

Standing Committee on Private Bills

8:35 a.m.

[Chairman: Mr. Renner]

THE CHAIRMAN: Well, good morning, everyone. I'd like to call this meeting to order. This is the regular meeting of the Standing Committee on Private Bills. If you'll turn to your binders to the agenda page, I would like to have a motion to approve the agenda.

MR. BRACKO: So moved.

THE CHAIRMAN: Mr. Bracko. Any discussion? All in favour?

HON. MEMBERS: Agreed.

THE CHAIRMAN: Opposed? Carried.

This morning we have a presentation from the Alberta Wheat Pool regarding Bill Pr. 1. As everyone knows, the purpose of today's meeting is to hear from the petitioner, hear from any intervenors that wish to make presentations, and this is your opportunity to ask questions of the petitioners, of the intervenors, and questions of clarification from Parliamentary Counsel. If the committee feels it's necessary at some point in time, we could ask various groups to come back again. That decision does not have to be made today. In fact, we won't be making any decisions today. The purpose of today's meeting is simply to hear from the petitioners and give the committee the opportunity to ask any questions or make any comments if they wish.

Yes, Mr. Trynchy.

MR. TRYNCHY: A question. Do we have any intervenors here today?

THE CHAIRMAN: Yes. We have one.

MR. TRYNCHY: Is there a sheet? Is it listed anyplace?

THE CHAIRMAN: It's in the binder, I think, the letter.

MR. TRYNCHY: Is it? Where is it?

THE CHAIRMAN: It's not on that one.

MR. TRYNCHY: It would just help if we had the intervenor's brief, if they have it here, and who they are.

THE CHAIRMAN: I think it's a verbal one.

MR. REYNOLDS: Excuse me, Mr. Trynchy. I spoke with the intervenor yesterday. He asked if he had to submit a brief, and I said no. He wasn't sure whether he would have a brief. So he's here. To my knowledge, we haven't received any written material.

MR. TRYNCHY: Okay. Is it one person?

MR. REYNOLDS: Yes, sir.

MR. TRYNCHY: Representing himself or a group?

MR. EVANIEW: I understand he's representing himself, Mr. Trynchy.

THE CHAIRMAN: Probably you can ask him.

MR. TRYNCHY: Well, that's fine. It would be nice to know something ahead of time.

MR. REYNOLDS: Yeah. We didn't have a lot of information.

MR. TRYNCHY: Is there a name to this person?

MR. REYNOLDS: Mr. Hulit.

MR. TRYNCHY: Mr. Hulit from . . .

MR. REYNOLDS: Coutts.

MR. TRYNCHY: Coutts. Okay. Good enough.

MR. EVANIEW: Just to clarify, in addition there will be a presentation by Rudy Palovcik from Municipal Affairs, co-operative division. There will also be a representation from Glenda Campbell, legal counsel for the Securities Commission.

MR. TRYNCHY: Good enough.

THE CHAIRMAN: Okay. With that, then, with your permission, I'll have Parliamentary Counsel bring all the people in. It's probably going to take a little while till we get everyone sworn in and settled, so we'll take five.

[The committee adjourned from 8:38 a.m. to 8:43 a.m., during which time Mr. Blanchette, Mr. Holm, Mr. Mack, Mr. Smillie, Mr. Silver, Mr. Southwood, Mr. Riddell, Mr. Hulit, Ms Dean, Mr. Myroniuk, Mr. Groeneveld, Mr. Lindeman, Ms Campbell, and Mr. Sczinski were sworn in]

THE CHAIRMAN: Good morning, everyone. I would like to welcome you to the Committee on Private Bills. Just by way of introduction, I would like to explain the process a little bit. I'll have the committee members introduce themselves, and then I'll turn it over to the petitioners.

The process for private Bills is somewhat unique in the Legislature in that because the Bills are of a nature that they affect only a very specific group, the Bill itself is brought forward by the group itself. In this case the Alberta Wheat Pool, incorporated under a private Bill of the Alberta Legislature, has brought forward a petition requesting amendments to that Bill. As such, the Bill receives first reading in the Legislature, which it did yesterday, and then is referred to this committee. The purpose of the Private Bills Committee is to review the application for the amendments, to interview the petitioners, interview any intervenors, anyone associated with the Bill, and then to make a recommendation back to the Legislature as to whether or not the Bill should proceed past first reading. That is the sole purpose of this committee. We do not necessarily approve whether or not the Bill should be passed in the Legislature, but we do make the recommendation as to whether or not it should proceed past first reading. The recommendations that can come back from this committee are that the Bill should proceed to second reading, the Bill should proceed to second reading with amendments – and we would make the recommendations for those amendments – or we could also make the recommendation that the Bill not proceed. That's the purpose of the committee.

The committee itself is comprised of members from both sides of the House. We have both government and opposition members, a

pretty good cross section geographically of the province as well. I would ask at this point that committee members introduce themselves so you get a bit of an idea who they are and where they're from.

I'll start with Mr. Jacques.

MR. JACQUES: Wayne Jacques, Grande Prairie-Wapiti.

MS HANSON: Alice Hanson, opposition, from Edmonton-Highlands-Beverly.

MR. YANKOWSKY: Julius Yankowsky, Edmonton-Beverly-Belmont.

MR. STELMACH: Ed Stelmach, Vegreville-Viking.

MRS. FRITZ: Yvonne Fritz, Calgary-Cross.

MR. LANGEVIN: Paul Langevin, Lac La Biche-St. Paul.

MR. AMERY: Moe Amery, Calgary-East.

MR. HERARD: Denis Herard, Calgary-Egmont. Welcome.

MR. TRYNCHY: Peter Trynchy, Whitecourt-Ste. Anne.

MRS. GORDON: Good morning. Judy Gordon, Lacombe-Stettler.

MR. BRACKO: Len Bracko, St. Albert. Good morning.

DR. NICOL: Ken Nicol, Lethbridge-East. Good morning.

THE CHAIRMAN: A special welcome to Dr. Nicol, who is attending his first meeting. He was just appointed to this committee to take the place of Nick Taylor, who's departed from the Legislature. Welcome, Dr. Nicol.

My name is Rob Renner. I'm the MLA for Medicine Hat.

I would also have all the people on this side introduce themselves, but before I do, I just want to remind everyone of a couple of things. First of all, I moved over the name tags that we distributed. There is a microphone in each desk, and we've found that if the name tags end up on top of the microphone, it doesn't work very well. That's the reason I moved them.

Secondly, the desks you're sitting at are desks that belong to members of the Assembly. There may be some items on those desks that belong to the member. Please be careful that you don't accidentally remove something from the desk that you didn't bring.

At this point, then, I think what we should do is have you introduce yourselves, and then we'll start with the presentation.

MR. RIDDELL: I'm Dale Riddell, director of corporate affairs for the Alberta Wheat Pool.

MR. SOUTHWOOD: Geoff Southwood, chief financial officer, Alberta Wheat Pool.

MR. SILVER: My name's Neil Silver. I'm a farmer from Huxley, Alberta. I also have the privilege of serving as second vice-president of the Alberta Wheat Pool.

MR. SMILLIE: My name is Gord Smillie. I'm a grain and oilseed producer from the Bassano area, east of Calgary. I've been a delegate with the Alberta Wheat Pool for six years, and I'm presently chairman of the equity committee of the Pool.

MR. MACK: Good morning. My name is Cameron Mack. I'm a lawyer with MacKimmie Matthews in Calgary, legal counsel to the Alberta Wheat Pool.

MR. HOLM: Good morning. I'm David Holm. I'm also with MacKimmie Matthews. Thank you.

MR. BLANCHETTE: Good morning. I'm Rene Blanchette, a grain and oilseed producer out of the Peace River country in northern Alberta.

MR. HAYDU: Good morning. I'm Richard Haydu from Paradise Valley. I'm also a farmer and a delegate of the Alberta Wheat Pool.

MR. JACOBSON: Good morning. My name is Len Jacobson. I'm a farmer from Enchant, Alberta. I'm a grain, oilseed, and cattle producer.

MR. HULIT: Good morning, ladies and gentlemen. My name is Robert Hulit. I'm from Coutts, right on the 49th parallel. I'm here to ask a few questions about this Bill.

MR. SCZINSKI: Good morning. I'm Ron Sczinski from the Alberta Securities Commission.

MS CAMPBELL: Good morning. I'm Glenda Campbell, director of legal services with the Alberta Securities Commission.

MR. LINDEMAN: Brian Lindeman. I farm on the States border in Milk River, and I'm a director of the Alberta Pool.

MR. GROENEVELD: Good morning. George Groeneveld. I'm just south of Calgary. I'm a farmer and a director of the Alberta Pool.

MR. MYRONIUK: Good morning. Bob Myroniuk, executive director. I'm with housing and consumer affairs of Alberta Municipal Affairs.

MS DEAN: Good morning. Shannon Dean, also with the Department of Municipal Affairs.

MR. PALOVCIK: Good morning. I'm Rudy Palovcik. I'm the director of co-ops under the co-operative Act with Alberta Municipal Affairs.

THE CHAIRMAN: Thank you and welcome to all.

I would also like to take this opportunity to introduce the people at the Table that assist us at all our meetings. Most of you have probably talked with these people on the phone or had correspondence from them to this point. Mr. Rob Reynolds is Parliamentary Counsel. Earl Evaniew is also with the Parliamentary Counsel office. Janis Kiddie is filling in for Florence Marston today. Florence is ill, so Janis is, I'm sure, ably filling in.

Let's get under way. I will have each of the groups represented here make their formal presentations before we begin with questions from the committee. We'll begin with the petitioner. I understand, Mr. Silver, you're going to start things off and then you're going to hand off to a number of the other members, and feel free to do so.

8:53

MR. SILVER: Okay. Thank you, Mr. Chairman. It's my pleasure to introduce the topic to you today and indicate that the purpose of the meeting is to give you an overview of the changes we want to make in our equity structure. We're prepared to offer information to you in about six different categories, so we will ask six different

participants from our group to make brief presentations to the committee. If we're taking too long, please indicate to us; we can speed this up. We've brought a goodly amount of information for you, and we'd like to give that to you.

We will be covering and giving you a brief history of Alberta Wheat Pool, a few comments about the Act that we're legislated under, the current status of Alberta Pool, revisions of our membership and revision of the actual equity structure we have now and how that will be rolled into the new one, and then again, to wrap it up, the objectives of the Bill. We've already introduced each one, so I would ask at this time that Rene Blanchette please offer the committee a brief history of Alberta Pool.

MR. BLANCHETTE: Thank you, Neil, and good morning, ladies and gentlemen. It's my pleasure to be here with you this morning to review some of the history of Alberta Pool and to share some of the background information about our business. Today Alberta Pool is a farmer owned co-operative. The Pool's affairs are governed by the Act and through bylaws and policies made by the farmer delegates of Alberta Pool.

