

## STANDING COMMITTEE ON PRIVATE MEMBERS' BILLS

March 8, 1995

**The Chairperson:** — The business under consideration this morning is the continuation of hearings on private members' Bill 04. We have four witnesses scheduled this morning, and then at 11:30, we'll turn our attention to consideration of Bill 02, Our Lady of the Prairies Foundation. So there will be a break from 11 on in the consideration of Bill 04.

So I'd like to call now on Mr. Maurice Kostichuk. Welcome, sir. Just make yourself comfortable, and I'd just like to point out that the microphone has no amplification. The microphones are simply for the purposes of recording the hearings, so you have to speak to the room.

**Mr. Kostichuk:** — Good morning, Madam Chairperson, and members of the committee. I have a bit of a cold so if I'm not speaking up loud enough, please let me know.

I thank you for the opportunity to make this presentation. I think we have a very important subject here. And I make this presentation mainly on my own behalf, but also on behalf of the delegates in district 8.

On my own behalf because I'm not only a member of Saskatchewan Wheat Pool, but also a delegate and a former member of the board of directors of Saskatchewan Pool.

On behalf of the delegates of district 8, because even though the reasons for supporting the conversion of member equity into publicly traded shares may vary amongst our own group, support for the change was unanimous in our district.

I became a delegate in 1969 and was elected to the position of director in 1980, serving in that position until 1994, except for one term '86 to '88. I have always believed that if farmers hoped to achieve better returns for the commodities they produce, they need to maintain control over their products for as long as possible, ideally up to the time the product is purchased by a consumer.

Impossible, in most cases, to do that on an individual basis, but possible through a farmer-owned organization like Saskatchewan Wheat Pool was and is. And that's the kind of organization that could make this kind of

wishful thinking into reality. As I became more involved in Saskatchewan Wheat Pool, and particularly during the time I was a director, I became aware of the impact member equity could have on a cooperative.

I began to realize that at some point in the future this member equity account would grow to a size where paying out even a small percentage to the members would leave the business cash short, crippling any attempts to expand the business or undertake new ventures. Eventually a co-op would have to stop repaying member equity or go out of business.

When earnings are allocated to members, they become a liability to the cooperative thus hindering the ability of the co-op to raise capital for investment. The frustrating thing about this dilemma was that the better Saskatchewan Wheat Pool performed, the faster the member equity grew.

When I first heard the proposal to convert member equity to share capital, my reaction was no, never. But then I had to look at the consequences of doing nothing. The Pool could continue to operate for some time; however there would not be a great deal of money for operations and expansion. Certainly any new ventures that might provide farmers with any new or better markets for their products would be out of the question.

If Saskatchewan Wheat Pool allowed facilities to run down too far and this caused a loss of business, it would probably put Saskatchewan Wheat Pool into an unrecoverable position.

If Saskatchewan Wheat Pool was to fold, what would happen to member equity? Members would get some of that money, but chances are that it would be a small amount, so many cents on the dollar. Saskatchewan Wheat Pool could simply convert member equity into permanent equity; however that is totally unacceptable.

Another tactic could have been to retain all future earnings, but this too would leave the organization cash short in the near and intermediate future, thus effectively putting Saskatchewan Wheat Pool far behind its competitors in a rapidly changing environment.

In any event, the member would be the loser, either through the loss of services and opportunities that their organization provides or through the loss of all or part of their equity.

So it was with a great deal of soul-searching that I reached the decision I did, to support the conversion of member equity into shares.

True, the conversion creates some very fundamental changes within this cooperative. We're entering new territory. There are going to be some challenges before everything is running smoothly, but the conversion is going to give Saskatchewan Wheat Pool a new lease on life. The burden of repaying member equity will be removed, thus allowing for building of new facilities and services.

The Pool will be able to pursue new initiatives in the value added sector, thus enabling farmers to maintain control of their products for a longer period. Changes in the agricultural industry are happening very rapidly, and the recent federal budget is going to bring about a necessity to change even faster.

The move to convert member equity into shares will enable our organization to make those changes and position itself so it can provide the services farmers will need in the future. The organization will be strengthened, and a strong organization is something we need, particularly when the winds of change are blowing with such force.

The investment members have in Saskatchewan Wheat Pool will be protected. Shares will become part of the individual member's investment portfolio and as such could be used as security when borrowing, could be converted into cash, or rolled into a retirement package at the option of the member.

They will provide financial support from the time the shares are acquired rather than at the time a member terminates farming operations. There is no guarantee that the value of the shares will remain constant, but there is no guarantee on the value of member equity under the current structure either.

Control of the organization will remain in the hands of the farmers through the class A voting shares, and members will share in the earnings of the company through class B

shares. We are confident this will enable Saskatchewan Wheat Pool to continue to provide services efficiently to its members and customers.

Now a few words about how the proposal was handled in District 8. In April of 1994, we held a membership meeting in each subdistrict to explain the proposal to our shareholders. At these meetings we stated very clearly that this was a proposal and that we would hold other member meetings later to ask the members how they felt about the proposal.

The second round of meetings was held at individual shipping points in June, and based on these meetings, the delegates made their decision regarding the conversion. And at the special meeting of delegates in July, the delegates of district 8 supported the proposal. Since then, information has been sent to members directly from the Pool's head office and delegates have made every effort to answer questions on the subject.

We have tried to meet as many members as possible on coffee row and curling rinks and on a one-to-one basis. We have talked to local business people and to members of the legislature. We are confident our membership is well informed and supportive of this action.

In closing, I want to say once again that I and my colleagues did not make this decision to support the proposal in haste or without much thought. It was one of the toughest decisions we have ever had to make for our organization, and we humbly ask for your support.

And I'm prepared to answer any questions you may have.

**The Chairperson:** — Thank you, Mr. Kostichuk. I failed to mention that you're accompanied by Eugene Prychak.

**Mr. Kowalsky:** — Thank you, Madam Chair. Well thank you very much, Mr. Kostichuk, for these words. And they're quite plain and straightforward and I can understand what you're getting at.

Since the time that you started working on this there's been some . . . more recently there's been the news that the Crow rate is gone. I don't know if you were expecting it to go this

quickly or not. I would ask your comments on it, whether that is going to have any effect on . . . do you think that that makes this more urgent, this change? Do you think it's going to affect the Wheat Pool at all? And did you anticipate this happening before this process was done?

**Mr. Kostichuk:** — Well certainly the change in the freight rates is going to make this more urgent. I think as the branch lines close — and I believe they will with the new freight rate structure — we will have to put facilities in place to handle the grain on the main lines. So it's imperative that this goes ahead very quickly. I'm sorry, I forgot the second question.

**Mr. Kowalsky:** — The other question was, were you anticipating that the Crow was going to go so quickly?

**Mr. Kostichuk:** — No, not quite this quickly. But I think in the back of everyone's mind I believe that there was the feeling that some day it would not be there. The other factor that we also looked at was the fact that there were other groups building large inland terminals, and that this was the trend, and something that we have to consider in our future plans.

