



Second Session - Thirty-Seventh Legislature

of the

Legislative Assembly of Manitoba

Standing Committee

on

Economic Development

Chairperson

Mr. Jim Rondeau

Constituency of Assiniboia



Vol. LI No. 2 - 6:30 p.m., Monday, June 25, 2001

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Seventh Legislature

Member	Constituency	Political Affiliation
AGLUGUB, Cris	The Maples	N.D.P.
ALLAN, Nancy	St. Vital	N.D.P.
ASHTON, Steve, Hon.	Thompson	N.D.P.
ASPER, Linda	Riel	N.D.P.
BARRETT, Becky, Hon.	Inkster	N.D.P.
CALDWELL, Drew, Hon.	Brandon East	N.D.P.
CERILLI, Marianne	Radisson	N.D.P.
CHOMIAK, Dave, Hon.	Kildonan	N.D.P.
CUMMINGS, Glen	Ste. Rose	P.C.
DACQUAY, Louise	Seine River	P.C.
DERKACH, Leonard	Russell	P.C.
DEWAR, Gregory	Selkirk	N.D.P.
DOER, Gary, Hon.	Concordia	N.D.P.
DRIEDGER, Myrna	Charleswood	P.C.
DYCK, Peter	Pembina	P.C.
ENNS, Harry	Lakeside	P.C.
FAURSCHEU, David	Portage la Prairie	P.C.
FRIESEN, Jean, Hon.	Wolsley	N.D.P.
GERRARD, Jon, Hon.	River Heights	Lib.
GILLESHAMMER, Harold	Minnedosa	P.C.
HELWER, Edward	Gimli	P.C.
HICKES, George	Point Douglas	N.D.P.
JENNISSEN, Gerard	Flin Flon	N.D.P.
KORZENIOWSKI, Bonnie	St. James	N.D.P.
LATHLIN, Oscar, Hon.	The Pas	N.D.P.
LAURENDEAU, Marcel	St. Norbert	P.C.
LEMIEUX, Ron, Hon.	La Verendrye	N.D.P.
LOEWEN, John	Fort Whyte	P.C.
MACKINTOSH, Gord, Hon.	St. Johns	N.D.P.
MAGUIRE, Larry	Arthur-Virden	P.C.
MALOWAY, Jim	Elmwood	N.D.P.
MARTINDALE, Doug	Burrows	N.D.P.
McGIFORD, Diane, Hon.	Lord Roberts	N.D.P.
MIHYCHUK, MaryAnn, Hon.	Minto	N.D.P.
MITCHELSON, Bonnie	River East	P.C.
MURRAY, Stuart	Kirkfield Park	P.C.
NEVAKSHONOFF, Tom	Interlake	N.D.P.
PENNER, Jack	Emerson	P.C.
PENNER, Jim	Steinbach	P.C.
PITURA, Frank	Morris	P.C.
PRAZNIK, Darren	Lac du Bonnet	P.C.
REID, Daryl	Transcona	N.D.P.
REIMER, Jack	Southdale	P.C.
ROBINSON, Eric, Hon.	Rupertsland	N.D.P.
ROCAN, Denis	Carman	P.C.
RONDEAU, Jim	Assiniboia	N.D.P.
SALE, Tim, Hon.	Fort Rouge	N.D.P.
SANTOS, Conrad	Wellington	N.D.P.
SHELLENBERG, Harry	Rossmere	N.D.P.
SCHULER, Ron	Springfield	P.C.
SELINGER, Greg, Hon.	St. Boniface	N.D.P.
SMITH, Joy	Fort Garry	P.C.
SMITH, Scott, Hon.	Brandon West	N.D.P.
STEFANSON, Heather	Tuxedo	P.C.
STRUTHERS, Stan	Dauphin-Roblin	N.D.P.
TWEED, Mervin	Turtle Mountain	P.C.
WOWCHUK, Rosann, Hon.	Swan River	N.D.P.

LEGISLATIVE ASSEMBLY OF MANITOBA

THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Monday, June 25, 2001

TIME – 6:30 p.m.

LOCATION – Winnipeg, Manitoba

**CHAIRPERSON – Mr. Jim Rondeau
(Assiniboia)**

**VICE-CHAIRPERSON – Ms. Nancy Allan
(St. Vital)**

ATTENDANCE - 11 – QUORUM - 6

Members of the Committee present:

Hon. Messrs. Caldwell, Smith

Ms. Allan, Messrs Cummings, Maguire,
Maloway, Penner (Steinbach), Rondeau,
Mrs. Smith, Mr. Struthers

Substitutions:

Ms. Korzeniowski for Hon. Mr. Lemieux

APPEARING:

Mr. Marcel Laurendeau, MLA for St.
Norbert

WITNESSES:

Bill 18 – The Teachers' Pensions Amend-
ment Act

Ms. Laurena Leskiw, Private Citizen
Mr. Doug Reynolds, President, Interlake
Retired Teachers' Association
Ms. Pat Bowslaugh, Private Citizen
Mr. Don Berry, Private Citizen
Ms. Marilyn MacNaughton, Private Citizen

Ms. Jan Speelman, President, Manitoba
Teachers' Society

Mr. Terry Clifford, President-Elect, Retired
Teachers' Association of Manitoba

Mr. Gordon Shead, President, Manitoba
Association of School Superintendents

Bill 26 – The Winnipeg Commodity
Exchange Restructuring Act

Mr. Mike Gagné, Interim President and
Chief Executive Officer, Winnipeg
Commodity Exchange

Mr. Gordon Cummings, Chief Executive
Officer, Agricore

Mr. Rees Jones, Chief Financial Officer,
CFG Futures Canada Inc.