Certainly, this is not how it all began. Back in the 1920s, when commodity prices were extremely volatile and unfair practices within the grain trade were a common occurrence, the farmers of Alberta joined hands by pooling their grain in an attempt to gain some stability in the marketing of their produce. Under the leadership of Mr. Aaron Sapiro, a California lawyer, a number of commodity pools were formed. In 1923 he was successful in enlisting nearly half of the provincial wheat acres, which was sufficient for the organizer to incorporate the body by special Act of the Alberta Legislature as the Alberta Co-operative Wheat Producers Limited. Later the name was changed to what is known as Alberta Wheat Pool.

At that point in time Alberta Wheat Pool did not own or operate any grain elevators. They simply purchased the grain from the producers by paying an incentive price, and all the sale proceeds were pooled and later distributed accordingly. At that time Alberta Pool contracted the handling of pool commodities with existing grain companies. To gain further control over its own operation, Alberta Pool built its own elevators within a few years. By 1929 Alberta Wheat Pool had enough grain elevators in the province that a decision was made to become strictly a grain handling company and stop acting as a price pooler. It was not before 1935 that the Canadian Wheat Board was formed and assumed the role of price pooling.

As the years went on, Alberta Wheat Pool's business prospered and expanded. During the 1950s Alberta Wheat Pool expanded its operation into the seed and fertilizer business. In the early 1960s Alberta Wheat Pool joined forces with other co-operatives to form Western Co-Operative Fertilizers Limited to begin the manufacturing of fertilizer. To further enhance its business, herbicide sales were offered to its members in 1968. As the years went on and business flourished, the need for an overseas grain trade company was in demand. In 1970 XCAN Grain Ltd. was formed by the three prairie pools, being Alberta Wheat Pool, Saskatchewan Wheat Pool, and Manitoba Pool Elevators. In 1972 the Federal Grain Company was collectively purchased by the three pools. Alberta Wheat Pool received all its elevators in Alberta and a 60 percent share of the Pacific elevator terminal in Vancouver.

Today Alberta Wheat Pool is the largest grain company in Alberta measured by sales and second in Canada by storage capacity. It is also the province's largest co-operative measured by sales. Alberta Wheat Pool has had positive net earnings in each and every year since 1938. Earnings before tax, interest expense, and depreciation have averaged \$30 million over the last five years, reaching a five-

year high of approximately \$38 million in the year ended July 31, 1995. It is essential to note that Alberta Pool is the only one of four major grain companies that retains its profits in Alberta for the benefit of Alberta. As an example, Alberta Pool has handled close to 189 million tonnes of grain and proudly returned \$370 million to members since its founding in 1923.

Incorporated by a special Act of the Alberta Legislature, we now publicly refer to ourselves as Alberta Pool rather than Alberta Wheat Pool to reflect the broad nature of our business today. On behalf of the members of Alberta Pool, I thank you for this opportunity and for your attention.

MR. SILVER: Thank you, Rene. There is some indication that we need to be somewhat more concise, I think, for the complement of the hearing that's going on here. So I would ask the members to, as much as possible, be brief and pointed in their comments so that we can get to questions. I think that's the ambition here today.

I would now ask Cam Mack to briefly speak to the Alberta Wheat Pool Act, if you would.

MR. MACK: Thank you very much, Neil. We thought a natural question for the committee to consider was: why should there be an Alberta Wheat Pool Act? That question has been posed to us in the past as well. I'd like to make a few brief comments on that topic.

Rene has explained to the committee the reasons why Alberta Wheat Pool was formed and the business need for it at the time and how it protected the interests of Albertans then and now. At the time Alberta Wheat Pool was formed, there was no generic legislation which would have permitted a unique organization like this. Hence, it was necessary to incorporate it by way of a special Act to accommodate the needs Rene described. Since that time, Alberta now has, as of course everyone knows, a Co-operative Associations Act, which provides a vehicle for generic co-op incorporation. Notwithstanding this, Alberta Wheat Pool continues to have its own Act in common with the United Farmers of Alberta, for example.

This topic was considered by a committee at the request of the Legislative Assembly in 1977. The conclusion of that committee was that while there was no compelling reason why Alberta Wheat Pool could not be addressed through generic legislation, neither was there any demonstrated need for that. In fact, the organization appears to have served the members well. Against that background, I will then go ahead and deal with what we see as the outfall of the decision to take Alberta Wheat Pool and subject it to the co-op Act.

First of all, it needs to be said: could this be done? Well, the answer to that is yes. Anything can be done with enough time, care, and attention. But I'm going to suggest to this committee respectfully that that decision, if made, would have to be made very carefully and deliberately, and the result of the decision would be to compromise some of the things Alberta Wheat Pool has come to incorporate as part of its way of doing business through the legislation. I'll deal first, if I can, with some of what I would call the more pragmatic considerations of a decision to take Alberta Wheat Pool and bring it under the generic legislation.

First of all, I'd like to say that Alberta Wheat Pool's approaches to take your valuable time for amendments to its Act have been, I think, few in number over the last several years. Most of the ones within the last decade were directed towards changes in Alberta Wheat Pool's equity structure. Alberta Wheat Pool would find, for example, that its members would petition Alberta Wheat Pool for a different treatment in how the earnings of Alberta Wheat Pool were returned. An example some years ago was that Alberta Wheat Pool wished to have the ability to give money to members on a compassionate basis, people who were terminally ill and needed the money. Regrettably, it couldn't do that because the Act didn't permit

it to be done, and it needed to come to the committee for a special dispensation in that regard, which the Legislature of the day granted. In 1991 the Legislative Assembly gave Alberta Wheat Pool the ability to regulate its financial affairs directly, and other members this morning will speak to the results of that.

9:03

If a decision were made to bring Alberta Wheat Pool under generic legislation, first of all that would make a significant alteration to the basis on which Alberta Wheat Pool's large number of members have joined the organization. They have done that on the basis of its ability to be controlled through the Act and also its ability to make bylaws in the way it historically has done that. As well, Alberta Wheat Pool has special-Act status in the same way that Saskatchewan Wheat Pool and Manitoba Pool Elevators both do. They're sister co-operatives, and each in its own province is regulated by a special piece of legislation through a private Act. There are also the concerns of the third parties who have dealt with Alberta Wheat Pool historically, understanding its organization, notably Alberta Wheat Pool's bankers who would be an interested constituency. Certainly Alberta Wheat Pool would want to know the views of those people before a decision of that nature was made.

Underlying all this, of course, are the interests of the members. Would the members feel well served by this? It's not a decision to be made lightly. All of these things, of course, will involve a cost to Alberta Wheat Pool that Alberta Wheat Pool ultimately would have to bear.

Others this morning will explain the need for Alberta Wheat Pool's changes and why that is important today. For the reasons I've described, I would see that process as being a time-consuming process, which others on this committee can speak to insofar as how its effect on Alberta Wheat Pool would go.

I would like to comment briefly on a few of what I would call more technical aspects of the decision to make Alberta Wheat Pool subject to the co-op Act. First of all, Alberta Wheat Pool under section 4 of its Act has a large capacity; i.e., the legal ability to do things that chartered companies have at common law, I believe is the expression. A co-op on the other hand is restricted to a capacity that is designed out of its memorandum of association or one of its incorporating documents. Those of us who practised law in Alberta more than 10 years ago will remember there was a time when all companies were effectively set up that way and limited in that fashion. Today the average business corporation has the capacity of a natural person. Alberta Wheat Pool has carried on its business on the basis that it has, although it does have enumerative objects in its legislation. In particular, one of the powers in the co-op Act deals with Alberta Wheat Pool's ability to hold stock in subsidiaries. For those who wish to make a note of it, that's section 12, paragraphs (d), (e), and (u) of the co-op Act. It imposes some restrictive language insofar as the types of investments Alberta Wheat Pool can make in other corporations, which in my reading would be more restrictive than what Alberta Wheat Pool enjoys in section 4(g) of its Act. So we see that as a significant change to Alberta Wheat Pool should that happen.

As well, Alberta Wheat Pool over the years has come to respect the wisdom of its delegates and looks to them for counsel in making its significant business decisions. This is formally recognized in the Alberta Wheat Pool Act, which specifically says that the board will manage subject to the policy which the delegates prescribe from time to time. In my experience as counsel of the Wheat Pool, the delegates do this frequently, and the board honours it. The co-op Act permits in a normal corporate way the directors to manage business affairs but doesn't formally recognize the role of the delegates. My experience with the Wheat Pool is that they would

see that as a significant change and an adverse one.

Alberta Wheat Pool, because of the freedom the Legislature has given it, has its own custom designed equity program, and it listens carefully to its membership base and tries to react to changes when it appears appropriate in the members' interest to do so. It would need to be very carefully considered whether the mechanics in the co-op Act would permit Alberta Wheat Pool to design the equity structure that its members have requested. As an example, the co-op Act does permit members to withdraw and thereby take down 5 percent of a co-op's working capital per year, subject to the board's ability to say "No, you can't" if they feel that would place the organization in financial jeopardy. Alberta Wheat Pool's working capital, I am told, is approximately \$140 million. That could be a significant outflow of money from the Pool into the hands of the members. It may be fairly said, I'm sure, that the board can say, "No, we won't do this, because we think the interests of the organization would be jeopardized," but my respectful suggestion to the committee is that that is much better left in the hands of the people who have made that decision for the last 50 to 60 years. So for that reason we think the generic legislation co-op Act capital structure may not be appropriate for Alberta Wheat Pool.

There is also in section 35 of the Alberta Wheat Pool Act a very specific direction to Alberta Wheat Pool to protect the grain which it holds on behalf of its members by saying that it will keep that grain free from seizure. That recognizes again Alberta Wheat Pool's unique position in the industry and the way in which it has carried on business. For those reasons, Mr. Chairman, we respectfully suggest that that would be an inappropriate decision for this committee today.

Those are my submissions.

THE CHAIRMAN: Thank you.

MR. SILVER: Thanks, Cam.

I'm going to skip one section. We have a very good presentation on the current status of Alberta Pool, but I realize we do have some time constraints. So if I might, I'd like to move directly to some comments by Mr. Haydu about our membership, and then we'll focus more on Mr. Smillie's comments about the actual equity change.

Dick, could you make some comments about our membership?

THE CHAIRMAN: Just before you do, if you have a written copy of the presentation you've skipped, it would be appropriate to circulate that to the committee.

MR. SILVER: We are carrying some documents, and I think we can probably do that for you.

THE CHAIRMAN: Okay.