**Mr. Kowalsky:** — Thank you.

**Mr. Roy:** — Thank you very much, Madam Chair. Mr. Kostichuk, on page 2 when you talk about the member equity and the possibility . . . one possibility is converting the member equity into permanent equity. You say that that is totally unacceptable from your viewpoint. Why do you find that totally unacceptable in your view?

**Mr. Kostichuk:** — Well that money really, at this point, belongs to the members, and a lot of members are depending on that for part of their retirement income. So if you convert that to permanent equity, you take it away, and they lose everything. And I don't believe that members would let us do it.

**Mr. Roy:** — It has been suggested by some that this would be a viable option because a lot of Saskatchewan Wheat Pool members were approached, in particular the ones who had equity, where they can pull their equity out that they're eligible for. A lot of these members would be willing to turn it into permanent equity. Do you think that a lot of the members

would choose that route?

**Mr. Kostichuk:** — I'm sure that there would be a fair number. I don't believe that they all would choose to do that. But even if it was turned into permanent equity, it still doesn't solve the problem of raising capital. Because that money is already invested in facilities. So it's not like it's a fund sitting there in the bank some place that we could draw on it; it's working right now.

**Mr. Roy:** — Thank you.

**Mr. Carlson:** — Thanks, Madam Chair. Welcome, Maurice. On the bottom of page 4 and into page 5, you talk about some of the initiatives that you did in district 8 to inform your members. Do you believe that the members in your district are fairly informed about what the changes mean? Like do you feel that they know more or less the issues that are and the decisions that are going . . . how the Wheat Pool is going to be affected?

**Mr. Kostichuk:** — Yes, I think most of the members are well-informed. They've certainly had every opportunity to get the information.

**Mr. Carlson:** — Okay. I guess the reason I'm asking is on the other side of the issue is being a proposal about a membership vote. So you would feel comfortable, if the Pool had a membership vote, that the members would be voting and would be fully understanding the issue that they're voting on?

**Mr. Kostichuk:** — That's a very difficult question to answer. The members who have taken the time to be informed on these issues, I believe that they understand it. Those who have not taken the time are having some difficulty with it. And I find when I talk to people, initially they don't understand part of the proposal or how the shares work or things like that. And once it's explained to them, they are supportive of what we're doing.

So whether they're all fully informed or not, I couldn't really say, but I know once they understand the issue, they are supportive.

**Ms. Stanger:** — Just one question. One of the presenters last night said that there would be more options. I had never thought of this before the hearings, that there would be more options if the members' equity were converted

into shares and if they decided to do that. You mention that on page 3.

Could you expand on that? How do you see it? How do you see that you would have more options if your equity was converted into shares and you decided to do that?

**Mr. Kostichuk:** — Do you mean options for Saskatchewan Wheat Pool?

**Ms. Stanger:** — No, options for yourself.

**Mr. Kostichuk:** — For myself?

**Ms. Stanger:** — I'm talking about the farmers.

**Mr. Kostichuk:** — Yes. Well I think I've listed three options there. Some of the other options would be simply to pass the shares on to whoever your beneficiaries would be. It becomes part of your total farm operation. It's an investment that you own or that I own.

I don't know if I can expand any further on that. It's your property and you do what you see fit with it.

**Ms. Stanger:** — But you think it's a little more flexible than just having the equity in the . . .

**Mr. Kostichuk:** — Oh certainly it is, because equity in the Saskatchewan Wheat Pool isn't accessible to you until you retire from farming.

**Ms. Stanger:** — Thank you. Thank you for coming.

**Mr. Kostichuk:** — You're welcome.

**Mr. Britton:** — Thank you, Madam Chairman. Welcome to the committee, Maurice.

I have just one question. There's been some concern expressed around the table here about class B shares. Do you have any feeling of uneasiness in regards to the class B shareholders eventually taking control?

**Mr. Kostichuk:** — Well not really. I do think that there may be some efforts by some class B shareholders, in the event that they are owned by non-farmers, to put some pressure to influence the organization one way or another. However I think the rights of the class B shareholders are very limited, and I don't believe that there would be much opportunity

for them to influence a great deal or to have a great deal of influence.

It was also mentioned yesterday that at times the organization may run the business to favour the class B shareholders, but I believe that if the class A shareholders aren't satisfied, then the class B shareholders won't be satisfied either. You know this organization has to run to serve its members and customers.

**Mr. Britton:** — One supplementary; I take it from what you said that you feel the class A shareholders have enough control at this point in time to . . .

**Mr. Kostichuk:** — Yes, I believe they have.

**Mr. Britton:** — To ward off any concentrated effort by class B shareholders to take control?

**Mr. Kostichuk:** — Yes, I believe they have. In my experience at the Pool, I've seen how the delegates conduct themselves, and I believe that they would not be unduly influenced.

**The Chairperson:** — Are there any further questions that any member has? If not then thank you very much.

**Mr. Kostichuk:** — Thank you.

**The Chairperson:** — We'd like to call now on Mr. John Burton. Go ahead whenever you're ready.

**Mr. Burton:** — Okay, thank you. Madam Chairperson and members of the committee. My name is John Burton. I am presenting this brief on my own behalf, but members will be aware that I have been actively involved in the Co-operating Friends of the Pool.

I was born and raised in Saskatchewan and have spent most of my life in this province, the exceptions being one year in England on studies, four and a half years in Ottawa as a Member of Parliament, and almost four years in Zambia as a team leader on an agricultural planning project funded by CIDA (Canadian International Development Agency).

I am an agriculture graduate from the University of Saskatchewan and have been involved in agricultural affairs all of my life. I have been an active farmer since 1967, at

which time I joined the Saskatchewan Wheat Pool. Our entire family has always had a deep commitment to cooperative philosophy and practice. Both my father and my brother were Pool delegates, and I'm currently a member of the Wheat Pool committee at Fort Qu'Appelle.

I have consistently given all business possible to the Pool, and I felt a bond and a commitment to the Pool. That bond has been broken during the past year as a result of the Pool's actions. My experience is only one of many. There are many thousands of cooperators in Saskatchewan, each one of whom can tell their own individual stories about their association with the cooperative movement. Many of these people feel betrayed by the actions of the Pool in converting itself from a leader in the cooperative field to little more than a joint stock company with some elements of cooperative structure for a front. These people feel left out, abandoned, and powerless.

It is the membership who should make the decision on the proposed equity conversion. This is key. It is disturbing to see the Pool hierarchy hide behind the provisions that gives delegates the powers otherwise vested in the members. Those powers, I contend, do not extend, do not extend to the kind of fundamental change contained in Bill 04. Changes like that can only be made by members.

There is a big gap in thinking when it is suggested, on the one hand, that consultation meetings held around the province last year revealed little opposition, therefore members must approve; or on the other hand, that delegates reflected the views of the members accurately. And I do recognize that some delegates made a genuine effort to determine their members' views.

You've heard the arguments about the timing and other elements of the consultations. I wish to make some comparisons to illustrate the fallacy of the Pool's thinking.