Mr. Brian Flaherty, Private Citizen

Mr. Peter Lloyd, Director of Marketing,
XCAN Grain Pool Ltd.

Mr. Anthony Denis Cattani, Private Citizen

Mr. Ron Zimmerman, Private Citizen

Mr. Terry James,

Vice-President of Grain Merchandising,
James Richardson International

Mr. Alexander MacKenzie, Private Citizen

Mr. Glen Peters, Private Citizen

Mr. Jim Mann, Farmers of North America
Inc.

MATTERS UNDER DISCUSSION:

Bill 18 – The Teachers' Pensions Amend-
ment Act

Bill 26 – The Winnipeg Commodity Ex-
change Restructuring Act

Clerk Assistant (Mr. Rick Yarish): Good
evening. Will the Standing Committee on
Economic Development please come to order.

Our first order of business is the election of a Chairperson. Are there any nominations?

Mr. Stan Struthers (Dauphin-Roblin): Yes, I nominate the Member for Assiniboia (Mr. Rondeau) as Chair of the committee.

Clerk Assistant: The Member for Assiniboia, Mr. Rondeau, has been nominated. Are there any further nominations?

Seeing none, Mr. Rondeau is appointed Chairperson. Mr. Rondeau, would you please take the Chair.

Mr. Chairperson: Our next order of business is the election of a Vice-Chairperson. Are there any nominations?

Mr. Struthers: I nominate the Member for St. Vital (Ms. Allan) as Vice-Chair of this committee.

Mr. Chairperson: Are there any further nominations? Seeing none, Nancy Allan is appointed Vice-Chairperson. This evening, the committee will be considering the following bills: Bill 18, The Teachers' Pensions Amendment Act and Bill 26, The Winnipeg Commodity Exchange Restructuring Act. We have presenters registered to speak to both bills. Is it the will of the committee to hear public presentations on the bills first? *[Agreed]*.

Mr. Struthers: Could I suggest, Mr. Chair, that we begin with Bill 18. Hear those presenters, followed by Bill 26.

Mr. Glen Cummings (Ste. Rose): Just a suggestion. Also from time to time we have, if we anticipate being quite some time going through these bills, we ask the out-of-town presenters. That could mean that there would be people, depending on the list, that we might inconvenience some others. We leave that in the hands of the Chair.

Mr. Chairperson: Is that the will of the committee, to hear the out-of-town presenters first?

Mr. Struthers: Yes, and that is partly why I suggested Bill 18 first. I see there are four

presenters listed as out of town, so I think we should start with them and give preference to the out-of-town presenters.

Mr. Chairperson: Is it the will of the committee to hear the out-of-town presenters on Bill 18, then 26? *[Agreed]* I also understand that there are two out-of-town presenters for Bill 26. Is it the will of the committee to hear them first? So we will hear out-of-town presenters on Bill 18, out-of-town Bill 26, and then slip back to 18. Are we allowed to do that?

An Honourable Member: No, we will not break that up.

Mr. Chairperson: Out-of town-presenters, 18, then the rest of the 18, then out-of-town presenters for Bill 26 and then the rest for Bill 26. *Agreed? [Agreed]*

I will then read the names of the persons who have registered to make a presentation this evening. Bill 18: Marilyn MacNaughton, Jan Speelman, Terry Clifford, Laurena Leskiw, Gordon Shead, Doug Reynolds, Pat Bowslaugh and Don Berry; Bill 26, sorry about that if I murder your names: Mike Gagné, Gord Cummings, Rob Dzisiak or Rees Jones, Brian Flaherty, Peter Lloyd, Anthony Denis Cattani, Ron Zimmerman, Vic Janzen, Curt Vossen or Terry James, Alexander MacKenzie, Lawrence Yakielashek, Glen Peters, Don Stewart, Greg Webb and Jim Mann.

We have already covered the out-of-town presenters in attendance. They will hear them first in order of bills. How does the committee propose to deal with the presenters who are not in attendance today but have their names called? Shall their names be dropped to the bottom of the list and then dropped from the list after being called twice? *[Agreed]*

Is it the will of the committee to set time limits on presentations?

* (18:40)

Mr. Struthers: I would suggest, Mr. Chairperson, that we allow 15 minutes for presentations and then 5 minutes for question and answer period.