MR. HAYDU: Thank you, ladies and gentlemen. We the delegates, of which I am one of 72, are democratically elected to represent the member owners of Alberta Pool. In response to members' advice, the majority of delegates felt the membership wanted changes to our current equity structure so that it would be more flexible and provide the member with more options. Delegates initiated a plan to rework our equity structure to respond to these general concerns and also to provide our members with some notable benefits for doing business with us. Furthermore, the members should be rewarded for doing more business with Alberta Pool. Our changing industry environment will require Alberta Pool to substantially invest in new and upgraded facilities now and in the long term. This will require that Alberta Pool strengthen its long-term capital base. The new

equity structure will give the Pool a sound basis for corporate planning and ensure the Pool's long-term strength while providing its members with an equity payment structure that is reasonable and adequately certain over time. The new equity structure properly rewards retiring farmers who've made a lifelong commitment to Alberta agriculture by enabling them to provide for their retirement income.

Alberta Pool is a growing, thriving business. I know more farmers will want to join and participate in the growth, returns, and services our business can provide. In talking with farmers, however, it is evident that in some circumstances they are unable to join under our current equity structure because of the nature of their farming business.

Thank you, ladies and gentlemen.

MR. SILVER: Thank you.

I do have a copy, Mr. Chairman, and if you care to multiply it, that's at your discretion.

THE CHAIRMAN: Sure. We'll make sure it gets distributed.

MR. SILVER: Okay.

I would now call on Gordon Smillie to talk to you exactly about the revision of the equity structure. Gordon was our internal chair of the whole process, and I would ask Gordon to give you a better understanding of what we're really asking for.

MR. SMILLIE: Thank you very much, ladies and gentlemen, for the time you've taken to hear our submissions today. I'm going to shorten my presentation as well to not include a description of our old plan but to work right into the new plan and how it was developed.

Mr. Haydu expressed some of the reasons for change that we felt were required in the organization. The present plan was proving itself unable to respond to the individual needs of the member or the organization in the rapidly changing agricultural environment we have today. Our members and delegates are requesting changes to a more understandable plan, one that addresses not only member equity liquidity but also the members' responsibility for ownership in the organization.

In development of the new plan, the basic idea of a share option was developed by delegates on the equity committee to provide members, retired members, and employees with a vehicle for investing in the Pool on a basis of choice, both during and after their farming careers. A basic idea the delegates insisted on was that any new plan would allow us to remain a co-operative, and that was stressed to us over and over by our members and by our delegates. The plan must address equity liquidity and yet still maintain the existing level of member control that we have in the present organization today. Going public similar to what Sask Pool has done was not an acceptable option to our members. The committee struggled with many aspects of it. We struggled to ensure that the new plan address the members' needs while providing the equity to refinance the members' co-operative.

The current proposal has strong delegate approval. At our annual meeting in November last year we passed this equity plan by a vote of 68 to 1, which was very amazing for our organization. It's been well received by members throughout the province who report meetings and member consultations. Our members have all received brochures describing the new plan, and as a committee we believe that the plan is best for Alberta Pool and our people that we represent. I know you've all received a briefing on what some of the submissions of the new plan are, but if I could just overview a few of the aspects of it that we feel were important.

9:13

Each year the net earnings the Pool has will be allocated into four basic areas. These are retained earnings, revolving equity, long-term equity, and preferred shares. The portion of net earnings that automatically goes to retained earnings under the old plan will continue to do that under the new one. As well, the delegates and the board will still have the availability to attribute additional funds towards retained earnings.

The revolving equity. Each member will have a revolving equity account, and each year 40 percent of the earnings not retained by the Pool as retained earnings will be apportioned to the member based on the patronage in the Pool. This equity for the revolving equity is to be paid out over a 10-year amortized period, and it would be paid out in class B shares, which are redeemable in cash on demand.

Our long-term equity. Each member will have a long-term equity account with 40 percent of each year's allocation going into that long-term account. This will be amortized over 10 years on a repayment schedule, again in class B shares, and that was redeemable for cash.

The new equity plan calls for members' equity to be converted into long-term equity. It will be paid out to members in the form of class B or class C shares. In addition, members and employees can directly invest in the Pool by purchasing class A shares. All preferred shares are nonvoting and will be transferable only to other members and employees and persons related to them but not to the public generally. I think that's a point the delegates insisted on in the development of the plan.

Patronage in the system. Our present system deals only with patronage based on grain and seed deliveries. We're proposing that our new plan would address also the needs of five different earning pools based on grain, seed, bean production, special crop areas, and agriproducts. The Pool's net earnings for a year after the allowance for the retained earnings will be allocated amongst these business segments and then credited to members proportionately based on their level of business in each pool. Of the total earnings and the total allocation to members, 40 percent will be attributed to revolving, 40 percent to long term, and 20 percent will be paid out in cash.

Cash distribution is made to members in a number of ways. First off, we have a requirement for withholding tax that must come off our cash distribution. We also have the amortized retirement of the revolving equity over the 10-year period and the amortized retirement of the long-term equity over a 20-year period. Cash can also be paid out through the redemption of class C preferred shares by members 70 and over. We still retain a provision in the Pool to pay out completely members on instances of death, and we also have a provision for special board consent to be given to paying out of the member's equity on compassionate grounds for such things as a case of terminal illness.

We are proposing to convert from the old equity structure to the new equity structure in a fairly simple fashion. Our present plan has a surplus and reserve account, and we are proposing to transfer the entire amount in the surplus account to be converted to revolving equity as well as half the total reserve account. The other half of the reserve account will be placed in a long-term equity account for the member. We have also made some special provisions to address the current ceased-farming members and members that are 70 or over to assist the process in the transition period.

We've got many significant changes and benefits in the new structure, and I'd just like to touch on two or three of them to wind this up. The new plan offers a fixed retirement of equity based on 10- and 20-year schedules. The new plan does that. The existing plan provides a variable surplus account payout, which is dependent on earnings, and that could really vary from year to year and be very

unpredictable. I think the new plan broadens the patronage base into five business segments, whereas the old plan dealt only with grain and oilseed deliveries, and that was a problem many of our members addressed.

Currently the equity has no rate of return that is fixed and is too dependent on earnings, and the new plan through the share structure offers us a fixed rate of return and one that is known. The plan traditionally has let second priority to the members 70 and over, and our membership has felt that those members who have spent their lives in agriculture deserve better treatment than that. That is why the plan addresses the payout of the equity for members 70 and over either through cash or through deployment into preferred class C shares. It addresses them in a better fashion.

I thank you very much for hearing our portion of the presentation.

MR. SILVER: Thank you, Gordon.

To conclude our presentation portion, I would ask Geoff Southwood to now make some comments to you about what the objectives of the Bill are for us. Geoff.

MR. SOUTHWOOD: Thank you, Neil. Ladies and gentlemen, I'll deal with three objectives briefly. Section 23 of the current Act allows the Pool delegates to make bylaws governing the Pool's financial affairs. However, it does not allow for a share capital structure. The key objective of the Bill is to enable Alberta Pool to create and issue shares. The flexibility to create and issue shares is a key component of the Pool's new equity structure and can't be accomplished without amendments to the Act. The share capital is required to accommodate the new plans and the need to issue preferred shares. We would emphasize that the membership have made it clear that the Pool will remain a co-operative, and no voting shares will be issued to the public.

Secondly, currently our membership is tied to grain and seed farming activities, and there's no mechanism to fairly reward farmers for other activities that they do with us. Alberta Pool proposes to address membership qualifications through the bylaws. Passing of the Bill will give Alberta Pool more flexibility to define its own membership criteria, the main goal of which is to expand the categories qualifying for patronage and allow new members to participate in the new equity structure regardless of whether or not they own land or grow grain.

Finally, the Securities Act would apply to certain dealings with the Pool's members and employees and persons related to them. Alberta Pool wants to exempt these limited purpose preferred shares from the Securities Act and is presently discussing this directly with the Alberta Securities Commission. Again, the membership has no intent to offer securities to the public.

Thank you.

MR. SILVER: Thanks, Geoff.

Mr. Chairman, we're now at your disposal for question period, and you can tell us how you want us to perform it.

THE CHAIRMAN: Well, thank you very much. Let me first of all compliment you on the change in strategy. You finished exactly on time. My plan was that we would have all the presentations finish prior to 9:45. That will leave 45 minutes for questions.

I'm going to call on Mr. Hulit next. Mr. Hulit, if you would confine your remarks to about 10 minutes, that will keep us on schedule.

MR. HULIT: Okay, Rob. As I told you, my name is Robert Hulit. I represent a company, Black Coulee Farming and Ranching Co. If you will take note of all the words that have been spoken here by the

members of the Pool, no mention has been made of corporate farms or in some cases farms, and I will use the Hutterian brethren farms. They never die, so we have to rely upon some way of getting our patronage dividends from the Wheat Pool.

I don't know if we're on asking the third amendment or the second amendment to the Alberta Wheat Pool Act. The first one was that you died and you were paid. The second one: they decided they would put it on a rotating basis so that not too great a number of money was sitting and getting old, so the numbers were rotated, and some of them were paid out. As the Pool proceeded along, I think it found that it was running a little short of cash, so they came in through this next amendment – not this one; the one before this. I asked at that time what I had to do in order for the company at one time or another to get its money from the Pool. They said if I ceased to do business with the Pool for a certain number of years – as I recall, it was five – then they would address the part of that. They would see what they could do to get the money for me, because as I say, a company never dies. There were many suggestions put forth to them: if we would sell all of our land, which was not going to happen. Maybe I could change the company name and transfer all the assets. Well, that was ridiculous. Now, I have completed the five years, and I know this on what has gone beyond. I wrote to them in January, stating to them that all my money was now out of patronage dividends and everything, it was in a surplus account; would you please send me my money? I got a letter. Not so.

9:23

I will regress a little bit. When the money was in the surplus account, it was always going to draw a generous amount of interest. The last cheque I received from the Alberta Wheat Pool was in December of 1992 for about 5 percent on what was in there. Since that time – I can commend them – the number has stayed the same but no interest on it. Now they propose, with the letter I received from them, that all surplus money will now be transferred into a revolving equity. That revolving equity will be transferred into preferred shares. This is what I am told. In transferring those preferred shares, I can get that money from them commencing in 1998, which can go two and three-quarter years from now. December 31, 1998, is still 1998, and they will pay me out at the rate of 10 percent a year for 10 years. They do have the opportunity of taking this money that has been transferred into surplus and using it at no interest.

I do believe we should consider what is happening. I am not opposing per se this new Act that they are putting through, but I think they should address the deals they made through the farming sector before, especially to the corporate and other farming operations that do not die. I refuse to change the name; I refuse to transfer it to another company.

If there are any further questions anyone would like to ask me about it, I've got a mountain of information, but we shall so proceed.

Thank you, Rob.

THE CHAIRMAN: Thanks very much, Mr. Hulit.