Members will recall that a few years ago the political leaders of our nation reached an agreement on our constitution, known as the Charlottetown Accord. It was decided to ask for the nation's approval in a referendum. All of us know the result. Right or wrong, the people of the nation had a different view than their

leaders. That was only determined when the people of the nation were asked to say yes or no in a referendum. The same principle applies to the Pool's proposal.

Another comparison: most or all of you know that I was actively involved in political affairs for some time and ran in several elections. I met with both success and a lack of it, but on the occasions when I was not successful I had some absolutely great meetings. I was almost ready to declare myself elected. Probably the people at the meetings would have elected me. The point is that the real view of the voters was not known until they cast their ballots on election day. Similarly, the real view of Pool members cannot be determined until they have had a chance to vote on equity conversion.

I don't understand the reluctance of the Pool to hold a vote. What are they afraid of? Don't they trust their own members?

The Pool says the reason for the equity conversion plan is that it needs to generate more capital in order to remain competitive. I am prepared to acknowledge that the Pool needs to obtain more capital than the present system generates. But there are some contradictions. I have seen documents circulated to Pool delegates which allocate all of the increase in capital needs to the country services division. On the other hand, Mr. Larsen yesterday emphasized the capital needs of the diversification program. In my view, there is a need for more clarification on the question of capital needs.

The Pool then says that since 1991 it has intensively studied future financial requirements and methods of meeting them. Reference has been made to 38 options that have been studied. Members have never been privy to information on these studies nor even a full listing of these options.

It is understood that RBC Dominion Securities has undertaken much of the work. I asked for a copy of a consulting report on this matter. I was told it could not be released because it contained sensitive financial information. That is possibly so, but that still should not stop the Pool from making enough information available so that members could gain an adequate understanding of matters. The situation will be made even worse by the change in by-laws which restricts information directors formerly

gave to delegates on new projects.

It has been stated repeatedly by Pool officials that members can take comfort in the fact that control will remain with class A shareholders. I can only express discomfort. Some simple arithmetic tells part of the story. The number of class A shares sold will be between 57,000 — the number of active members, and 85,000 — the total number of members. The amount of money invested in class A shares will then be somewhere between 1.7 million and 2.55 million.

Each share will be held separately by an individual or an entity. The remainder of the \$288 million in shareholders' equity, plus whatever additional value is added on, will be converted into class B shares. It is only a matter of time until the major portion of class B shares is held in blocks by non-farmers for investment purposes.

Theoretical control structures cannot stand up against such an imbalance. It is common to have different classes of shares in a corporation, but there's usually a better balance between them. I support the contention that there are other ways of meeting future demands for capital. In my own case, I have suggested that I would be prepared to reinvest on a permanent basis some of the repayment of equity I am now receiving, as long as the Pool remains a true cooperative.

And if I might digress for a second, Madam Chairperson, Mr. Roy yesterday in questioning another witness, I thought, had the impression that I was suggesting that this reinvestment of equity that I was prepared to make would be on revolving basis or on a temporary basis. I was really suggesting I was prepared to invest it on a permanent basis.

Taxation of cooperatives is a key item. I am particularly interested in this subject because tax reform legislation was passed in 1971 while I was a Member of Parliament. One of the key issues was taxation of cooperatives. The government of the day had introduced a very oppressive measure. Numerous protests forced the government to bring in a new and reasonable tax system for co-ops. I led the fight in this issue for the NDP (New Democratic Party) caucus. I received special recognition at the next Pool convention for my efforts.

I have given this matter some study and would like to go through an exercise with you on another possible source of capital. I have reviewed this matter with a chartered accountant, but the exercise is fraught with some peril because there may be other factors which could not be taken into account in a review of this sort and which could nullify my tentative conclusions.

Basically the tax system since 1971 has provided that patronage dividends allocated by a cooperative are deducted from net earnings subject to corporate income tax. The remainder is taxed generally at a level of some 40 to 45 per cent.

The 1993 annual report would seem to fit this pattern. Figures for that year are . . . earnings before taxes, 49.500 million-and-some thousand dollars; patronage allocation, 26.100 million-and-some thousand dollars. Therefore the earning is subject to tax; deducting the second figure from the first is about \$23.4 million. The provision for corporate income tax in the annual report was \$9.1 million which is 38.9 per cent of the \$23.4 million. If most of the remaining \$23 million had been allocated to share equity, most of the \$9.1 million set aside for corporate taxes could possibly have been avoided.

There is an offset in that the extra patronage allocation would be subject to taxation in the hands of the recipient. Thus the Pool would probably want to make some additional general cash payment to shareholders to help offset the added tax liability to shareholders. It would be reasonable to expect that a substantial portion of the \$9.1 million set aside for corporate tax could have been retained in the company to provide extra capital.

The provision for corporate tax was higher last year than in previous years, but the above exercise suggests to me that more capital could have been retained in the Pool if more of the earnings had been allocated to share capital through patronage dividends. I recognize that bankers generally like to see some level of retained earnings when arranging financing. It seems to me that this is offset by the control directors have over pay-outs of equity.

I am also concerned about the tax situation under the proposed new regime. It will no

longer be possible to deduct patronage dividends from net earnings as in the past when determining tax liability. And that's in fact rather than in theory; in theory they could be. Thus earnings before tax of \$50 million, last year's level, could result in taxes of up to \$20 million or more, and that's using the 40 per cent figure referred to above.

As noted above, there may be other factors which I've not been able to take into account, but I think there is cause for concern. There is reason to be concerned that RBC Dominion Securities is doing the valuation and that the Saskatchewan Securities Commission will have no jurisdiction over the in-house trading exercise. I have been informed by my delegate that RBC Dominion Securities is doing the valuation. This is the same firm that has done previous studies leading up to equity conversion. I have no doubt that this firm will bring a professional approach to its assignment, but as I understand the accounting industry, that the accounting industry places some emphasis on the need for independence in valuations.

I question whether RBC Dominion Securities can provide the degree of independence desirable under the circumstances, especially since the Saskatchewan Securities Commission has no jurisdiction or authority over this phase of proceedings.

Put another way, who was protecting the shareholders' interests? The firm doing the valuation has been engaged in an exercise of corporate planning up to this point. A voice speaking up for the shareholder is needed, and certainly the Saskatchewan Securities Commission should have full authority under the terms of The Saskatchewan Securities Act to oversee the so-called in-house trading.

In fact the term in-house trading is no longer appropriate since it is clear the exercise will go far beyond members trading shares. The announcement of an employee purchase plan by the Pool also gives cause for concern. The plan is being financed by interest-free loans from the Pool out of members' money, and 25 per cent of the loan is non-repayable or forgiven. Members never have had a deal like that. It is not clear to me at this time when the plan will come into effect. Is it after equity conversion is complete? In any case, this is an exercise over which the Saskatchewan

Securities Commission should have full authority.

On the question of valuation, I should also draw to your attention that there are many different methods of valuation which can produce much different results. Without trying to explain the nature of each, I will simply list some of the methods: discounting of forecasted after-tax discretionary cash flow, capitalization of indicated or normalized after-tax earnings, capitalization of indicated after-tax discretionary cash flow, capitalization of indicated earnings before interest and income tax and before depreciation, and dual capitalization of indicated earnings.