Mr. Chairperson: Is that agreed? *[Agreed]*

As a courtesy to the individuals on the waiting list, waiting to present, are there any suggestions as to how late the committee wishes to sit this evening?

Mr. Struthers: I would suggest that we, so that everyone can have a shot at presenting to this committee, hear all the presenters on each of the bills tonight.

Mr. Chairperson: Is that the will of the committee? *[Agreed]*

If there is anyone else in the audience that would like to make a presentation, and has not yet registered, you may do so with staff at the back of the room. At the desk in the back.

Finally, for the information of presenters, please be advised that 20 copies of any written versions or presentations would be appreciated. If you require assistance with the photocopying, please see our staff at the back of the room.

Committee Substitution

Mr. Struthers: Mr. Chairman, with the leave of the committee, I would like to make the following membership substitutions effective immediately for the Standing Committee on Economic Development: the Member for St. James (Ms. Korzeniowski) for the Member for La Verendrye (Mr. Lemieux).

Mr. Chairperson: Agreed? *[Agreed]*

Bill 18 – The Teachers' Pensions Amendment Act

Mr. Chairperson: For the first out-of-town presenters on Bill 18, Laurena Leskiw, private citizen. Do you have written copies of your brief for distribution to committee members? Please proceed with your presentation. Ms. Leskiw, go ahead.

Ms. Laurena Leskiw (Private Citizen): Thank you.

Mr. Chair and committee members, thank you for placing me on the agenda for Bill 18 on The Teachers' Pension Act.

Although I am a member of the Brandon Westman Retired Educators' Association and the Retired Teachers' Association of Manitoba, I should like to share with you a more personal side to the pensions issue, which I assure you is representative of many of my retired colleagues.

I shall direct my comments to three specific areas: First, the full cost of living allowance, COLA, as assured at my retirement and obtained until just recently; secondly, maternity leave buyback for retired teachers as granted active teachers; thirdly, retired teacher representation on the TRAF governance board.

I support the intent of Bill 18 to stop double dipping. The recommended termination of double dipping will assist the funding of my first two points, as I see it.

1. COLA. For some background for our full COLA request, let me revert back to 1961 for some personal history that is common to many retired teachers. We had two children, a boy, 9, and a girl, 4. We decided that if we were going to get ahead, I would need to supplement our family income. Therefore, I took the one-year teacher training at Brandon College. I applied for a one-year teaching position in Brandon, our home city. Dr. Betty Gibson, who was assistant superintendent and primary supervisor, advised me that when I was interviewed by the superintendent, it would be better if I did not mention that I had a preschooler at home as Mr. Hill was averse to hiring female teachers with preschoolers. A mother's place was in the home. Fortunately, he did not ask and I did not tell him, and I was hired.

During those years, there was no income tax deduction for babysitting costs. School policy stressed you were to notify the board as soon as you knew you were pregnant and resign that term, Christmas, Easter or June; no tenure, no job security. In those years one observed that some female teachers had a real weight problem. Loose clothing was in the fashion. Yes, the camouflage covered up their secrets and allowed them to continue teaching a little longer and receive the needed salary. Occasionally, in enforcing the board policy, the superintendent or the principal asked for her resignation as he observed it was not just obesity.

At that time, high school teachers, regardless of qualifications, were paid \$1,000 more than

elementary teachers, mainly female. As I recall, if you were a married man, as the breadwinner you also earned a supplement. Later, pregnant teachers were allowed a leave of absence, usually a full or half year, never in mid-term. Finally, we were granted maternity leave. There are still many retired teachers who receive smaller pensions because they do not have university degrees, Class 1 to 3 on the salary grid. They paid what was often referred to as a huge portion into their TRAF pension fund plus full Blue Cross and salary continuance premiums. I was fortunate to live in a university town where I could attend summer school and night school to get my degrees, but for many rural teachers this was not possible. Many were farmers' wives with a full career on the farm, as well as raising a family, or they were miles from universities.

In these areas, male teachers were often able to go to summer school, but that was almost impossible for many mothers. Consequently, these women's pensions are comparatively small, their lifetime salary and savings small, their years of pensionable time, on average, much less than male teachers.

We need full COLA to meet inflation which still does not meet our daily increases in the cost of maintaining a home. Further, these costs change very little after the death of your spouse. Although your income may be reduced by half or more, the costs of home maintenance, heating, Autopac, medications, et cetera, still remain the same. In fact, you often need additional hired help.

Female life expectancy is also much greater. Wednesday I was called to a city meeting on seniors' housing, where the CEO of the new Brandon Lions Manor reported, with their new addition, the average age of tenants in the total complex had jumped from 83 to 86 years. Single women tenants occupy 93.5 percent of this total occupancy of this new building—staggering statistics. The cumulative effect of no reduced COLA would be drastic over an extended lifetime. Full COLA is a necessity. Our TRAF goals and pensions were developed with the intent of full COLA.