We also have representatives from the Securities Commission and from Municipal Affairs. Securities Commission, you go ahead first.

MS CAMPBELL: Thank you. Good morning. As has been discussed with you, the Securities Act would apply to certain dealings with the Pool's members and employees and persons related to them, and the proposed Bill, specifically section 39, anticipates an exemption from the Securities Act in connection with the issuance of the shares by the Pool to its members and certain exempt people. The commission has had discussions with the Pool regarding the proposed exemption. We do have some concerns with the

exemption and have asked the Pool to address these concerns. Because of the fast track which this Bill has taken, the concerns raised have not been addressed or are partially addressed and certainly have not been resolved to date.

Essentially what our concerns have related to have dealt with the issue of membership. Our concern with membership is that while we do not have a concern that the shares be issued to members that are involved in the farming business and with grain – they have knowledge about what the Wheat Pool is about, what its dealings are – our concern is that there is some limit and some restriction placed on membership. What they can't do directly is done indirectly in that they expand through means of a bylaw their membership to encompass more than what we have envisioned, so we're looking for some sorts of checks and balances in place to ensure that the membership is limited.

Secondly, our concern is that there is no offering of securities to the public. We've taken a look at the provision the way the Bill is drafted, and it does appear to restrict the issuance of the securities. But there are some problems that we have discussed with representatives from the Pool, and we are looking for some assurances that there will be no issuance of shares or any public financing done through this mechanism. If there is public financing contemplated, then there should be compliance with the Securities Act, as is required of any other individual or entity proposing to issue shares.

As well, there's an options program that is either under way or being contemplated. We would require compliance with the Securities Act, and we want to ensure that the language is not broad enough in the proposed Bill that it would exempt those options. We have under our futures legislation, which is contained in the Securities Act, regulated options and futures, and we have regulated other agricultural products that are proposing to issue options or use methods of hedging as risk management. So we are looking for some assurances that those are covered as well.

Lastly, the proposed Bill does provide an exemption that the Pool would not be a reporting issue under the Securities Act for any of the transactions contemplated under section 39. A reporting issue under the Securities Act is required to file certain continuous disclosure information, such as audited financial statements, interim financial statements, press reports, et cetera. It's not that we're totally adverse to this provision, but we need more information, and our concern is that it may be too broad. There may be a type of financing or a proposed issuance that may in the circumstances suggest that some form of continuous disclosure information should be sent out to its members, and in that sense, we'd want to take a closer look at the section to see what's proposed.

Having said that, it's not that we're opposed to what the Pool is proposing to do, but we do have some outstanding concerns that have yet to be addressed. That simply, quite frankly, is a function of the timing of this Bill. We are working with representatives of the Pool and are hopeful that we will be able to come up with some solution that is satisfactory to all parties, but, quite frankly, we have yet to receive that.

THE CHAIRMAN: Thank you very much.

Mr. Palovcik.

MR. PALOVCIK: Thank you, Mr. Chairman. Good morning, ladies and gentlemen. My colleagues and I are here on behalf of Municipal Affairs, at the request of the minister, the Hon. Tom Thurber, to bring to your attention some issues and concerns we have with the amendments that are being proposed to the Alberta Wheat Pool Act. I'd like to begin by saying that we are not opposed to the amendments in principle. We support the amendments generally,

but there are some key provisions which we believe are too broad in scope and would empower the Pool to issue any type of share by bylaw. We believe that this, if fully implemented, would change the nature of the Pool, and this has implications not only for all co-operatives in the province as well as credit unions but possibly for the general public. In that sense, we agree with and support the Alberta Securities Commission. We've also looked at the section dealing with exemptions from the Securities Act, and although we're not the experts on securities, we have concerns that that section as well is too broad.

As we've heard here this morning, the Pool is requesting or has had approved a share capital restructuring that would see the issuing of basically three classes of preferred shares. The three classes would be very restricted shares, able to be issued only to employees, members of the Pool, and persons related to them but not to the general public, and we don't have a problem with that. However, section 18 of the proposed Bill states that the Pool may by bylaw create a share capital structure of almost any type, any class, any characteristic. This is a concern to us, because if fully implemented it would raise the issue of whether the Pool is a co-op any longer and what the difference would be between the Pool at that point in time and any business corporation.

As a result, we're prepared to support the proposed amendments. However, we would suggest that consideration be given to some restrictions or changes in those sections or restrictions on the ability of the Pool to simply by bylaw issue further shares beyond the highly restricted shares that have been approved by the membership.

9:33

THE CHAIRMAN: Thank you very much.

I would like to allow a reasonable amount of time for questioning, but we do have some time left. If any of the members or representatives of the Pool would like to address the issues that have been raised, I'll give you that opportunity now before we turn it over to the committee for questions.

MR. SILVER: To respond to the . . .

THE CHAIRMAN: Sure.

MR. SILVER: Geoff, do you want to make some comments to Mr. Hulit? Gordon, do you? Or Cam?

MR. MACK: Mr. Chairman, might I just have a minute to confer with Mr. Silver?

THE CHAIRMAN: Sure.

MR. MACK: Thank you, Mr. Chairman.

MR. SILVER: It would be our desire to have Mr. Smillie respond to Mr. Hulit. He understands the implications of corporate farms and the issue with Hutterite colonies that will be affected. So if I could, I'd ask Mr. Smillie to respond.

THE CHAIRMAN: Sure.

MR. SMILLIE: Thank you, Mr. Chairman. I can appreciate Mr. Hulit's concern and where he's coming from. We, too, farm as a corporate farm, and many of the people in our area farm as corporate farms. I've had a problem with the Pool and the equity plans we've had in the last few years because they did not deal with that, but unless you really get into the equity plans we've had and really understand the implications of those plans for a corporation, it's very

difficult to do.

The new plan that we have in place now has made provisions for a corporation that we've never had before. It allows the share owners in a corporation that own, say, a certain block of equity to roll that share of equity over to the individual share owner, and that individual share owner then comes out of the corporation as an individual share owner, owning so much equity, and has the ability, the same as any other member of the Pool, for patronage allocation and for return of his equity. The only stipulation we've put upon this, because there are so many loopholes with corporations, is that it has to be subject to board approval. But this is the first time in our history that a plan has finally been proposed that does deal with the corporate structure.

The main concern with Hutterite colonies in Alberta is that the equity they own as a colony can be transferred when the colonies split. That seems to be their major concern. We've consulted with some of their accounting people and with some of the Hutterites to confirm this. We do have that provision in our bylaw, that the Hutterites can take and split their equity when they do split their colonies.

MR. SILVER: Thanks, Gordon.

I would now like Mr. Mack to respond to the issue about the Securities Commission, if you would do that, Cam.

MR. MACK: Thank you, Neil. Mr. Chairman, we understand the concerns of the Alberta Securities Commission, and as Ms Campbell indicated, we have spoken with them directly about this. It's fortunate that things have proceeded this quickly. We're delighted to be here today. Unfortunately, with the Wheat Pool's annual meeting and the demands on the Securities Commission, we're not able to come to you this morning with those issues completely resolved, as we had hoped to do. However, it would be fair to say that we understand and respect their concerns. We have no wish to carry on business or issue securities in a way that they would find offensive. We're happy to work with them to find a solution. We're hopeful that can be done outside of complicated legislative drafting. It might require an amendment in the future for things we can't expect today, and we expect to be discussing that issue directly with them at the earliest opportunity.

My colleague Mr. Holm specializes in the securities field, and before we move on to deal with the third submission, he may have a few comments to add. Dave.

MR. HOLM: Oh, I think that's a good summary, Cam. I think the discussions we've had to date with the Securities Commission have been very positive, and the points they've raised have been very positive. We do note that there are mechanisms under the Securities Act which have the force of law under that Act, which we believe will satisfy any commission concerns, and we propose those types of solutions to the Securities Commission.

MR. MACK: Mr. Chairman, the third thing I would like to deal with briefly is the submission of the director of co-operatives. Have the members of the committee received the submission which was circulated yesterday? Okay; thank you. Regrettably, because we received it yesterday, we've not had the time to prepare a written reply to the points raised. However, there are points I would like to raise for the committee's consideration, with your indulgence, please.

The first point raised is section 18 of the amending Act, which creates a generic power to issue shares. It says that those shares can really have the attributes that the bylaws, which the Pool makes, specify. If I understood one of the concerns directly – and by the

way, we do understand again the director's responsibility in this area, and we'd like to deal with his concerns in a meaningful way – I understood the director to be concerned that we have come and described very specific sets of shares, yet we're looking for legislation which would permit us to do anything. I would like to point out to the committee that the amendments to the Act that we have before us today were approved by the delegate body, as was said by a considerable majority, and it is that same delegate body that will pass the bylaws and make any changes to them. So the same group controls. They've done this to date in consultation with their membership. That's the way they carry on business. Any changes to those would similarly, I expect, be done in consultation with the membership. So the group that has asked you for the legislation is the group that will create the shares. They're one and the same.

You have heard other speakers this morning indicate how the Pool has reaffirmed its commitment to co-operative principles. That has been a direction from the delegates. Could these shares permit the Pool to issue shares that were not traditional co-operative shares? Yes, it could. Would they do that? Who can predict the future? I'm not aware of any intention to do that, and the intention I'm aware of is quite to the contrary.

I am aware that the bylaws which have been placed before the delegates this week for approval do reflect a share capital consisting of the three shares that have been described. I would also point out that to put in a restrictive regime of share characteristics in this legislation would regulate the Pool more than any co-operative subject of the director's jurisdiction would. Co-operative subjects of the Co-operative Associations Act have the ability to tailor-make their share characteristics through their constating documents subject to the limits of the Act. If we were obliged to do that, we would have to come back to you anytime we wanted to change a characteristic. I see that as a significant departure from the authority you've given the Pool and trusted them with back in 1991. So I see that as a backward step.

Section 39 was commented on. The director's written submission makes reference to the Co-operative Associations Act. I've described that this morning, so I won't repeat what I said. But I would like to point out that the provision in the amending Bill is not new. All we've done is taken the exemption from the Co-operative Associations Act and re-expressed it by referring to the proper citation for the Act. That's all.

The Securities Act exemption has been discussed. I won't deal with that.

I would again emphasize, as has been emphasized, that the Pool's present intention is not to go public. It's not to be looked at or to be treated as a special public corporation or to carry on business in any way other than a co-operative. We think the Bill as it's been drafted is enough to provide the Pool with a reasonable amount of flexibility for dealing with its capital needs, and we don't see it as a material departure insofar as the capital structure goes from the freedom that the Pool currently has.

With respect to the concerns about issuing shares to the public, those have been addressed, and we're happy to deal with them in some way that the Securities Commission will find acceptable.

Those are my submissions, Mr. Chairman.