My point is that more protection is needed for the shareholders, and certainly the Saskatchewan Securities Commission needs to have authority to deal with matters. I wish to endorse the recommendations made by the Co-operating Friends of the Pool to this committee. My presentation has attempted to elaborate on some of these recommendations.

In conclusion, I wish to join with others who want to save the Pool as a cooperative. My objective is not to keep things just as they are now. New challenges will have to be met in the future. But the accomplishments to date, together with the cooperative approach, provide a solid base to start. A rebuilding job is one of the challenges ahead.

There is an unhealthy state of affairs in the membership now as a result of the events of the past year. Market share will drop significantly, and it will be a hard job to get it back.

Furthermore, it has been evident to me for some time that the political structure of the organization has become quite rusty. My view of this matter predates developments of the past year. Possibly the present delegate system is outdated. I do not have any magic answers, but I think the matter should be studied by the Pool. In doing so, it should not be forgotten that the members may have some good ideas. Respectfully submitted.

**The Chairperson:** — Thank you, Mr. Burton. Are there questions for Mr. Burton?

**Mr. Kowalsky:** — Good morning, Mr. Burton.

**Mr. Burton:** — Good morning.

**Mr. Kowalsky:** — On page 5, Mr. Burton, you mentioned in your second paragraph:

In fact, the term inhouse trading is no longer appropriate since it is clear the exercise will go far beyond members trading shares.

What is your understanding of who will be eligible for the trading of the shares? And where they might . . .

**Mr. Burton:** — Well the term that has been used on quite a number of occasions has been the possibility of employees buying shares, which I presume would be at the in-house trading stage.

And secondly, the term outside investors has been used quite extensively. And as was mentioned in one other presentation, the Pool officials have indicated they've talked to every major investment dealer in the country.

**Mr. Kowalsky:** — Now if it would include outside investors, would it also include ordinary Saskatchewan citizens who might have \$5,000 sitting some place?

**Mr. Burton:** — I presume so. I've not heard specific references to that, but I have no reason to doubt that that would be the case as well. But I don't expect that that's where the bulk of the money would come from.

**Mr. Kowalsky:** — And I want to go back to something we were discussing here yesterday, that is, with respect to the record on the previous vote that I believe was held in 1930.

**Mr. Burton:** — Yes.

**Mr. Kowalsky:** — I think you're familiar with that. Do you remember the nature of the question that was asked?

**Mr. Burton:** — I don't have that immediately before me, and I think that will be discussed later as well.

**Mr. Kowalsky:** — Do you think there's somebody that will be dealing with it?

**Mr. Burton:** — Yes, I believe so. Yes.

**Mr. Kowalsky:** — All right, then I'll just leave that for now. Thank you very much.

**Ms. Stanger:** — I want to go back to what Myron was discussing, and that's buying of the shares in that in-house trading. A couple of people have expressed concern about the employees buying shares in the company. What is your objection to this? If, say, that this went ahead, wouldn't employees be a natural to buy into their company? I mean this is being done all over.

I'm saying, what is your objection to that? If it got to that point where people were buying shares, wouldn't it be better for the employees to buy the shares than the outside investors that you're talking about?

**Mr. Burton:** — Well within the framework of the plan that the Pool has developed and if it were to come into place, I would have no reason to make a specific objection to employees. And in fact, as you suggest, there would probably be some merit in it from some standpoints.

The specific objection that I was raising in my presentation was the favoured treatment that appears to have been given to all employees, from the janitor right up to the chief executive officer . . . is the kind of deal that has never been made available to anybody else or any members of the cooperative.

**Ms. Stanger:** — Was there an opportunity for that before to be made? I mean the way it was set up, really . . .

**Mr. Burton:** — You mean under the present structure?

**Ms. Stanger:** — I couldn't have equity in the Pool before, as an outsider. I mean . . .

**Mr. Burton:** — No, there was no such opportunity previously. This is a completely new ball game now that's being entered into.

**Ms. Stanger:** — Yes, that's what I'm saying. Well this in-house trading exercise that's been mentioned . . . one of the presenters last night mentioned it. Could you give me some indication of some problems that could arise? I'm very sort of interested in whether the Saskatchewan Securities are there or someone else. Apparently until the Act comes



into force, the way I understand it, the Saskatchewan Securities can't be involved.

So what are some of the problems that you think could arise, John?

**Mr. Burton:** — Well I think that one of the specific areas of problems has to do with valuation. And that then has an impact on what value was placed on the shares that members have right now for purposes of proceeding with the whole exercise.

And as I said, I've no doubt that the firm involved will do a professional job. But I think there is some conflict of interest. And I know when I've discussed this with a few people who are familiar with the field, it's the first comment they made: conflict of interest.

And I guess I have further reason for concern . . . is what will happen from there? Because supposing . . . just to pick a number that the valuation came out at, well say they'd say it's between a range of \$1.10 to \$1.30 per one dollar of share. I have heard suggestions that have been made by delegates and at some Pool meetings — some of them closed Pool meetings, according to my information, involving delegates — that well what we'll do is we'll value the shares at the low end of that scale, whatever the range is, whether it's \$1.10 or whether it's \$8.10, but whatever it comes out at. And then that will give some room for the stock to rise on the stock market once the conversion has been completed.

This is the kind of concern that has been raised by some people.

**Ms. Stanger:** — Madam Chair, is there any opportunity for anybody like Mr. Larsen to respond to that? I want to get this clear in my mind.

**The Chairperson:** — You can ask questions, but I think we should finish with Mr. Burton's presentation and questioning of him, and then you could direct your question to a previous witness.

**Ms. Stanger:** — That would be all I'd ask is that one, but I can't get that exactly clear in my mind.

Thank you very much, Mr. Burton. You were very clear.

**Mr. Burton:** — Okay, thank you.

**The Chairperson:** — Are there any other questions for Mr. Burton? Thank you very much then, John.

**Mr. Burton:** — Okay, thank you.

**The Chairperson:** — Who do you think is the appropriate person to direct your question to, Ms. Stanger?

**Ms. Stanger:** — Well whoever . . . Mr. Beke likely.

**Mr. Beke:** — It is true that the . . .

**The Chairperson:** — Excuse me, Mr. Beke. Could I just ask Mr. Burton to step down if his presentation is over. Thank you.

**Mr. Beke:** — It is true that the Securities Commission does not have jurisdiction over Saskatchewan Wheat Pool because their jurisdiction is excluded under our present Act, and they will only gain jurisdiction after the conversion.

However, we have worked with the Securities Commission from the very outset, our position being that we would voluntarily submit to them. And to the extent that there is going to be more than just the conversion for the farmers but that outsiders are going to be acquiring these shares, they would have jurisdiction in that respect. That's not protected under our Act because we are then stepping outside of our Act.

And so the point though is to do with valuation. And the Securities Commission does not regulate valuation. That is up to any company that's going public with a public issue to determine the value, and of course the value will be ultimately determined in the market-place. And if they place, you know, a value on the shares that are not realistic, then of course the market will adjust that.