In 1988, my husband had a severe accident. For three months we doubted if he would

recover. At a time like this one re-examines one's priorities in life. Thus, I took early retirement, thinking we could live a fairly comfortable life on his pension, my reduced pension and the assured full COLA.

In 1988, when I retired, my pension stub lists \$18.80 as the Blue Cross monthly deduction. Today it is \$60.50. This extended health insurance covers less each year with us paying fully for increasingly more services and drugs. The minimum level where Pharmacare kicks in rises yearly, drug costs skyrocket, escalating prices for gasoline, and yes, even the basic phone line. A phone is the lifeline for seniors and their families to allow a senior to live independently as long as possible. We must now pay for immunization shots, the public health nurse and, outside of Winnipeg, field vision tests as well.

A CentraGas spokesman told me today that our Manitoba gas bills have increased 65.3 percent from December 1999 to June 1 this year, with a further proposed increase of 31.7 percent by June 30. Seniors, often housebound, require more heating. Yes, our output often exceeds our input.

* (18:50)

For years I have been able to buy a year's supply of thyroid medication, priced at \$18.02 last year. However, this May, I must now pay the doctor five dollars to write the prescription refill, or make a doctor's appointment to see him, with the health care picking up his office call charges. In addition, I am only allowed a three-month supply for \$10.06, and then, in three months, I must repeat the process again. Now, as a math teacher, even I can see that this is not good economic planning—\$18.02 versus \$60.24. It definitely helps the doctor's and the pharmacist's income, but not mine.

You can see that a COLA matching this month's printed 3.9% CPI, or whatever percentage increase, usually does not cover the increased cost of living at the lower pension bracket, although sometimes it may at the higher end. We gave up disability pensions and made larger contributions to TRAF, so as we could be assured a full COLA in retirement.

The full COLA precedence has been followed. Without a full COLA, our standard of living will certainly deteriorate as inflation hits in the future years.

I know there are before you several proposals for revisions in the Pension Adjustment Account to enable a fully funded COLA. Please ensure that these legislative changes are made to The Teachers' Pension Act to allow this to occur. If over 60 percent of the TRAF fund is attributable to retired teachers, then surely we should share in the overall gains of the main fund instead of being penalized by the present restricted investment procedures of the PAA.

2. Maternity leave. The above historical information will enable you to see, also, the even greater need by retired teachers for the buyback of maternity leave, as granted this past year to active teachers.

3. RTAM on the Governance of the TRAF Board. My third point seeks representation of the Retired Teachers' Association of Manitoba on the TRAF Governance Board. In 1993, as a board member of RTAM, we began writing letters to TRAF and the Manitoba government asking for a representative on the TRAF Board. During my 1994 term as RTAM president, we met with TRAF, the MTS and the Minister of Education, Mr. Manness, again requesting the Lieutenant-Governor-in-Council to appoint representation from RTAM to this TRAF Board.

If one is to take seriously the basic principles of equal power, equal responsibility and equal partnership, then my graph—and once a teacher, always a teacher. I never miss a chance to do a little bit of math work with you. I also know that some people are visual learners and other people are auditory learners. I also know that the more senses that you can use, the better the retention of details. So please look carefully.

The red part is the part that is paid by the retired teachers. Need I say anything about the white part? In looking at the graph, you will see that our contribution should provide the rationale for RTAM participation as an important governance team member. We know first-hand what retirement entails. We have the time, the

knowledge and the life experiences. I understand many pension boards in other provinces have one or two retired teacher representatives. I hope the Government of Manitoba follows suit.

Thank you for allowing me to present my side of the pension story.

Are there any questions?

Mr. Chairperson: Thank you very, very much for your presentation. Do the members of the committee have any questions for the presenter?

Hon. Drew Caldwell (Minister of Education, Training and Youth): I just want to thank Ms. Leskiw for coming. There are a few people from Brandon here, and I know both Scott Smith and I are here today. So thank you for your presentation and all the points that you raise are salient and ones that are active in my office. Thank you.

Mrs. Joy Smith (Fort Garry): I want to also relay my thanks, Ms. Leskiw. It was a very compelling presentation and, being a teacher myself, for 22 years, I can fully appreciate the points that you have put across. I certainly think that you have hit on some very salient points that have to be addressed right now in the year 2001. Thank you.

Mr. Chairperson: Ms. Leskiw, do you have any response?

Ms. Leskiw: I just hope that you are all going to act very favourably once you have heard my—

Mr. Chairperson: Thank you very much.

Mr. Doug Reynolds. Do you have written copies of your brief for distribution to committee members?

Mr. Doug Reynolds (President, Interlake Retired Teachers' Association): I certainly do.

Mr. Chairperson: Please proceed with your presentation, Mr. Reynolds.

Mr. Reynolds: Thank you, Mr. Chairman.

I was asked by my organization to present a brief to the committee. My definition of a brief is one page, so this will not take very long.