THE CHAIRMAN: Thank you very much.

Mr. Hulit.

MR. HULIT: Could I ask Mr. Southwood, I believe it was, when he mentioned about the corporation: just run it by me again before the questions and answers start. What could I do? You told me something about transferring it from the corporation to the

individual. Did I miss that?

9:43

MR. SMILLIE: Mr. Hulit, the provisions in the new Act allow a corporation to transfer shares to one of its shareholders, transfer value and equity to one of its shareholders, and that shareholder, then, would be eligible to apply to the board to have his equity reinstated just the same as any other member would. The provision that it still entails, which it does for all members of the Pool, is that there is a basic conception that a person is ceasing farming or getting out of farming before the equity is returned in entirety to them. That is the same provision we've had in previous plans, and it's the same provision that's in this one.

MR. HULIT: Then are you saying that I would have to forgo all my shares in the company or the company dispose of its land before that can be done? Because the company is going to continue to farm, and I'm going to continue owning shares in the company.

MR. SMILLIE: Right. And my company, I hope, will continue to farm after I do the same thing. No, it's not meant that way. It's not talking about the shares in the company. We're talking about the Pool equity that the company owns. The company would have the ability to transfer some of that to you individually as a shareholder if you were leaving, say, the shares in your company for your son to farm, and those shares that were attributed to you – then you would be treated as an individual member under the Pool structure. That way you have taken corporate equity out of the company, rolled it into your own name, and you would be treated the same as any other Pool member.

THE CHAIRMAN: Okay. Might I suggest that your concern may be explored further when we get into the questions, and certainly I encourage you to get together with Mr. Smillie after and perhaps have some clarification.

I want to just point out so that we are all clear: a number of times we've heard reference to the new Act this morning. There isn't a new Act. We are just amending the existing Act, just so everyone understands.

All right. At this point, do you have any other concluding comments? I'm going to open the floor to questions.

MR. SILVER: If you wish, Mr. Southwood has communicated with the colonies, the Hutterite brethren on several issues, and if you want information on how those meetings went, he'd be prepared to give you some comments.

THE CHAIRMAN: Sure.

MR. SOUTHWOOD: During the weeks of February 5 and February 12 our treasury and financial department along with a tax adviser from Deloitte & Touche held seven seminars across the province from Lethbridge in the south to Grande Prairie in the north. We met with tax advisers and investment counsel, people farmers rely on and trust for advice. We explained to them the program and illustrated how effectively corporations and Hutterite colonies can manage their affairs to take advantage of the equity plan we're proposing.

THE CHAIRMAN: Thank you.

At this point, then, I want to encourage members of the committee to come forward with questions. I see Mr. Herard, Mr. Jacques, and Mr. Stelmach, and we'll build on the list from there.

Go ahead, Mr. Herard.

MR. HERARD: Thank you very much. Not being a person involved

in farming and so on, this is a little bit complicated for me, but it seems like you want to remain a co-operative but you want to have exemptions from the Co-operative Associations Act. You've expressed your unwillingness to have that Act apply to you because it has some detrimental effects on what you can do. You seem to want to act a bit like a business corporation, but you want to have certain exemptions from the Securities Act. We've heard this morning that a lot of these things are still up in the air as to details on exactly how these provisions would work and whether or not you could by bylaw offer shares to the public at some time in the future. I wonder how you expect us to make a decision with all these issues up in the air. Aren't we here a little bit prematurely with these issues still not being resolved? You know, it certainly makes a lot of questions in my mind as to what really we're going to do if we in fact approve or recommend amendments or whatever, because there are a number of issues that are still unresolved. I guess I'd need to have some persuasive argument as to why we should in fact continue with this when a number of questions seem to be still up in the air.

My second question would be: the government in Saskatchewan insisted that there be no substantive exemption from Securities Act provisions for the Saskatchewan Wheat Pool. I'd like to hear how your proposal differs from what happened in Saskatchewan and why substantive exemptions from the Securities Act should be granted here.

Those are my two questions. Thank you.

MR. SILVER: Let me make some brief comments, and then I will ask Mr. Mack and perhaps Mr. Smillie also to respond.

The driving force for us is direction by our delegates, who are really our owners, and the democratic structure of the organization. Their driving message is that Alberta Pool shall be a co-operative. While Sask Pool has ventured into a public arena to source their equity – and I think you understand what they have done – we are using a term called a share offer or a share structure, but I would ask you not to confuse that with the kind of thing both the United Grain Growers and the Saskatchewan Wheat Pool have done. Our source of funding is only through our membership, and we are very guarded on the fact that we will remain a co-operative. We would argue and our delegates confirm that going to the public to source your funds will sooner or later demand some participation in the board or decision process in their companies, and we question whether they're truly co-operatives once that process begins. If you are aware, UGG has taken several individuals to the board table who are not grassroots farmers. That is not the desire of Alberta Pool.

Perhaps for a more specific answer to that, Mr. Mack could give you further comments on why we have the issue of being exempt from the Securities Act. I think your concern is that we're asking for a share, but we want to be exempt from what is, in your terms, a normal process for sharing. Maybe you can defend that better than I can, Cam. I don't know. Or is there a further question to that issue?

MR. HERARD: No, that's fine. I'll listen to your advice.

MR. MACK: Well, rather than defend it, I think I can explain it, Mr. Chairman. I'd like to emphasize something Neil said, and that is that I know the Saskatchewan Wheat Pool model has received a lot of attention in the industry. I hope that won't be considered the model we're bringing before you, because they have their own vehicle. For their own good reasons their delegates decided to incorporate a share structure which involves publicly traded shares among other things. That's not what the Pool's proposing to do. That's not part of the Pool's equity plan. So please don't confuse us with them. They have their own plan; we have ours. Ours is as it's been described. It's not

intended to be a public financing vehicle: I'd like to re-emphasize that point.

Mr. Chairman, the hon. committee member mentioned two things that seem to be a bit up in the air. One was the co-op Act, and the second was the Securities Act. To take those in order, the co-op Act, in our respectful submission, is not up in the air. The Act currently says it doesn't apply to us; that's the status quo we wish to maintain. The director has expressed some views on that, which we respect but respectfully disagree with. In our respectful submission, the Alberta Wheat Pool has operated under its own Act for a considerable number of years. That has served the members well. There is no compelling need to change the status quo. We suggest that the committee need not do that for the reasons explained earlier.

With respect to the Securities Act, we have met with the Securities Commission. We understand that they have a role to play here. We've tried to give them all the information we can that will help them make those decisions. We understand there are things they need to be comfortable with. We want to help them get there at the soonest possible date. Had we not been meeting today, we'd probably be doing that after the Wheat Pool's meeting. And I'm sorry we didn't come to you with a completed package. However, I can assure you that the Pool's commitment, as I understand it, is to make that happen at an early time and to work with the Securities Commission, not against them, in that process. We understand their job, and we have no intention of trying to get around their area of jurisdiction in any way they would find offensive.

MR. HOLM: Sorry; if I just may add to that. I think it's also fair to say that the Securities Commission – and they can speak to this point directly – does not have a fundamental problem with the equity program. They are in agreement that this is the logical continuation of the existing patronage refund program, and it's a restructuring of that program. I think their concerns are just ensuring that down the road we haven't created a vehicle that is too broad.

THE CHAIRMAN: Mr. Jacques, and then Mr. Stelmach, Mrs. Gordon, and Dr. Nicol.

MR. JACQUES: Thank you. Perhaps I could address my comments and questions to Mr. Mack. Mr. Mack, as you're probably aware, when we deal with Legislature matters and particularly amendments to an Act, amendments to an Act trigger the process of the whole Act being looked at. It's fair game. In this particular instance it seems to me we have two fundamental issues as a committee to deal with. Number one is that should there indeed be an Alberta Wheat Pool Act. I think that's a fair question that we have to ask vis-à-vis, as you referred to, a generic form of legislation.

The second aspect is that if the answer to that question is yes, then we're back into these fundamental issues, some of which have been discussed here today or brought up in terms of the Alberta Securities Commission, Municipal Affairs. In listening to your comments with regard to anticipation of the question of generic legislation, you spoke of certain things – for example, using the other constituents such as lending institutions, the time factors and other issues – but I didn't get a degree of the compelling reason, if you like, as to why there should indeed in 1996 and going into the next century be a separate Act that is so unique that it shares very little with other forms of generic legislation in the sense of being exempt. I was wondering if you could be more specific in terms of: what is the fundamental issue of retaining that Act vis-à-vis not and going into generic legislation?

MR. MACK: Thank you, Mr. Chairman. I apologize that some of what I have to say sounds repetitive. I will try and limit that and

focus specifically on what the member has asked, which I understand to be: should there be an Alberta Wheat Pool Act, and if that's your submission, what are the reasons, the big-time issues, in effect? I hope I've characterized that correctly.

I'll repeat something I said earlier, perhaps by opening, and that is that I can't sit here with a straight face and tell you that this could not be done in any other way at all. Yes, it could. The question is: would that be a good decision for Alberta Wheat Pool and the people it represents, and is it a decision this committee needs to make to discharge its responsibilities?

9:53

Alberta Wheat Pool has carried on business and established its business relying upon the provisions in the Act which, in ways that I explained earlier, depart from what the co-op model permits. Alberta Wheat Pool has a very strong and active delegate component that the Co-operative Associations Act does not formally recognize as the Wheat Pool Act does. It also has capital provisions; i.e., the ability to withdraw capital up to 5 percent a year of the working capital, which could be a serious issue for the Pool. It's a financial issue that I'm not qualified to speak to. But you need to keep in mind that Alberta Wheat Pool is the biggest co-operative in the province, and some of these generic provisions that work very well for a number of co-operatives may not translate as equally into Alberta Wheat Pool. Alberta Wheat Pool has had a general corporate capacity which is not available to it under the Co-operative Associations Act.

Those are the technical reasons. The pragmatic reasons are that we have a large constituency of members and third parties who have decided intentionally to deal with this based on our legal attributes. A decision to change those attributes could be made but would have to be a consultative process. You would need to consider the interests of those parties quite apart from the Wheat Pool's corporate interests. Others can speak to this issue as well, Mr. Chairman, but my sense is that the Wheat Pool has economic opportunities and demands facing it that might be incompatible with the thoroughness of that process.

Those are my comments.

THE CHAIRMAN: Thank you.

Are there any other comments?

MR. SILVER: No. I may make some comments around all those things to wrap up, but nothing further to add to what he said right now.

THE CHAIRMAN: Thank you.

Mr. Stelmach.