So for someone to say that there can be some improper action in this respect, I don't think understands quite how the market-place operates. The value will be placed on it by professionals, and they have to act professionally. They can't be putting a value that is skewed in some fashion, partly because their reputation is on the line; that's the major

discipline there.

If they put a value that does not make any sense economically, then their reputation is going to be hurt. And RBC Dominion is a large national corporation. It would be rather foolish for them to be placing some value that doesn't make any sense for this one piece of business when they handle big, big corporate financings across the country.

Does that help? Thank you.

**Ms. Stanger:** — It certainly presents both sides of things.

**Mr. Burton:** — Could I make a response to that, Madam Chairperson?

**The Chairperson:** — Well only in answer to a question from a member, John.

**Mr. Burton:** — Okay.

**The Chairperson:** — Are there any other questions? We're just a little bit ahead of time, but all of the witnesses that are scheduled to be here are here, so what is your wish? Would you like to continue? We call on Mr. Coates at this time.

Mr. Coates, I'm not sure whether you were here at the beginning. I just thought I'd explain to you that the microphone doesn't provide any amplification; it's just for the purposes of recording for *Hansard*. So you have to speak to the room.

If you'd like to introduce the people who are accompanying you.

**Mr. Coates:** — Okay. Thank you, Madam Chairman. Guests, hon. members, I'm George Coates and we don't represent anybody particularly. We're a group of neighbours and friends that have got together and present a bit of a brief.

So I'll just start, I guess, in saying that as long-time members of the . . . Well maybe I should introduce the rest: Cam Lang, Ernest Block, my wife, and myself. And one person isn't able to be here because of prior commitments.

**The Chairperson:** — Thank you. Welcome.

**Mr. Coates:** — Thank you. As long-term

members of the Saskatchewan Wheat Pool, we feel that we should present this brief to you, the members of this committee, outlining our ideas on the proposed Wheat Pool share conversion. We are asking that the required legislation be passed so that our company can begin the process of conversion as it's planned.

Over the years the Saskatchewan Wheat Pool has been our primary source of farm chemicals, fertilizer, and seed. We have delivered most if not all of our marketable grain to the Saskatchewan Wheat Pool. In recent years we have also had opportunity to buy certain lines of short-line machinery from the Pool.

We have used these services for several reasons, but the primary reason being that we as members share any profits that are generated. These profits are credited to us as equity. In many cases this equity has now built to a sizeable amount, depending of course on the amount that the members used the services of the Saskatchewan Wheat Pool.

I have made a little note there that \$50,000 now, plus, is not uncommon. So I'm just trying to make a point that we're not talking about a hundred dollars or five hundred; it gets to be sizeable.

In order to be competitive, the Saskatchewan Wheat Pool must modernize and diversify. This takes large amounts of capital that at present is raised through the use of loans or member equity and borrowing. Both or all must be repaid. The loans must be repaid, principal plus interest; and the member's equity, although it can be used at no cost to the Pool, has a cost to the member in that no interest is accruing to that member's equity.

Nearly one-half of Saskatchewan Wheat Pool members are over 55 years of age and they hold over \$100 million in equity in the Pool. As these members age and retire, the annual equity payments from the Saskatchewan Wheat Pool to these members will increase to approximately \$25 million per year.

Although new members and those members not yet retiring will continue to supply new equity, there will be in our opinion a net loss of equity available to the company. This in turn would restrict the Pool's ability to remain a

competitive player in the market-place.

In the event of a period of low earnings for the Saskatchewan Wheat Pool, there could be a further lack of equity generated. At the same time, the Pool would be committed to paying out members who wish to retire. This could cause a critical financial situation for the Saskatchewan Wheat Pool. In the short term, this would create a serious cash flow problem. In the long term, we would not have the capital to be competitive or to modernize or diversify into new and valued added products and companies.

The Saskatchewan Wheat Pool, in our opinion, must continue to grow and diversify into value added. In 1994, nearly one-half of our earnings came from affiliated companies. By adding value to our products, we can bring far greater returns to the producer, to the Saskatchewan Wheat Pool. And we think this in turn would be a great benefit to the province, and also to Canada.

In the past, we have been simply an exporter of raw materials. We think that there will continue to be much more raw materials exported, but we think we must diversify into new products, new areas, and perhaps into other countries in ways that our forefathers could not even have dreamed of.

In order for this to happen, the Saskatchewan Wheat Pool will require more capital than member equity can provide. New shareholders will provide that capital and also assume some of the risk now totally borne by members of the Saskatchewan Wheat Pool.

Risk in a co-operative is not often an issue, but it must be addressed. All those members who had equity in Co-op Implements lost it all when that organization ran into a combination of economic conditions, shortages of capital, and perhaps some bad decisions made by delegates, boards, and management of that organization. All farmers lost, in that there is now one less implement company competing in a market that is being dominated by large multinationals.

Just an example I've thrown in here. Farmers can no longer purchase a new power take-off combine. And of course I don't mean to insinuate that because if CI (Co-operative Implements) had been here they would have

been making that kind of machinery; but I'm just saying it could be. It's something we've lost.

We as members do not want the Saskatchewan Wheat Pool to find itself in a similar situation because we are locked into a structure that has become too rigid for the reality of the 21st century. The democratic structure of the Saskatchewan Wheat Pool is, we think, an excellent one. Members elect delegates from whom a board of directors is elected. These elected delegates provide guidance to the board of directors and can make and change policy of the Saskatchewan Wheat Pool as stipulated in the by-law or Act. All delegates, and therefore all directors, are elected by members and so therefore serve at the leisure of the members.

Elections are held in accordance with the by-laws and any member can be nominated as a delegate providing they meet certain criteria. All decisions taken in regard to the proposed share offering have been done in a democratic manner. Elected delegates have instructed the board of directors to proceed with the share offering.

We cannot foresee, with the new conversion, any weakening of the principle of the democratic control by the producer members. That is; one member, one vote. Only class A voting shares give the producer a vote, and only actual producers can own class A shares. No class A shares can be traded. All members must sell their class A shares back to the Saskatchewan Wheat Pool.

As members, we elect people to positions of responsibility. We have given them the mandate to give direction to the Saskatchewan Wheat Pool. Our directors have hired management and staff to manage in the best interests of all members. The board of directors, delegates, and management have advised the membership to proceed with this equity to share conversion.

From the very beginning the membership has been informed about the needs for and the implications of equity conversion to the farmer-owners. This was done by regular mailings to members, informational meetings, and a toll-free information line. To reject their studied advice would be the easy way in the short term, but would put our cooperative in a

vulnerable position in the long term.

Saskatchewan Wheat Pool is by Saskatchewan standards a large operation, but by world standards, a very small one. In order to compete in this global market, we must have the ability to expand into ventures that require much more capital and risk than our small numbers of members can or should be expected to provide.