On behalf of the members of the Interlake Retired Teachers' Association, I would like to thank the committee for this opportunity to express the concerns of our organization and those of other retired teachers.

The basic problem for thousands of retired teachers is that it was indicated that a full cost of living allowance would be available to us, as it had been for a decade previously, and, therefore, we planned our retirements accordingly. Most of us were not aware that the COLA payment was based on the Pension Adjustment Account's ability to pay, and we were dismayed to receive far less than 100 percent over the last two years. Although we did appreciate the 2 percent that we got last year. Once again, it appears that the adjustment for the year 2000 will provide an increase that is less than one-half of the cost of living increase.

Of course, all teachers are being impacted, but should Bill 18 not be amended to ensure a full cost of living increase annually, it is the recently retired, and therefore the youngest retired teachers who will experience the most adverse effects as we can reasonably expect to depend on our pensions for some 30 years hence.

Recently, retired teachers are concerned that without a full cost of living increase, they will have insufficient funds to see them through 20 to 30 years of retirement. If retired teachers agreed to a cap of two-thirds of the cost of living index, a typical \$20,000 annual pension in the year 2000 would have the purchasing power equivalent of \$13,600 in the year 2030. based on the inflationary rate of 4 percent. So, as you can see, inflation can really erode the pension.

As well, teachers who have been retired for 20 or more years will be hard pressed to live a comfortable lifestyle, as their pensions were based on salaries that were half of what salaries are now. Therefore, the pensions were minimal and a reduction of COLA compounds the problem.

Comparisons of the teachers' pension plan with other pension plans have been made. This is, however, like comparing apples and oranges. Teachers sacrificed a disability clause and paid

higher premiums to ensure that our plan would guard against the ravages of inflation.

We would ask that Bill 18 be revised to provide a better opportunity to realize a full cost of living increase for retired teachers, whose numbers continue to grow annually. If the government of the day were to meet their financial obligations to the pension adjustment fund, and if a formula could be devised that would enable surpluses to be transferred from account A to the PAA, the chance of realizing this would certainly be enhanced.

On behalf of my fellow retired teachers, I thank you for this opportunity to express our concerns. I am confident that this problem can, and will, be rectified to ensure the thousands of retired teachers in the province will have the retirement plan that they anticipated.

Respectfully submitted.

* (19:00)

Mr. Chairperson: Thank you very much for your presentation. Do members of the committee have questions to the presenter?

Mrs. Smith: Thank you, Mr. Reynolds, and I do commend you again for your presentation. The rate of inflation, I believe, is up to 3.9 percent right now, this year, and when you are asking for the cost of living, obviously it is a very, very important factor overall. It is really the umbrella under which this legislation should be put forward. I know last year it was 2 percent, which was below, I believe, the cost of living. Do you know how much below the cost of living that was last year?

Mr. Chairperson: Mr. Reynolds, you have to wait until I identify you for your mike to go on. Mr. Reynolds.

Mr. Reynolds: Certainly, it was less than the cost of living, but I cannot say exactly how much. But I know this year, we will be receiving 1.5 percent when the cost of living is in the neighbourhood of 3.25.

Mrs. Smith: So, it is quite self-evident that the cost of living is not there this year, or the year

previous. You had a percentage, and obviously in the past decade the cost of living was given to the retired teachers, is that correct?

Mr. Chairperson: Mr. Reynolds.

Mr. Reynolds: I am sorry, Mr. Rondeau.

Mr. Chairperson: Mr. Reynolds, it is for the purpose of Hansard to recognize you, so that they can turn on your mike and record it. Mr. Reynolds, go ahead.

Mr. Reynolds: It is my understanding that during the early '80s when inflation was running away that COLA was unable to keep up with the cost of living. But it is also my understanding that, from 1987 through to 1997 or '98, there was a full cost of living provided to teachers, and I recall going to pre-retirement seminars and being told time and time again that, do not worry, teachers' pensions are full COLA.

Mrs. Smith: I, too, thank you, Mr. Reynolds. I, too, remember that, and fully expected the full cost of COLA—or the full COLA. But, thank you very much. All of us, I can say on both sides of the table, all of us are very concerned about this issue right now.

Mr. Caldwell: I just want to thank the Interlake Retired Teachers' Association for making a presentation. You represent the only group from school divisions that have, and I certainly appreciate it, and we are working towards some resolution of the COLA issue. Thank you very much.

Mr. Chairperson: Thank you very much for your presentation, sir.

Pat Bowslaugh. Do you have written copies of your brief for distribution to the committee members? Thank you. Please proceed with your presentation.

Ms. Pat Bowslaugh (Private Citizen): Good evening honourable Chairperson and honourable members of the committee, several of whom I am pleased to recognize around the table.

Thank you so much for the opportunity of presenting my plea to this august forum of

decision makers. I have always believed that sharing one's point of view before a final decision is made is essential to people feeling that they truly are a part of the democratic society, given that their input is duly considered. Hence, I offer to you the following perspective. It is a personal story.