MR. STELMACH: Thank you, Mr. Chairman. This morning we've heard some concerns raised by the Securities Commission and some by representatives from Municipal Affairs. I sense a bit of uneasiness about some parts of the presentation this morning, especially centred around the statement made that the preferred shares would only go to members, grassroots farmers. If you look under definitions, you have a member. It means "a person admitted as a member of the Pool in accordance with the Bylaws," but it does not include, of course, "a person whose membership . . . is cancelled . . . an associate member." It goes down defining shareholder:

"shareholder" means a person recorded in the Pool's share register as the registered owner of shares issued by the Pool.

Would you be able to give me some information as to who that shareholder may be if they are not a member of the Pool? You said

you will only offer shares to members of the Pool.

The other suggestion I may have is: if you keep referring this morning that you will only deal with grassroots farmers and no public offering of shares, why not focus that in section 18? You talk about having your delegates make any kinds of bylaws they see fit in the future – okay? – and I think this is where the Securities Commission and, quite frankly, we are a little concerned. You may change. The next group elected may say, “No; we may offer to the public.” But today you're telling us this is only to those members of the Pool; they've got to be grassroots farmers. Now, unless the definition you give after I finish my statement clarifies that, why not include in section 18 that this stays within the members of the Alberta Wheat Pool?

MR. SILVER: Well, I'm going to look to the committee for some support, but let me respond initially to your concerns. It is our ambition to have the shares held by our membership, but realize that occasionally a member may choose to take out his membership or decline to be a member but would still be a shareholder because of his investment in the share structure.

We also have provision to transfer, and perhaps you've read that part where we transfer to a family member. We keep that within limits, very much guarded, so that it does not become a public process. For that reason we may be transferring to a son or daughter who is not a member, so the language needs to be complementary to that process.

I'm not sure, Cam, whether you can offer any other support for the reason we don't clarify more.

MR. MACK: Just a couple of points, if I might. There really are two concepts that came up in the discussion. One is: what kind of shares can you issue? The second is: who can get them? I'd encourage you to read section 18 as referring to the first issue. Section 18 says what kind of shares you can issue, what kind of attributes they can have. We see that really as nothing different than our current freedom to tailor-make an equity plan that's reflective of what the members want. We want to be able to tailor our shares in the same way. So we see that really as just reflecting the fact that we're doing it through shares now, not through dollar credits in the program.

I understood most of the comments to refer to the concern about: who are these shares going to be held by, how do they get outside the hands of the grassroots farmers, and what kind of people are you talking about if it's not just them? Neil mentioned a couple of situations whereby a person could be a shareholder but not a member. It could be that a person was a member, received shares under the program, ceased farming, became an inactive member, had their equity accounts reduced to zero but still held shares. In that situation they would be a shareholder but not a member. That's one situation in which it could come up, but the genesis was membership for that one. Neil mentioned family transfers as another. The one I don't recall being mentioned was shares issued to Alberta Wheat Pool employees who are close to the organization and may choose to invest in it. Subject to those cases and, you know, people that would be related to them – a husband or a wife of an employee would be another example, or perhaps a member's holding corporation – that's the community we're looking at.

The concern that was expressed I understood to be largely referable to section 39; i.e., are you going to keep this as a grassroots member/employee related organization, or does it go elsewhere? That's the same concern that's been expressed by the Securities Commission, so our view on that is exactly the same. We're happy to do what it takes to make the Securities Commission reasonably happy, that we're not trying to use this as a Trojan horse for public financing. That's not the Pool's intent.

THE CHAIRMAN: Are you finished?

MR. STELMACH: Well, I guess we heard the intent, but how can we cement this in the amendments?

10:03

MR. MACK: One possibility, and this is for the Securities Commission to reply to, and they may wish to do that after reflection: we've made the suggestion that we can do that through an appropriately worded undertaking to the Securities Commission which has its enforcement basis in the Securities Act. We can say to the Securities Commission, “We undertake to issue shares in a certain way and keep them within a certain class,” and satisfy them through the private process in that fashion without having the Act itself to deal with it.

My colleague Mr. Holm may wish to explain that in more detail.

MR. HOLM: If it is helpful, I can explain that an undertaking given to the Securities Commission under the Securities Act – if the Wheat Pool were to breach that undertaking, it would have the effect of being an offence under the Securities Act and would be subject to the penalty provisions of that Act which, I'm sure the members are aware, are very severe.

MR. STELMACH: Then, Mr. Chairman, to clarify, the only way a person can hold shares in the Alberta Wheat Pool is to originally be a member? Okay. You'd have to deliver grain to the Pool to become a member, I suspect, because you'd have to be a grassroots farmer. Then if that member passes away and transfers their equity or shares to the family, that family may not have to be farming but can still have equity in the company.

MR. SMILLIE: Mr. Stelmach, that's correct. The idea of it is that there is no basic issuance of shares outside of people that are directly involved with patronage activity in the Pool. I wouldn't just call it delivering grain. We also now have provisions in our Pool for quite a few different aspects of that. But the basic idea of the share issuance and the revolving and long-term equity accounts that are set up for members are for members only, and that's the procedure we go through for shares. The only other person really not in that is an employee of Alberta Wheat Pool who's eligible to buy a class A share, and that's just more a system whereby our employees have a chance to invest in our company.

MR. STELMACH: That clarifies it quite a bit. Of the 57,000 members, how many of them are alive?

MR. SILVER: Of the 57,000, how many are alive?

MR. STELMACH: Yeah; active.

MR. SILVER: We have some difficulty in keeping our roll number very current. Anyone that holds very much equity at the time of death usually finds a way to let us know because it's to their advantage to extract, and of course at death the equity is immediately extractable from Alberta Pool. So we think we're fairly current, but I can't assure you that that number is entirely current. I guess further to that, we do have some ambitions to address that issue to some extent as we look at this share structure. Because some equity is of such minute amounts by that vast number of people – we're well aware that there are not 57,000 active farmers dealing with us at today's date. As we put this in place, we would hope to clean up what we might call frivolous accounts, and you would see that number constrain itself somewhat. I don't have a

number for you today.

MR. STELMACH: I do have another question.

THE CHAIRMAN: I think we'd better move on to the list, and we'll get back to you if there's time.

Mrs. Gordon, followed by Dr. Nicol and Mrs. Fritz.

MRS. GORDON: Thank you, Mr. Chairman. I do have several questions, and I'll just try to ask the questions. My colleague Mr. Herard mentioned fast-tracking and timing. I'd like to know when you did start on this initiative and when you hope to see it completed. I do have some problems and would like some things addressed as to what the Securities Commission's people have said as well as Municipal Affairs.

Mr. Hulit talked about in December of '95 receiving a cheque and the return, of course, was 5 percent. What are the expectations of your membership vis-à-vis the return on investment? What do you see that as being?

Also, you talked about these shares being available to employees. What happens when that employee ceases to be an employee, goes out for another job, and then really is a public person? What happens to those shares? Are they able to take them with them?

Municipal Affairs: I have a question there. Do you see these amendments as proposed in this separate statute for one co-operative precedent setting, and could it in fact be derogatory to other similar organizations applying for similar changes? I feel very strongly, Mr. Chairman, that I think there's a lot of work here to be done.

We've heard so many people this morning. I believe the Securities Commission in their presentation talked about reporting to the Securities Commission vis-à-vis the Securities Act on financing proposed issuance of shares, et cetera, and I wonder why they are not willing to do that. With the membership at 57,000 people, that's a lot of people that will certainly want to ensure that things are done properly and correctly, and I think they would welcome that opportunity to report that way.

Those are my questions.

THE CHAIRMAN: Well, she didn't talk for long, but she's got lots of questions.

MR. SILVER: Yes, and excellent questions.

I would ask Mr. Riddell to respond firstly about surrounding the time line of the process. If you would do that, Dale.

MR. RIDDELL: Mr. Chairman, we started the process with a contingent of delegates, directors from outside council and so on, about a year ago and have been working very feverishly trying to pull all the pieces together and brainstorm on what the members have been telling us and what we thought was a reasonable response and would also strengthen the equity position of the Pool. So it's been going on for about a year. We would like to wrap it up as quickly as we possibly can. We feel that the industry is changing so very fast with some of the trade rules, some of the amendments in our grain transportation Act that it will be critical for us to be out first in terms of investing what we think will be close to \$100 million in this province in the next very short time. Having the right spots and establishing our position in communities and so on, as I mentioned, is critical.

The return that we're offering on the A shares, which would be held by members who make an investment in the Pool or employees, is prime minus 1 and a quarter. That's the A share. The B share, which would be issued to the members on the basis of their revolving and long-term account, would be prime minus one-half a

percent, and the C share, which is the retired category, would be prime rate.

For the question on when an employee ceases to be an employee, Geoff, do you want to . . .

10:13

MR. SOUTHWOOD: Yeah. It's our intent that the employee would be allowed to continue to retain the shares. Keep in mind that the shares have no vote and they have no market; all they have is a return at the rates cited by Mr. Riddell.

Really, to the third question, or it may have been the second question, Neil, you can deal with the history on the investment return.

MR. SILVER: I'll do the best I can. You've touched on an issue raised by Mr. Hulit regarding a return that was offered once on our program that we had in place several years ago, and I'm going by recall, so I hope I'm fairly accurate. We did that on purpose to show some reward for the people that had their investment in our organization for a long period of time and were really not seeing any appreciation or dividend or income flow from the investment. What happened was that we were not as profitable as we had hoped to be as we rolled that program out, and because of the rules we created, we had to award a return on that investment or that equity and did not do it in a cash fashion but gave indication that his investment had appreciated in value. Technically, what we did for some of those people was create a tax problem by giving indication that we had enhanced his equity but really hadn't given him any cash, not even enough cash to pay the income tax. While it may have disappointed Mr. Hulit – or maybe it made him happy to see that structure. It did disappoint a number of people, so we reacted to that reaction.

Now, I'm not sure I've covered all your points, Mrs. Gordon. If I've missed some, please remind me.

MRS. GORDON: Okay. Just following up on the question and your answer to the employees: if his share has no value, why would someone keep it?

MR. SOUTHWOOD: The only reason an employee would keep the share is to continue to earn the dividend at the rates of interest Mr. Riddell cited, and at such time as they wanted to redeem it for the Pool, they could get full value. When I say there's no market, they couldn't go and sell it to somebody on the street. There's no public market created for them.

MRS. GORDON: Thank you for that clarification.

Mr. Chairman, if Municipal Affairs could just answer that about precedent setting.

THE CHAIRMAN: Mr. Palovcik, would you like to address that?

MR. PALOVCIK: Yes, Mr. Chairman. I believe Mrs. Gordon's question was: do we see these amendments as precedent setting, and will others wish to do the same thing? The answer to that question is yes. We see it as precedent setting for all co-operatives and credit unions. We point to the example of the Saskatchewan Wheat Pool in Saskatchewan as well as a credit union in Surrey, B.C., that has issued public shares, a public share offering. We're aware that in both of those jurisdictions the members of those co-operatives are struggling with the issue, and this is why we raised the issue of the wording of this amendment being very broad. Furthermore, there is a model co-op Act that has been developed by the Canadian Co-operative Association and which the federal government is considering introducing which would contain a lot of these

provisions and would probably serve as a model for a provincial statute.