Our competitors operate in the global market with vast amounts of capital and expertise. They will attack all that we stand for — cooperation, for democratic principles, for orderly marketing, and they will do it at every turn. We must allow our company to move into the next century in as strong a position as we possibly can.

We trust after your consideration you'll recommend passage of the proposed legislation that is required for the Saskatchewan Wheat Pool share conversion. We must be allowed to move our company into the next century in a positive and ever expanding way.

We thank you for this opportunity and for your consideration and time. Thank you.

**The Chairperson:** — Thank you very much, George. Are there any questions for Mr. Coates?

**Mr. Britton:** — Thank you, Madam Chairman. On page 5, I think I read that you feel that the delegates did not overstep their authority in recommending this conversion.

**Mr. Coates:** — I'm sorry, sir, I'm a little bit hard of hearing.

**Mr. Britton:** — Join the crowd. I said, on page 5 you say we — it's a quarter way down the page, talking about the delegates and the positions — we gave them a mandate. There has been some degree of concern expressed around this table that the delegates did not have the authority to recommend such a major change in the construction of the Wheat Pool as it is. Do I read you right when I read this, that you feel that they did have that authority?

**Mr. Coates:** — Yes, I do feel they had that right and that's why I think we made the point that the delegates in the long run are

accountable. We have a democratic structure that is set up and I guess similar to the democratic structure in the country. You elect a representative and he votes as he thinks he should. And in the end, if his constituents don't agree with what he's doing, they will be the judge; they will turf him out.

As I see it, we have elected delegates to do the job for us and they made a decision. Now I can live with that. I think we all can. If down the road we have members that say no, you shouldn't have done that, I think that's where the place is for them to remove that delegate if they don't like what he does. Is that . . .

**Mr. Britton:** — Yes, thanks very much.

**Mr. Roy:** — Thank you, Madam Chairperson, and thank you, Mr. Coates, for the thoughtful presentation.

On page 5 you indicate that class A shareholders — and I assume you feel very confident about this — the power and the control will remain in the hands of class A shareholders. And by the Act there's no doubt that it's clear that that's the way it's going to operate.

However we've heard a lot of submissions that once class B shareholders amass a certain percentage of the shares, and a lot of these will be non-farmers, they will try to exercise some kind of influence on the board of directors or the corporations, try to get some kind of control. And that's natural, because it will be control.

Do you feel confident that that is not going to take place? Do you still feel confident that class A shareholders are going to be able to resist this kind of pressure?

**Mr. Coates:** — I agree with you, there could be some pressure from class B shareholders. But I'm confident that as long as member-owners have the vote — and they alone are the people that elect the delegates — as long as that continues, I cannot see where . . . unless there's a scenario where enough of the member-owners agree with the class B shareholders that a particular change should take place, then I could foresee where those class A shareholders may elect a delegate that would agree with what the class B shareholders want.

But as long as — in my opinion and it's our opinion — that as long as we have a democratic structure that is in place and is a good one, as this one I think is, that yes, we will have control as long as it's the members that are electing that delegate and that delegate is responsible to them, as all you people are to your electorate. I'm confident that we can remain in control.

**Mr. Roy:** — Thank you.

**The Chairperson:** — Are there any further questions from any other members?

**Ms. Stanger:** — Thank you for your presentation, Mr. Coates. Then you don't have any problem with change in the legislation that takes a step out with the election of the delegates? They don't have to come back to the legislature as the new proposed Act. You don't have any problem with that?

**Mr. Coates:** — Not really, no, I don't.

**Ms. Stanger:** — How do you see that as a positive?

**Mr. Coates:** — Well I have enough . . . I don't really maybe see it as a positive, but I have enough confidence that in the democratic structure, I guess I have a long, not a history, but I have a lot of confidence in people, in the common sense of people.

When we go out in the country and have meetings and talk to people, sometimes I'm amazed at how the common people will eventually get down to the matter and get things straightened out. It may take them a couple of years, but I do believe that our democratic structure is strong enough to compensate for that.

And I may be a little off subject, but I'm a lot more afraid if we don't do something that we will all end up with . . . maybe not in the same situation, but similar to Co-op Implements. And I think they had a democratic structure and everything but something didn't work. And it doesn't matter, sometimes if you put philosophy ahead of business, you lose in that situation. And I think that this democratic structure that we have is a very good one. I'm convinced that as long as we have that structure and can continue with that I really don't have a concern about that portion of it.

**Ms. Stanger:** — So you don't have any concern that election of the directors will be made without the legislative staff then.

**Mr. Coates:** — No, not really.

**Ms. Stanger:** — Thank you very much.

**The Chairperson:** — Are there any further questions? If not, then thank you very much, Mr. Coates, and to all of you for making the trip and appearing before us.

**Mr. Coates:** — Thank you very much.

**The Chairperson:** — I'd like to call now on Mr. Alex Thompson.

**Mr. Thompson:** — Thank you, Madam Chairman, and members of the committee, ladies and gentlemen.

My name is Alex Thompson, born and raised in Davidson, commenced farming when I was 18 years old and joined Sask Wheat Pool that year. My father was one of the original signers of Sask Pool in '24. I have always been active in community life and served for over 30 years on the local Wheat Pool committee before I served as a delegate in district 10, sub 2, for eight years, 1982-90. I farmed for 46 years.

I give you this brief personal background so that you might understand why I rise to speak on my own behalf today. I feel that having participated in this organization's administration for all of my adult life, I am both qualified and informed to address the current proposals which stand to dramatically affect this farmer-owned cooperative towards which I have made an unflagging commitment.

That is why I rise to speak in opposition to Bill 04, 1995 because, Madam Chairperson, if it is passed by the legislature and becomes law, it will in my opinion terminate and end the largest and most successful producer cooperative in Canada, if not in the world.

It will in my opinion be a public company — nothing more or nothing less — but not a cooperative unless the legislature allows the word cooperative to be legislated as part of that proposed Act. The reason that I say it will no longer be a cooperative is because this proposed legislation, if passed, will delete two fundamental cooperative principles included in

the present Act. This in itself is a breach of trust.

Quoting from the explanatory notes to the proposed Sask Wheat Pool Act 1995, page 2, items 2 and 3: the restriction on payment of interest or dividends, S17 of present Act has to be removed. And no. 3: patronage dividends as a method of distributing earnings has to be removed. End of quote.

It will also revert to two classes of shares. The Sask Wheat Pool claims it has used the democratic process to inform the member shareholders of the options and due process of changing the financial structure and therefore the structure of the Pool.

Let us take a look as to how members were informed. I'm going to use my own subdistrict as an example. And I have reason to believe that most delegates and directors acted in a similar fashion. I attended my local annual meeting at Davidson in the fall of 1992 and in the fall of 1993. These local annual meetings are held in the month prior to the delegates annual meeting, which is held in Regina each year in the month of November.

My delegate and director for district 10 were both in attendance at both of these meetings. Neither one of them mentioned equity financing or share conversion or that a proposal might be forthcoming. I was totally in the dark as were the rest of the shareholders at that point. Then in March of 1994 immediately after the delegate elections had been finalized, the Pool held two delegate meetings; one for the southern part of the province and the other to accommodate the delegates in the north half of the province.

