Chairman.

MADAM CHAIRMAN: Mr. McEachern.

MR. McEACHERN: Yes. I wanted to say that I was born and raised on a farm in the Peace River country and my father pretty well always sold his grain through the Wheat Pool, so I've been a supporter of the co-operative movement for many years. I think the Wheat Pool should have control of its own affairs and as they ask here, to move some of the things that are in legislation into the bylaws section. However, on the bylaws section I'm just wondering. Some member said, "Well, we have a copy of the bylaws." We don't have. I don't know if that was our fault.

MR. WOOD: I may have misled the hon. member on that. I had assumed that it had been circulated to the members of the private Bills committee. I apologize. No, it hasn't.

MR. McEACHERN: Unless those bylaws have something in them that is sort of contrary to the kinds of laws that we have in our Co-operative Associations Act or the Business Corporations Act, the normal kind of things, I would not be too concerned about that. I would assume that the members of the Pool can make their own bylaws and stay within the laws of Alberta. I guess it does raise that question about whether it needs to be under a separate Act or not, but with the new changes, it should be a little less inconvenient than it has been in the past, when you've had to come back for some minor changes.

I wanted to take up the statement by Mr. Broughton, though, just a little bit, where he said that some money was taken from Western Co-operative Fertilizers Limited into the Pool in terms of its books but was never actually received. Now, that may well be, and maybe there's somebody here who knows more about the details of that than I do, but I've been looking at the annual statements of a number of companies quite a lot over the last

few years because I've been Treasury critic and now I'm Economic Development and Trade critic, and I don't find it unusual that a company which has a subsidiary incorporates its subsidiary's books into the books of the parent company. So if Western Co-operative Fertilizers Limited was considered a wholly owned subsidiary of the Alberta Wheat Pool, then I would assume that would account for the financial notation in the Wheat Pool books and would not necessarily mean that you'd have to actually physically take the money out of the subsidiary and put it into the parent company. The parent company owned that company totally, I assume. Now, if there's somebody here who knows something more about that . . . I just don't like to leave any loose ends. If I've explained it correctly, then fine, we can lay that matter to rest. If not, then perhaps somebody would explain to us, because I don't like to leave some loose ends around.

MR. GRAHAM: Well, thank you very much, sir and Madam Chairman. I'm pretty new in the Pool business. I've only been around for some 15 to 18 years, so I can't remember back to WCFL, when that particular transaction went on. But I do sit on the boards of some of the subsidiary companies and associations of Alberta Pool and Prince Rupert and so on, and in fact chair Prince Rupert Grain on behalf of the province and on behalf of Alberta Pool. So I'm quite familiar with the kinds of things that we need to go through in addressing those very kinds of issues.

You're a hundred percent correct, sir. The WCFL is a co-operative. In order to account for its earnings at any year-end, it must deal with the earnings of that organization in some form or another. In order to accurately account for it and deal with it, it was necessary at the time to take the earnings of WCFL and allocate them to the four owners, who were Alberta Pool, Manitoba Pool, Sask Pool and Federated Co-op, and to reflect those earnings back in the records of the parent company. Now, granted the funds did not transfer. Whether they transferred later on, I haven't gone into that.

MADAM CHAIRMAN: Mr. Hubbard, you are the comptroller are you? Maybe you could answer that.

MR. GRAHAM: Okay. Just before I finish, though, if that's necessary. But, of course, you need to show the record of indebtedness, and we do that frequently right now with Prince Rupert Grain and on the kinds of earnings and the dollars that we owe the province of Alberta in maintaining a balance and an accurate accounting of who owes who what and what time we hope to be able to pay.

MR. HUBBARD: Okay. The type of transaction that he is referring to, as Alex has mentioned, is the allocation of the income of WCFL. I was not around at the time this happened either, but my guess as to what would have taken place is that the earnings would have been allocated to the owners. WCFL needed funds to carry on its operations, and rather than having the funds paid in cash, what happened was the funds were paid by notation on the books; essentially it was allocated as income to us. We then lent the money back. Now, the transaction could have been a cash payment by WCFL to us and a loan back to WCFL. What did happen was that a notation was made that the funds were sent to us, and a loan was entered, or given, to WCFL. The funds themselves didn't change hands, but the results of the transaction are the same as if they had. Okay?

MADAM CHAIRMAN: Mr. Broughton wanted to comment on that.

MR. McEACHERN: Would Mr. Broughton like to add anything to that, or does that explain it satisfactorily?

MR. BROUGHTON: Madam Chairman and members, I would appreciate an opportunity. The inventory figures for Western Co-op Fertilizers were fictitious. They were inflated and there were no earnings, at least in the first year and in the third. It was wrong. They were fictitious figures to start with, but they passed them on to us, and we took them in our accounts as money received. So in passing them on, we stuck the members for the tax on those funds, and they were nonexistent funds. Secondly, after 12 months – and those have to qualify under section 135 of the tax Act as a deduction. They have to be paid within 12 months in cash, and it was the fourth year of this that I finally brought it up. First of all, they were fictitious. We stuck the members, patrons, for tax on fictitious funds, and we falsified our books in the process. That is why I referred to it, and I used this as one instance to hopefully authenticate my concerns about the lack of ownership control.