We have in the housing and consumer affairs division business plan changes to the co-op Act tentatively scheduled for '97 or '98. We still haven't gotten into a thorough review of what some of the implications are. We've tried to point out some of them in our submission, the potential implications of going in the direction being proposed at the federal level of allowing co-operatives to basically become business corporations and issue all kinds of equity capital.

THE CHAIRMAN: Thank you.

Dr. Nicol, followed by Mrs. Fritz and Mr. Trynchy.

DR. NICOL: Thank you. A number of my questions were already answered on the employee part of the share ownership, but I guess what I'd like to ask is: if it's so simple that this memorandum can be filed with the Securities Commission, why hasn't it been done? You know, it seems to be the real stumbling block to the progression of this Bill and yet we haven't seen any action on it.

MR. SILVER: I think you raise a good point. You know, we've already commented today that this thing has come on a little quicker than we expected. We have approached the commission. Now, I'm not sure, Cam, whether you want to make any comments or not. It just becomes a time problem in my mind. Things are coming very quickly. We were aware that there would be sensitivity to this issue. Without putting the onus on someone else, we have attempted to deal with the issue, but we haven't succeeded yet.

MR. MACK: Thank you, Mr. Chairman. It is a process that can be time-consuming, costly, and lengthy, to do a prospectus for an initial public offering. My friend Mr. Holm is more qualified to speak to it than I am. However, we had approached the Securities Commission on the basis of saying: we would like you to understand what our primary focus is here and who the primary community for the share issuances is, and we don't think this is a community of people that needs the same level of protection that the average investing member of the public would, hence the normal prospectus procedure. We received a fair hearing from the Securities Commission. They asked some questions, and we come here in the process of attempting to work those out. But the simple answer is that we haven't done it because (a) we haven't had the Act amended yet, so we don't know if we can. We have taken it to the Securities Commission and said: we would like to use a different procedure here, recognizing that it's a co-operative, that we're primarily dealing with members and people close to them – as we've hopefully explained earlier in our submissions – and for that reason we don't think it's appropriate that we be regulated in the same way.

The expression "precedent setting" has been used. I would like to point out that United Farmers of Alberta is not subject to the Securities Act in my recollection. I believe there is also, although I haven't had the chance to confirm it this morning, an exemption in the Securities Act for certain types of shares issued by co-operatives. I'm not a hundred percent sure in making that statement, but my friend will check.

MR. HOLM: That is correct.

Dr. Nicol, if I may, I wasn't certain which memorandum you were speaking about which the Securities Commission has not received.

DR. NICOL: You were talking about an agreement with the Securities Commission to kind of clarify or limit your share offerings. As I heard the Securities Commission people speak – and we have their presentation here on paper – their real concern is that your shares will creep into the public through this exemption you've

got that allows your board, through bylaws, to change who can own the shares. You had mentioned earlier – I think it was Mr. Mack – that they were dealing with some kind of agreement or memorandum that would in essence make an expansion of the offering subject to the Securities Commission so that you would have penalties and all the repercussions of a violation of the Securities Act as, you know, the hammer that keeps you under control as to who owns your shares. Why hasn't that been done? It's a simple agreement.

MR. HOLM: That's helpful. We have a memorandum which we've provided to your committee, and the Securities Commission does have a copy of that memorandum. As well, Mr. Mack was talking about prospectuses. I would like to emphasize again and encourage the commissioner's comment: I think the commission's fundamental concern is not with the equity plan as proposed. It is on a going-forward basis that we do not have financing of the nature the Saskatchewan Wheat Pool has conducted. We have given the commission that assurance. I think they're satisfied with it. I think what they probably want to see is, as you say, an undertaking in writing or something a little stronger. In fairness, we will proceed.

MS CAMPBELL: If I may just speak for the Securities Commission, we have had some discussions with the Pool regarding what our concerns are. I think the members have accurately and very intuitively caught on to what our concerns are. We aren't as concerned with what the proposal is currently. Our concern is that you have members that are determined by bylaws. You're dealing with a large number of members, right now 57,000 people. It's very large. Our concerns are alleviated by the fact that, for lack of a better description, they are a close group of people that understand what is going on in the wheat pool business. They understand the business; they understand what they're getting into. Our concern, obviously, is that you start to expand the circle and you then get into the arena of a public offering or an offering to the public, however it's done.

We are very optimistic that we will be able to come to some sort of resolution with the Pool. Whether that's handled by way of an undertaking, we have to look into what the effect of an undertaking is vis-à-vis if you have legislation obviously in place. So there are some legal issues there that we have to take a look at.

However, having said that, part of the reason we're here today is because of the fast track this proposed Bill has taken. We simply have not had the time to deal with it nor been totally convinced that our concerns are being alleviated. We are optimistic, though, having said that, that there is a solution and one that probably can be achieved fairly shortly. We simply have to sit down and address our minds as to how best to deal with it. So I don't think it's something that's going to take a lot of time, but it is a concern. And there are some concerns. As I mentioned, we have a concern with the option program. We still have to deal with that concern. But having said that, it's not something that we feel can't be resolved.

10:23

THE CHAIRMAN: Thank you.

DR. NICOL: If I might follow up with just one final, back to the Securities Commission then. You feel confident that if the Act passes, some agreement can be reached that will be satisfactory?

MS CAMPBELL: Well, let's put it this way: we'd like to know what the timing is, because we need the time to assure that our concerns are addressed. I guess that's what the difficulty is. That's why we're here today, to say we do have some outstanding concerns. They have yet to be addressed. We're prepared to work with the Pool to

address the concerns to our satisfaction as expediently as possible, but they are still outstanding.

THE CHAIRMAN: Mrs. Fritz.

MRS. FRITZ: Thank you, Mr. Chairman. Mr. Mack, when you were commenting earlier – and I was looking at it as a bit of an analogy – you were saying that the United Farmers of Alberta don't have any exemptions under the Securities Commission. My question – and I don't know enough about this – is: do the United Farmers create and issue shares?

MR. MACK: Mr. Chairman?

THE CHAIRMAN: Sure. I don't know the answer; I hope you do.

MR. MACK: Thank you. I'm almost sure about the answer, but I'd just like to qualify that by saying I haven't read that Act recently, so I'm going off memory, Mr. Chairman. I don't mean to intentionally mislead anyone, but I'll give you the best information I have.

My recollection is that United Farmers of Alberta is organized by share capital, so it does issue shares. My recollection is also that the United Farmers of Alberta is exempted from the application of the Securities Commission by direct reference in the Act.

MRS. FRITZ: Thank you.

Mr. Chairman, can I ask for written clarification of that? It is an analogy and one I'll look at later.

THE CHAIRMAN: You sure can. Actually, Bill Pr. 5 is from the United Farmers, and they are proposing amendments to that legislation.

MRS. FRITZ: They are, but my question was more as to what the current status is in the issuing of shares because of the exemption and what's before. But I'll just ask for written clarification, and thank you, Mr. Mack.

Also, a second question I have is: how will this proposal generate increased capital for investment in facilities?

MR. SILVER: Well, let me respond to that, and I can ask different ones to enhance what I'm going to say.

MRS. FRITZ: Actually, please be very brief or do it in writing, because I am cognizant of the time. Thank you.

MR. SILVER: Do you want to go ahead then, Geoff?

MR. SOUTHWOOD: We will not be raising capital from the outside. All we're trying to do is encourage the farmers, when they have the ability to receive their patronage payments under the 10-year program and 20-year program, to leave their money in the Pool in the form of preferred shares. So it's essentially a way of retaining equity as opposed to raising equity.

MRS. FRITZ: Thank you.

I just have a third question, Mr. Chairman. Mr. Haydu, in the last sentence of your presentation you alluded to the people who were unable to join due to the nature of their farming business. I was wondering what you were referring to, if you could just expand on that briefly.

MR. HAYDU: If I understand your question, before people who could participate in the Pool were growers of grain and seed, and now we're expanding that membership qualification to people that

buy agri . . .

MRS. FRITZ: So you were talking more about the increase in flexibility of scope.

MR. HAYDU: Right. Yeah.

MRS. FRITZ: Okay. Thank you. I thought so, but I just had to clarify that. I appreciate that.

Mr. Chairman, I believe that the Alberta Wheat Pool, by what we've been presented with today, are here in the best interests of their members, and I have the same concerns that were expressed by many members here today. I'm hoping you'll clarify that in your closing remarks, and that is that it's unfortunate there are major outstanding issues from Municipal Affairs as well which you've received. I think there are about eight or nine issues that were put forward as well as the Securities Commission, and those issues are outstanding, they're fairly major even though you're here presenting the Bill today. My question is the same as others: how quickly that can be resolved and what the process will be.

Thank you.

THE CHAIRMAN: Thank you.

Just before I call on Mr. Trynchy, I want to correct. Pr. 5 is not United Farmers. It's Farmers' Union; it's Unifarm. That was my mistake. Unifarm has asked for amendments to their legislation, not UFA. Okay? Just so we're all clear.

MR. SILVER: They are substantially different.

THE CHAIRMAN: Yes.

Mr. Trynchy.

MR. TRYNCHY: Thank you, Mr. Chairman. I don't have any difficulty with what the Pool is trying to do, but this question is to you, sir. I believe, as all other members or most members, that this is premature because we don't have the answers yet from the Securities Commission and Municipal Affairs. How long would it take to come back with a package that we can hear without having to raise these questions? Because the questions I want to raise might be changed after the resolution is done between the two parties. How soon can we have them back to hear them again? That's a concern I have.

Then I want to ask a question you don't have to answer today. You might get this to me in writing. What is the total dollars in your patronage reserve fund, the dollars you have that belong to me and every other farmer in Alberta? If we were to draw that all out, what would happen to the Pool? Would you go to the bank and borrow those dollars to replace them, or could you? The last question is on corporate farms. I run a corporate farm. I don't think you gave the answer to the gentleman at the end in regards to when I can draw out my patronage dividends as a corporate farm. Is it over five years or at 10-year intervals? I didn't get that clear in my mind.

So those things: the patronage dollars in your fund – what would happen if we all took it out, what would you do then? – and the corporate farm. You can get that in writing to us, to me or to the committee, sometime. You don't have to answer it today, because we've only got a few minutes left.

Thank you.

MR. SILVER: Do you not want the answer today?

MR. TRYNCHY: Oh, if you could do it briefly.