The purpose of the meeting was to drop the equity financing proposal on the delegates — news to them. Within days the Pool went public with their news and announced that a few information meetings about equity financing and shares, etc., would be held across the province in June — one of the farmers' busiest months of the year. And most of you are farmers and will appreciate that.

Then on to the July 1994 special meeting of the delegates held in Saskatoon. It was a closed meeting where shareholders were not even allowed to observe the so-called debate of delegates. In November of 1994 at the local

annual meeting in Davidson, neither the delegate nor the director reported or discussed in their reports the single most important event and decision the Pool has made since its inception — the decision to convert Sask Wheat Pool, a cooperative, into a public company. It was never discussed in the local annual meetings of Sask Wheat Pool held in Davidson in any one of three consecutive years.

I would like to deviate from the text for a moment. I'm going to make an insertion here on accountability and I'd like to point out here that sell presenters, both last night and today, have alluded to the idea that if your delegate is not what you want him or her to be, you should use the ballot you know, to oppose him or her.

I'm going to give you a little bit of how the elections are operated in this organization. Delegate elections are held in even-numbered districts in even-numbered years; and delegate elections are held in odd-numbered districts in odd-numbered years. Therefore you elect half of the delegates each year for a two-year term.

The elections for delegates in 1994 for all practical purposes were over before this board proposal was announced. The election in 1995 right now is almost complete, and the Bill could just as easily have been passed before the results were known. Even if there was a complete slate of new delegates elected this year — that would be 50 per cent of the total body — it would be like closing the barn door after the horse got out. I believe the timing of this Act was orchestrated with precision by the board and management.

I ask you, in the last few paragraphs I just read to you, would you call this democracy?

The Pool claims that the vote taken by the Sask Wheat Pool delegates on equity financing, along with the accommodating legislation in order to change the present Act, fairly represented all of the member-owners of the cooperative. To this I say, absolutely not, and I give my reasons.

Delegates recommend policy with respect to the Pool affairs and public policy of the corporation, but delegates, I submit, do not have the right to make fundamental changes to the Act. And I consider this a fundamental change, i.e., one member, one vote; number

two, patronage dividends allocation.

And I refer to the Wheat Pool's by-laws, and I will skip the first 1, 2, 3, 4 lines, and start in the middle:

The board may further provide that shareholders may vote on all questions or matters to be brought before the shareholders, including nomination and election of delegates, by a postal ballot, and that such vote shall be as valid and effectual as if given by a shareholder personally present at a shareholders meeting, and all the regulations and privileges made in pursuance hereof shall be valid and binding on all shareholders of the corporation.

Well I heard the argument made that this by-law only applies to the election of delegates. It's very clear there — including the nomination and election of delegates. So it is there.

To reinforce my argument, I cite what I believe to be a precedent-setting vote which occurred in 1930. And I draw the committee's attention to a book entitled, *The Saskatchewan Wheat Pool* by S.W. Yates, on page 143, 144 and 145. I will quote from it directly in a moment.

I summarize the contents of that report. A resolution was passed by the delegates of Sask Wheat Pool at the semi-annual meeting of delegates in the month of June 1930, calling for a vote by the member-owners on the issue of 100 per cent compulsory Pool in Saskatchewan. There were 82,876 ballots mailed, of which 58.6 per cent were returned. Of that number, 71.4 per cent were in favour and 28.6 were against.

This was asked for by one of the members by a previous speaker. And I turn to page 143. I might also add that I am sure this can be found in the archives of Sask Wheat Pool. I'm sure . . . I hope they have been preserved, the minutes of those meetings.

And I quote directly from page 43:

The last phase of this long-drawn-out controversy was entered upon at the semi-annual meeting of Pool delegates in the month of June when the question of 100 per cent control was once more introduced. The delegates on that

occasion passed a resolution favouring the taking of a vote of contract signers on the question. They also laid out the following principles which should be adhered to in any grain marketing Act and that might be introduced in the legislature and put into effect in case the suggested vote was carried.

And then we go on to three, four items.

(1) That all grain grown in the province of Saskatchewan should be marketed through one Pool.

(2) That the grain Pool to be provided for must be entirely under the control of the growers delivering the grain.

(3) That all producers of grain must have an equal voice in the control of the organization; and

(4) That before the proposed Act would come into force, it must receive a two-thirds majority of those voting in a special referendum of all grain growers in the province to be conducted by the government.

Following the decision of the delegates, the board approved arrangements for taking of a referendum and all of the contract signers, the question being submitted in the following form:

Are you in favour of your directors asking the government to pass a grain marketing Act to provide that all grain grown in Saskatchewan must be marketed through one Pool provided (a) that before the proposed Act should come into force it must receive a two-thirds majority vote in a special referendum of all grain growers in the province to be conducted by the government?

I think I've read you enough of it so that you get the gist of it, and it carries on.

The point to note is that the board of directors of Saskatchewan Wheat Pool call for a mail vote of member-owners enacted upon the results in compliance with by-law 5.02.

I would like now to refer to the explanatory notes with regards to class B shares on page 2

of the explanatory notes. And I quote: "In other respects cooperative (attitudes) attributes do not change." I guess it could be attitudes too.

I say the statement is totally wrong. They propose class A and class B shares. They also propose one vote for each Class B shares. These are major changes. One vote for each class B share. An A vote gets one vote; each share gets a vote in the class B's. Major, major difference.

Page 2, and I quote under the heading of:

Directors - Elections and Removal

The existing Act (s.4(f)) provides that Sask Wheat Pool may provide for the election of directors by delegates from each district. These provisions have been deleted from the Act and placed in the bylaws so that, in the future, the delegates (by a 2/3 majority vote) can decide whether they wish to nominate and elect any directors to represent the holders of Class "B" Non-Voting Shares.

The amendment gives the delegates authority to do that without going back to the legislature for a further amendment. This gives delegates the power to nominate and elect directors to represent the holders of class B non-voting shares. It also gives the authority without going back to the legislators to have the Act amended.

And page 3, under the heading of "Power to Pass Bylaws":

The exclusive power to make bylaws remains with the delegates, as in the present Act. However, if there are any of the following fundamental changes, then approval of the holders of the Class "B" Non-Voting Shares (by a 2/3 majority is also required).

And they list the three fundamental changes:

1. amalgamation with any other company where control changes
2. where substantially all of SWP's (Wheat Pool) assets are sold
3. and when new classes of shares are created or the attributes of the existing shares are changed

The purpose of this is to give the Class "B" Non-Voting shareholder a voice if the delegates decide to change fundamental terms and conditions that existed when they made their investment decision.

Isn't it strange that under the proposed legislation, class B non-voting shares have all these rights — most importantly, to have a vote if a fundamental change is proposed — when present owner-shareholders were denied a vote on the proposed fundamental change to the present Act.

This organization was formed to market farmers' grain production and was user driven. Any earnings were then paid back to the member-owner in the way of patronage allocation and/or dividends.