My father died almost 40 years ago at age 50. In a few short months, my mother will be 89. Although not always prone to tell my age, I am 59. I have the possibility of living to an age at least that of my mother, which would be another 30 years, or, I may live to an age average to them both, which would be about 20 years. Or, on the downside, I may not live another week, which would be of great benefit to the TRAF coffers.

When my father passed away, I had just turned 20 and was completing my second year of teaching. Although a very creative entrepreneur farmer for his era, my father, proverbially, ran out of time before he could ensure financial security for his family. As a family, we struggled for the next many years trying to escape the financial burden he had left behind. I silently vowed that I would be more attentive to my finances. I would be proactive.

Hence, as I left the employ of Brandon School Division in 1969 to have my first son, and, as you have already heard, there were no maternity leave clauses at that time. Unlike many of my female colleagues, I did not withdraw my accumulated pension benefits from those first nine years of teaching. And, when my children were little, I became a substitute teacher so that I could keep abreast of the changes in education. and be ready to return to the classroom when they were of school age. Ironically, my career as a substitute teacher flourished, and my first assignment, which was to have been six weeks, turned into exactly six months of tenure. I soon realized that I should not let the opportunity to contribute to my pension plan slip by. Substitutes in 1971 did not pay into TRAF, but I wrote to TRAF and asked if it was possible. Just send us your employer's verification of the number of days in the year that you are in the classroom and we will bill you accordingly. That was the response.

I retired from my principalship in June 1999, and I felt very gratified that I had 34.87 years of

pensionable service, which included those almost four years of substitute teaching. I had guaranteed my financial security. Whoops, within a few short months I found out that this was not so.

Financial security, to me, means that my purchasing power will not be eroded as the years pass by. It soon became evident that the cost of living allowance, which was to maintain the value of a pension derived after my career spanning 39 years, was not forthcoming. I am in a panic.

Forty-one years ago, my starting salary was \$2,900 per year. What would a person do with \$2,900 per year now? Although my gradual increase in salary over the years reflected increased experiences and qualifications, much of the increase in pay was a result of the negotiations between the local school boards and the local teacher associations throughout the province. Having sat on negotiating committees several times, I am aware that most often salary increases were reflective of the Consumer Price Index for that particular year. In other words, the salaries reflected a cost of living allowance.

So how does this relate to the necessity of a full COLA for those teachers who have now retired and will be retiring in the future? My initial statement of a possibility of my living another 30 years would require that my pension would need to have the same purchasing power in the year 2031 as it has today. Conversely, let us look at what my salary was 30 years ago. I have a photocopy from my personnel file from Brandon Division 40, which indicates that as a Class 4 teacher in my 10th year of employment my yearly salary would have been \$12,665, or approximately \$1,050 per month before deductions. Had the results at the bargaining table not resulted in cost of living adjustments over the next 30 years, my exit salary 2 years ago could have been just slightly higher than the \$12,665, reflecting my increased qualifications and my administrative assignment.

In the event that a full COLA is not forthcoming, the retirees that are here today, as well as those retired teachers both now and in the future, would effectively have their incomes frozen. The aforementioned example hopefully

illustrates what 30 years has the potential of doing to erode the value of a pension which today might be acceptable.

In closing, I wish to point out that every single pension is also a part of the economy. Pensions are used to meet the ever-increasing daily costs of living, as you have already heard, and a satisfactory pension is the key to both physical and mental health. Citizens, teachers who have contributed to the success of our province through both their professional teaching and active citizenry should not endure the stress of worrying whether their pension will allow them to continue in the lifestyle which their training and experience allowed them to establish while they were in the classroom. Please remember that research is showing how stress precipitates a multitude of illnesses. Needless to say, our health care system cannot afford to support more afflictions. Please be proactive, as I tried to be at the beginning of my career, and address the concern for a full COLA in a positive way so that your retired teachers in Manitoba do not become a financial burden on the system as the future unfolds.

If I might just explain that, although presenting as a private citizen, I was recently appointed vice-president of the Westman Retired Educators' Association, and tonight I serve as the carrier pigeon and bring to you two pages of signatures from our members respectfully pleading for attention to this issue, and here they are.

* (19:10)

Mr. Chairperson: Thank you very much, Ms. Bowslaugh. Are there any questions for the presenter?

Mr. Caldwell: Just to say, hi, Pat, and it is good to see you and I know that Stan was in your school when you were at Meadows. Thank you. I appreciate your remarks, particularly on COLA. It has been a vexing issue for me for the last 18 months, and it is something that we are working on, as well as the governance issue. Those are the two major outstanding issues that we are working on. As I said earlier, it is a live issue in the office and please pass those remarks along to the Westman Retired Educators' Association.

Mrs. Smith: Hi, Pat. It is so good to see you. I know the number of years you certainly put in and the dedication you had and still have to the teaching profession. I just want to personally thank you for your very insightful presentation.

Mr. Chairperson: Thank you very much. Do you have any response?