MR. SILVER: Okay. If Mr. Smillie wants to respond again to the corporate, he can, or we'll defer that one. As far as the equity, our total equity is about \$160 million, and I've rounded that off. If you extract all the equity out of any corporation, I think you understand what happens. If you have no equity in a corporation, you can't approach anyone else to borrow money, so basically you've sold the company back to the members.

MR. TRYNCHY: Don't I understand that the equity you're talking about is the people's dollars?

MR. SILVER: Yes, it is, and that's sound co-op philosophy. Let me answer in a different fashion then. It becomes an issue because from time to time we issue to every member a statement of his share of the equity in the co-operative. What becomes confusing, if I might, is that when he gets that statement, he thinks it's cash like an investment in a bank. While the point you're making is it could be cash but only if you liquidate, once you liquidate you no longer own the assets. So to answer you, you can't do both. You can't have the corporation and have the cash.

MR. TRYNCHY: If we all liquidate, what happens then? That's the next question I asked you.

MR. SILVER: Well, the only way you can liquidate is to find someone to buy, to source the cash, because the cash is actually invested in the capital assets of the corporation, of the co-operative. In other words, it's the elevators that you see scattered throughout the province and a terminal in Vancouver. So in order to get the cash you either have to go to a lender and source the cash, who would then really be highly levered, or else you have to liquidate and sell to someone. It's part of our conundrum, because in order to rotate the equity in the organization, it's every co-operative's ambition to rotate from the older people to the younger people because that's survival. You have to be profitable to do that. While I'm not proud of it, we've gone through a few years that have not been as profitable as most corporations would like to be, and that has slowed down the process. At the present time, in the past year, we have been more successful and things do look more positive, generally speaking, in the ag field. We think we can be profitable not only to retire the private placement of funds we talked about earlier but also to retire the equity and have it done in a controlled fashion. That's really what happens with what we're doing with this structure. Creating the share structure has very good mechanics around how we would retire the shares and how we would reward the people that hold the shares. At the present time, it's more the luck of the draw, if I might, that you'll get reserves back out.

10:33

One individual has talked today about a number rotation, and it was received very well by our membership. It was not practical. The sums that had to be rotated became very large and it was going to take a substantial period of time to do that, so we went to the intermediate program which has now been contested. There were some problems with that. Hopefully this one is a much more mechanical process that allows us to do what we're trying to do.

MR. TRYNCHY: And the corporate farm?

MR. SILVER: Do you want to add anything to that, Gordon?

MR. SMILLIE: I think we all have to realize that every co-operative is based on not only the members' need for liquidity but also what the members' responsibility for ownership in the organization is. I

think that's a little different from perhaps some private companies. I think we as farmer members have a right to get liquidity out of the organization, but we are using the facilities and the business that the co-operative is providing to us too, so we also have a right to ownership. I think that's something that maybe gets forgotten a lot of times in today's business world.

The corporate farm issue. I'm sorry I didn't explain that well enough to you. The corporate farm never ceases to exist, but in order to give a corporate farmer the same status an individual farmer has, we've made provisions whereby a corporate farmer can roll equity out of his corporation into his personal name and receive the same status as an individual. If he's not going to cease farming, he won't be treated any different than any other farmer that doesn't cease farming, but it's a lease to get him out on an individual basis.

MR. TRYNCHY: The corporate farm quits the Pool today and moves over to Cargill. That's the point; I'm getting at that. Somebody says: "Well, we don't want to deal with the Pool anymore. How do I get my funds out of there? I'm going to the private sector."

MR. SMILLIE: I won't argue with you about the private sector. The corporate owner right now has a revolving account that's paid out to him on an amortized basis over 10 years, and his long-term equity is paid over 20 years. That money is paid back to him in cash every year the same as an individual member.

MR. TRYNCHY: Over 20 years, do you buy the corporate farm out?

MR. SMILLIE: His revolving account is paid out over 10 years, and his long-term account is paid out over 20. That's the same for every member under the new plan.

MR. TRYNCHY: Okay. Good enough.

THE CHAIRMAN: We're running out of time this morning. I have some concluding remarks I would like to make. I want to make some clarifications on time lines for the information of the committee and the information of members of the Pool and anyone else.

If there are any final, quick concluding remarks, I would offer some time to you, Mr. Silver, keeping in mind that we're supposed to be finished by 10:30.

MR. SILVER: Okay. There's one point I do want to make, and I will focus on that one. I know there's sensitivity to the issue around the Securities Commission, and hopefully we can find a solution to that one. The other one I want to make a comment about surrounds Municipal Affairs and whether we should be incorporated under federal co-op legislation or whether we should have our own Act. I guess we are prepared to participate with the House or whoever wants to deal with that issue. I would ask today that you give consideration to the issue we've brought to you on the understanding that we're quite prepared to enter discussions or examination of whether we really and truly do need our own Act. If that would somewhat give comfort to the members here today and to the hearing process, we're prepared for that because we know it's a question that's there. For those reasons we would be prepared to be involved in that. Hopefully, a time line will provide us the with comfort we need to develop the issue on the security.

Those would be my closing comments. Thank you very much for hearing us. I presume that I should make those comments at this time. We were surprised and appreciative of the opportunity to come here. We want to instill upon you that our ambitions are

genuine. I repeat again that our ambitions are to remain a co-operative. It is not a simple issue. It is a controversial issue. We watched a similar organization in a different province have some battles over the process they've used, and the message in our organization has been quite clear. While there is some indecision before us today about whether shares are shares in a public arena or whether they can be within a co-operative, the real ambition is to keep Alberta Pool an Alberta organization and keep it a co-operative. I appreciate the questions today. I am quite surprised and appreciative of the quality of questions, and hopefully we did our best to answer them for you. We'll let you deal with the matter before you in the best fashion you can.

Thank you.

THE CHAIRMAN: Thank you very much.

MR. MACK: Mr. Chairman, two things, if I might, in closing. There was one point that came up in several submissions that I don't recall was properly answered. The question had to do with the breadth of being able to define your membership under the bylaws, and the concern is that that somehow becomes an indirect vehicle for issuing shares to the public. I would like to again emphasize that that was not the intent. The intent of making membership controlled through the bylaws is that if we wish to extend the membership base to a different sector of the agricultural community, beyond what the Act permits, we have the ability to respond to that through the bylaws rather than by amendment to the Act. So it's not to attempt to circumvent the jurisdiction of the Securities Commission. We're happy to deal with that issue in any way we can.

On my part, I would like to express my thanks to Parliamentary Counsel's office for their help in preparing the Bill. It was done in very quick order. We sure appreciated the guidance of them and the staff.

Thank you, Mr. Chairman.

THE CHAIRMAN: Thank you.

I'd like to address a couple of issues that came up throughout the morning and specifically the time frame. If I could summarize my understanding of the discussion this morning, there are really two major concerns that have come about as a result of this morning's discussion. The primary one relates to concerns expressed by the Securities Commission with respect to a public share offering or a private share offering. I hear that the petitioners have indicated they are willing to enter into discussions or are presently in discussions to resolve that issue. Now, if that issue is going to be resolved, the resolution will have to be built into this legislation. I'm assuming it would require some amendments to the proposal we have before us. That can be accommodated within our structure.

The other discussion I'm hearing relates to the broader picture, the bigger picture of whether or not there in fact should be an Alberta Wheat Pool Act. That I don't think is going to be resolved by this committee at this time. My recommendation would be – and we can certainly have some discussion in committee – that if there is some interest on behalf of the committee to move in that direction, those discussions should be ongoing and should be dealt with at another time by another body. Those are the two primary areas that I heard discussed this morning.

Now, on the time line itself, I indicated when I talked last week when we set the meeting date that we were on a fairly short time frame. By the way, I want to make a special acknowledgement, and I'm not sure members of the committee are aware. The reference was made to a delegates meeting in Calgary. That meeting is happening as we speak. Everyone that's here from the Pool left their delegates' meeting in Calgary to come and join us, and I do

appreciate that. However, the time frame that we as a committee work with is fairly tight as well. We have hearings scheduled every Tuesday from now until the 23rd of April. Our original plan was to deal with all five of the private Bills on the 23rd of April, discuss them as a committee and finalize our recommendations that go back to the Legislature. If there are some proposals you have to bring forward to the committee with respect to any possible amendments to this Bill that would alleviate some of the concerns that came forward, those amendments would have to be to this committee prior to April 23, and we could deal with them at that time. If it's necessary that the committee have anyone from your organization present at that meeting, we would make you aware of that in advance. It may not be necessary that one of your representatives or a number of your representatives be at that meeting.

Our policy has been that we do not discuss the ultimate decision of the committee at the same time that we hear presentations from a petitioner. We don't feel it's appropriate that we have the petitioner in the room at the same time that we are having discussions on what the recommendations should or should not be. So if amendments were to come forward and needed to be discussed by the committee at that meeting on April 23, in all likelihood any decision would have to be deferred until May 1.

There is no way of knowing how long the session of the Legislature is going to be, but from past history, the spring session of the Legislature usually begins to wrap up towards middle to late May. Once we have a decision from this committee, it's still going to take a number of days for me as chairman to take forward any recommendations from this committee and have them dealt with by the Legislature. I don't have any control over how long the Legislature will sit. If I get back to the Legislature when it's still in session, and presumably that would be the case if we could have something settled by May 1, then there's every reason to expect that the Legislature would be able to deal with the committee's recommendations. If we don't have any resolution by sometime in the first week or so in May, then there's a possibility that the Legislature would be adjourned for the summer and we wouldn't have an opportunity to bring it back to the Legislature until the fall session. Just so everyone knows what the parameters and the time lines are. I don't have any way of knowing how long the Legislature is going to be in session. I'm saying that historically the Legislature has usually adjourned somewhere in the last couple of weeks in May. It could go as long as June. There's no way of knowing. But once it's gone, it's gone, and I don't have the opportunity to bring forward any of the legislation until it reconvenes in the fall.

10:43

With that, I want to again thank all of you for coming up. I would like to give special thanks to Mr. Hult, who drove up from Coutts yesterday. He advised that someone leaving and driving to Edmonton right in the middle of calving season with a spring snowstorm on is not the most popular person in the place. I do appreciate the fact of the special effort Mr. Hult made to join us here this morning.

I want to thank everyone for participation. Your co-operation has been exemplary. Any information I as chairman have needed has been forthcoming. I thank everyone. Hopefully we'll be able to have a resolution and the committee will be able to make some definite decisions prior to the adjournment of spring session.

Thank you very much.

MR. TRYNCHY: I move we adjourn.

THE CHAIRMAN: A motion by Mr. Trynchy that the committee adjourn. I take it there's no other business then. No, there isn't. The

motion's in order. All in favour?

HON. MEMBERS: Agreed.

THE CHAIRMAN: Opposed? Carried.

[The committee adjourned at 10:45 a.m.]