Thank you.

MADAM CHAIRMAN: Before you go any further, I really would appreciate it if we could contain our comments and questions to the Bill at hand. Any supplemental information that may be required, I'm sure the members from the Wheat Pool would kind enough to deliver to us, such as financial statements if that's what you want to look at.

MR. McEACHERN: I was just going to say that this did happen a long time ago, and it's a little hard now to have much bearing on the present situation that we're talking about. Just a question I'd like to ask. I guess I'll put it that way.

The Wheat Pool has invested in other things besides building grain elevators and buying and selling wheat. Sometimes, of course, those endeavours are successful and sometimes they're not. I guess a farmer who wants to sell through the Wheat Pool sometimes might wonder whether or not it's a good idea to invest very much beyond the grain industry. Certainly I've had that concern raised with me. What I want to know is: does this Act make it easier for the corporation to invest in other companies and other businesses. If so, are they doing it with their eyes wide open and recognizing that when you start investing in a wide variety of businesses, you do in fact increase your risks? Or perhaps you don't. Perhaps you diversify your risks and provide more stability. I don't know. What is the feeling of the members here on that?

MR. SCHMITT: Madam Chairman, in response to that question. This change to the bylaws that we're making here today has no change to that. That's already in the bylaws, and it has to have a majority of the delegates to go into any diversification of our organization. So those things are already in the bylaws, and there's absolutely no change to that.

MR. McEACHERN: I assumed that you're able to do that anyway. I wasn't really challenging that right. I was merely asking the question, because you have come to us with your petition. Thank you.

MADAM CHAIRMAN: Mr. Hyland?

MR. HYLAND: No.

MADAM CHAIRMAN: Mr. Tannas.

MR. TANNAS: I wonder if we can call a time-out. Some of us have other meetings. We still have some questions.

MADAM CHAIRMAN: Are there any other questions to come before the committee?

Yes, Mr. Hyland.

MR. HYLAND: If there are no other questions, I would move we thank the Pool for their presence and move the meeting adjourn.

MADAM CHAIRMAN: Mr. Tannas, do you have a quick question to make?

MR. TANNAS: Probably they're slow questions, Madam Chairman, but I was wondering how frequently the delegates meet.

MR. SCHMITT: Our delegates meet once a year or oftener if it's needed. We have a 10-day annual meeting, generally, and we have, on frequent occasions to deal with special circumstances, had special meetings called.

MR. TANNAS: From that I wanted to pick up that it seems to me that we have basically executive control over much of the day-to-day running of the Wheat Pool and, in a sense, annual review by the delegates. I come back to my original question. I don't understand why we don't go through the co-operatives Act, where there is a monitoring system that would go on, and again you would not need to come back to the private Bill. There are other organizations in the province who fit under that legislation. It doesn't make sense to me to have a Co-operative Associations Act to govern co-operatives when a major co-operative doesn't fit under that and remains outside the purview of the regulatory system that the department has under that Act.

MR. WOOD: Madam Chairman and hon. member, there is no compelling reason one way or the other. If you're talking about control, though, under the Co-operative Associations Act there is probably less control, certainly by this group in any event, by the Legislative Assembly, than there is presently. But again I refer to the report that was made back in 1977, and I quote from it.

There is no compelling reason . . . that the Alberta Wheat Pool could not be incorporated under either the Companies Act or the Co-operative Associations Act. But there is no evidence that the Alberta Wheat Pool or its members would be any better off by virtue of incorporation under either of these Acts rather than under a private bill . . .

That was the report that was made to this Legislature, and I can't answer the question any more fully than that at the moment.

MR. TANNAS: It's just that there have been a number of amendments, as you've said, since that time, so since the time that statement was made, the Act has been changed in a number of ways. I would think that this is a substantive change, so that it may not remain the same when the private Act has been changed as many times as it has.

MR. WOOD: After our experience with this particular Bill and its complications, I can assure you that the directors of the Pool and the delegates will be looking very seriously into incorporating under the Co-operative Associations Act. But whether we do it or not is something else again.

MADAM CHAIRMAN: Mr. Lund, did you have a quick question?

MR. LUND: Well, thanks, Madam Chairman, not a question. I just wanted to comment that I am completely in support of these amendments. I think that it puts the operation of the Pool clearly in the hands of the delegates, and that's where it should be in a democratic system. As a member for 20-some years I have total confidence in the way the system has been working and will work in the future.

MADAM CHAIRMAN: Thank you very much.

Well, gentlemen, we've kept you long, and we've kept our committee quite long. I was wondering if you had any very quick closing comments to make.

MR. WOOD: I think not; just appreciation, Madam Chairman, for your indulgence, and thank you for hearing us out.

MADAM CHAIRMAN: We do appreciate your coming before us. As I said in our opening comments, we will be making a report to the Assembly at a later date.

Could we have a motion for adjournment, please? Everybody's hand goes up. Thank you very much. We'll see you next week.

[The committee adjourned at 12:32 p.m.]