Ms. Bowslaugh: If I might respond to the Honourable Mr. Caldwell and thank Mrs. Smith as well. I appreciate and you need to know that we really have imprinted on Drew's mind because in the parade, the Travellers' Day Parade, a week ago on Saturday, he actually, in chorus, in unison, called out to all the people on the route as we waved to him: COLA, COLA, COLA.

Now, if he may do the same to you in the next few weeks, we would be eternally indebted. Right, Scott?

Mr. Chairperson: Thank you very much.

Mr. Don Berry. Do you have the written copies for distribution? Thank you. You may proceed with your presentation, Mr. Berry.

Mr. Don Berry (Private Citizen): Mr. Chairman, members of the legislative committee, I thank you for giving me this opportunity to speak about the proposed amendments to the act governing teachers' pensions. I have two main concerns. The first one is a concern in the area of COLA, and the second is the governance of TRAF.

Like most teachers who have retired since the late 1970s, I retired with the expectation that my pension would be fully indexed, provided the pension fund generated sufficient funds to cover the costs. To make this possible, teachers agreed to increase their pension contributions and to pay their own disability insurance.

In the last year that I was teaching, that was 1998-99, I paid \$4,094.02 into the pension fund, and \$650.27 for disability insurance. I bring these figures to your attention to demonstrate the significance of teachers assuming responsibility for their own disability insurance.

I understand that the Government wants to peg our COLA at two-thirds of the CPI, similar

to the COLA received by the civil service. This is not fair, because teachers are paying their own disability insurance and contributing at a higher rate. We have fulfilled our part of the agreement. To change our COLA to two-thirds of the CPI would be viewed by teachers as Government renegeing on the deal that was made.

I realize that the Pension Adjustment Account does not have sufficient funds to pay the CPI this year. However, there is a large surplus in the pension fund, part of which could be used if the legislation was changed. I urge the committee to look at the historical facts, and ensure that fairness is taken into account when the legislation is changed.

This brings me to my second point. I cannot understand why retired teachers do not have representation on the TRAF board. Over 60 percent of the money invested by TRAF has been contributed by retired teachers. The pension plan serves all members, both active and retired. We are all concerned that the account performs well.

Retired teachers need to be represented to give retired teachers' perspectives on the result of any proposed changes. There are some retired teachers who have the knowledge and skill to make a significant contribution on the TRAF board. Other provinces have given retired teachers representation on their pension boards.

And the last point: the performance of our pension fund is vital to our health and welfare.

I just will add one point. Just because you retire does not mean that you lose all your skills. I serve on five boards. I cannot understand, as I say this one really irritates me, that retired teachers do not have a voice on this board. Thank you very much.

Mr. Chairperson: Thank you very much for your presentation. Do members of the committee have questions to the presenter?

Mr. Caldwell: Thank you. I just appreciate the good delegation from Brandon tonight. I am happy to see you here. I am always happy to have a lot of Brandonites in this building, because it does change the perspective of the

way people think here. We are having Brandon perspective.

As I said to Pat earlier, Don, the issue of governance is something that is alive in the office right now, as is COLA. So we are working toward creating a solution to these vexing issues. Certainly I appreciate hearing your concerns tonight. They will go into our deliberations as we continue work on the Government's issue. Thank you.

Mr. Chairperson: Mr. Berry, did you wish to respond?

Mr. Berry: I just thank you very much.

Mrs. Smith: I want to thank you again, Mr. Berry, for your presentation. I have to commend you for the arguments that you made, because it shows the fairness that teachers have shown over the years—the good faith we all had. The point you made about the disability insurance, I know personally of a large number of teachers who have shared that with me. I know myself, when I was teaching, that was something we had to take on, and it is quite expensive.

I must point out, too, that in concurrence the other day, the minister and myself were talking about this very point of the COLA and of the TRAF governance. He did assure me in concurrence, when I asked him, that was something he was taking very serious consideration to. So I am assured that with your very capable presentation, it just reiterates some of the things, some of the questions, that I personally asked the minister, and he was very accommodating in assuring me that this was on top of his agenda.

Mr. Berry: I would just like to thank you for giving us your consideration, and, as I say, we are all interested in having this resolved in a favourable way.

Mr. Glen Cummings (Ste. Rose): Yes, I note in the bill that we have that there is a transfer of funds being made, but I would presume, or I would be pretty sure, that the teachers' association, The Retired Teachers' Association, has some idea of what needs to be done to permanently fix this. Is there a formula or any

suggestions that yourself, or on behalf of the association, might make in terms of changes, additional changes that would need to be done?

Mr. Berry: There are some presentations to follow that I think will address your question.

* (19:20)

Mr. Chairperson: Thank you very much for your presentation.

Marilyn MacNaughton. Do you have written copies? Thank you. Please proceed with your presentation, Ms. MacNaughton.

Ms. Marilyn MacNaughton (Private Citizen): Good evening, Mr. Chairman, honourable members of the committee.