Under the proposed legislation, if passed, the company will become profit driven, the profits going to class B shareholders who could be anyone in the world.

I'd like to make one more insertion on my brief, Madam Chairperson. I would like to comment on Dr. Beke's remarks following Mr. Burton's presentation. The fact is that valuations are very subjective. Two professional firms can come up with two different values. That is why Mr. Burton stressed the need for additional protection for the shareholders' interest, particularly because of the possibility of conflict of interest.

In conclusion, I would recommend that third reading of this proposed legislation be postponed until Sask Wheat Pool gives the member-shareholders a vote on the proposition, and that it require a two-thirds majority of votes cast by the members, shareholders, to pass. Submitted.

**The Chairperson:** — Thank you, Mr. Thompson. Are there questions from any of the members for Mr. Thompson? No questions. Well I guess you've made yourself abundantly clear, Mr. Thompson, so there aren't any questions.

**Mr. Thompson:** — Thank you.

**The Chairperson:** — Thank you. At this point, we're ahead of time. We have heard everyone that was scheduled to be heard this morning,



except for the matter of the other Bill that we'll consider at 11:30. And those people that are making that submission are from Saskatoon. They're not here yet, and there's no way that we can get in touch with them to tell them that we're ready early. So I think in this situation, what we'll have to do is call a recess and come back at 11:30 when those witnesses will be here.

And our next hearing will be, on this matter — 04 — will be at 9 o'clock tomorrow morning. Thank you all very much for coming. The hearing is recessed.

**The committee recessed for a period of time.**

**The Chairperson:** — I'll call the hearing to order. And the matter before us is Bill No. 02 of 1995, An Act to amend An Act respecting Our Lady of the Prairies Foundation.

I'd like to call on Mr. Cline to introduce those who are appearing for the Bill.

**Mr. Cline:** — Thank you, Madam Chairperson, and members of the committee. I'm the sponsoring member of the Bill of course, Bill 02. And with me is Darlene Wingerak, who is a practising lawyer from Saskatoon with the firm of Robertson Stromberg. And she has been retained, along with her firm, for the foundation, and is prepared to give you a very brief outline of the Bill, and also to answer any questions you may have. So I'll just turn it over to Darlene.

**The Chairperson:** — Thank you. First, well I just have to ask, but there is no one here appearing against the Bill, so there'll be just the one witness. And before you proceed, I'd like to ask the Law Clerk to give his report.

**Mr. Cosman:** — Thank you, Madam Chair. In compliance with the requirements of rules 64, 69, and 102 of the *Rules and Procedures of the Legislative Assembly of Saskatchewan* respecting private Bills, I have examined Bill No. 02 of 1995, The Our Lady of the Prairies Foundation Amendment Act, and am pleased to report that in my opinion it includes no unusual provisions.

**The Chairperson:** — Thank you, Mr. Cosman.

**Ms. Wingerak** — Thank you, members of the committee. The purpose of the amendments to

The Our Lady of the Prairies Foundation Act is just to accommodate changes to the number of trustees and their manner of appointment, and also change the actual persons that are named in the Act as trustees.

Just to bring it up to date, for example, previously Mr. Joseph Leier was named, and now he has passed on of course. And currently the trustees of the foundation are those persons that are named. The object is to provide greater flexibility in the future for the trustees, for the persons who will be appointed as trustees, while at the same time maintain the family line in terms of members of the . . . descendants of James Peter Leier always forming part of the members that are trustees in the foundation.

**The Chairperson:** — Are there any questions that any of the members have?

**Ms. Stanger:** — Could you just give us a short background on how this foundation was established?

**Ms. Wingerak:** — It was established, I believe, originally back in 1957 by Mr. James Leier, the purpose being establishing a charitable foundation to support in particular the propagation of the Catholic faith, and other charitable objects. That's how it originated back with James Peter Leier.

**Ms. Stanger:** — Thank you.

**Mr. Britton:** — Can you give us a brief outline as to its purpose and how it functions?

**Ms. Wingerak:** — The purpose of the foundation? Like I said, the foundation was originally established with a charitable object and it receives funds and gifts and donations, and then the trustees of the foundation meet to make decisions as to where the funds should be applied, which charitable organizations donations should be made to.

**Mr. Britton:** — You said that they receive funds -- they will receive donations from other people rather than the Leier estate?

**Ms. Wingerak:** — Well I can't answer that positively for sure exactly how the funds . . . I know that there is funds that are managed by the trustees. Where the original sources came from, I can't answer that for you right now.

**The Chairperson:** — Are there any other questions? I guess we should move then to clause-by-clause consideration of the Bill.

And first of all, we need a motion to adopt the preamble. Mr. Roy? Is that agreed? Any questions? Agreed.

Clauses 1 to 4 inclusive agreed to.

**The Chairperson:** — And coming into force. Is that agreed? That should be clause 5. That will be amended to read clause 5. So that's agreed?

Clause 5 agreed to.

The committee agreed to report the Bill.

**The Chairperson:** — We need a motion to this effect:

Resolved that fees less the costs of printing be refunded with respect to Bill No. 02 of 1995.

Motion agreed to.

That is complete. Thank you very much.

**Mr. Cline:** — Well thank you very much, Madam Chair, and members of the committee. And both Ms. Wingerak and I would like to thank the Clerk's office and the Legislative Law Clerk for their assistance with respect to this matter. Thank you.

**The Chairperson:** — Thank you very much. Just before you adjourn, we've got the times . . .

**A Member:** — Oh good.

**The Chairperson:** — Yes. This reflects the agreement that was made by the House leaders yesterday, but it's not official until this committee adopts it.

So the time schedule now is, we cancelled . . . cancelling tonight. The proposition is that we will sit Monday, Tuesday, Wednesday, and Thursday evenings next week, and Tuesday morning. And we may not need Thursday. We're not scheduling any witnesses for Thursday, so that if we can conclude on Wednesday, we'll do that.

**Ms. Stanger:** — Okay, so Monday p.m.

**The Chairperson:** — Monday, Tuesday, Wednesday, and Thursday p.m.

**A Member:** — Can you get us a schedule of that?

**The Chairperson:** — Yes, we will. But we need a motion to . . .

**Ms. Stanger:** — And Tuesday morning?

**The Chairperson:** — And Tuesday morning. Just one morning — Tuesday — and the four evenings, with the last one being . . .

**A Member:** — Not Friday. Not this coming Friday?

**The Chairperson:** — No, not Friday. No. Tomorrow morning and evening, that stays the same. That was previously agreed to. And then the four nights next week and Tuesday morning.

**Ms. Stanger:** — But we may not need Thursday.

**The Chairperson:** — We may not, but it's there.

**Mr. Roy:** — I so move.

**Ms. Stanger:** — And you're not going to schedule anybody on Thursday. Oh good.

**Ms. Ronyk:** — We have the other two Bills to do and the clause by clause on the Wheat Pool Bill. That's all.

**Ms. Stanger:** — Oh, okay.

**The Chairperson:** — Is that agreed? Now I'll accept the motion to adjourn.

The committee adjourned at 11:45 a.m.