I am also telling a personal story. Maybe it is part of being a teacher; maybe it is part of being a woman. I am not sure of which. However, my story is slightly different from those that you have heard previously. This is not to say that it should in any way discount from the issues around the COLA, or around the issue of governance. Just that I wanted to bring another issue to the fore in another perspective.

At the beginning of my brief, I have stated, for example, that there are no quarrels with some of the other provisions, simply that I want to focus on the one aspect of the bill, and that being the 120 days that is being proposed for teachers to be allowed to teach while they are drawing pension.

I would like to suggest to you, among other things, that we have three issues here. One, being age discrimination; a second one being impracticability; and the third one being lack of support from the teachers of Manitoba.

In the first instance I suggest to you that Bill 18 targets and penalizes teachers between the ages of 55 and 65. There appears to be no problem with teachers collecting their pension and continuing to teach full time after 65. This bill, in itself, discriminates against a group of teachers on the basis of their age. If you are in this 55-to-65-year age bracket, I believe that you are unfairly penalizing mostly older women who

choose to draw on their pensions, but need to continue to work part time.

Now, I am assuming that having heard the other presentations, you have already gotten quite a clear picture of why some of those needs might be in place. In any case, neither the pension that they would receive nor the part time work, by themselves, would provide sufficient funds to maintain a respectable lifestyle.

These older female teachers may have chosen to draw their pensions because, even if they taught until 65, they still would only get a minimal pension. They may have chosen part-time work because, at this age, the wear and tear of life and of work may be beginning to show. We have also heard about stress and we have heard about the health costs et cetera.

I would like to suggest to you as well that women tend to be the major caregivers for husbands, children and aging parents. In most cases, if the teacher is near or at pensionable age, long term insurance is withheld in favour of retirement and pension benefits. We cannot assume that there is additional financial support forthcoming from a spouse. We cannot assume that working at the local doughnut shop is an option, and I do not think we should assume that the female, older teacher should be living at a level of poverty.

In terms of impracticability, I have written a few things down. I am presently still teaching. By the way, I am teaching with Seven Oaks School Division and there are so many impractical aspects that this does very little justice to it. However, I think it is impractical for the teacher, for the school and for the division. All of them are hit by this in adverse ways. Contracts for part-time teachers are largely based on the needs of the school. They do not sort of look at the teacher and figure out if they need a bit of part-time work and then come up with a job. Of course, here or there, what cannot be fitted into the existing workloads is usually what results in the part-time position. These contracts may be allotted at 0.6 or 120 days, and I learned on Saturday that that whole issue is being questioned, as well.

You can see that at the time of writing, I was assuming that 0.6 might be the equivalent of 120

days out of our 200 school-year days, but I guess that is up for debate. Or, I may go on, these contracts might be any fraction that is workable for the school. It might be 0.67, 0.68 or whatever it is, or whatever it is that they might need. Given the provisions of the bill, the teacher in question would be forced to either decline the job or accept the job and cease collecting her pension.

Neither of these situations is desirable for the teacher or for the school in question. The sole reason in the first, and I am sorry, you will have to add place in there, for drawing a pension and continuing to work was to have sufficient funds to live on in an accustomed lifestyle while preserving one's health, and I think those two are becoming more and more critical. In the meantime, this school is without a teacher, particularly one that is trained in a desired area and has the experience to deliver a program at the level of quality. Just an aside, I am teaching fabrics, for example, in Seven Oaks. We are at a stage where we have absolutely **no** subs available at all. In fact, the only substitute person is me. So I have a 0.6 contract at the **moment**, and whenever I am available on a half day I **am** used, and particularly used, in an **area** of technology. So I am not sure who we are **servicing** here.

The lack of support I would like to address lastly. Bill 18, I think, lacks the support in the teaching population. In fact, I am going to stick my neck out here and be a little stronger. Most teachers that I have talked to are unaware of Bill 18, and they are shocked to learn what is being proposed. Although information concerning the other portions of the bill has been distributed both by MTS and by TRAF, this aspect around the 120 days has been silent, whatever. Retirees of June 2001 were not aware of the proposed provisions contained in the bill. Many of those people will be basing their future, thinking that they might be able to get a part-time job and that may not be an option for them. In fact, retirement planning seminars frequently refer to such action as a reasonable and legal approach.

I thank you.

Mr. Chairperson: I thank you very much for your presentation. Do members of the committee have questions for the presenter?

Mrs. Smith: Thank you for your presentation, Marilyn. I think that you have brought up some very salient issues, and there has been discussion around this particular part of the bill, teaching more than 120 days. I think it is a very compelling point, when you talk about after teaching for so many years and then having part-time jobs and contractual kind of work, substitute kind of work, it shows not only the kind of dedication but the kind of work we have to do because the COLA is not in place and because some of those assurances are not there. As a former teacher, I really commend you for coming tonight and bringing those points. I think teachers need to be able to do that more often. I thank you for this.

Mr. Chairperson: Ms. MacNaughton, did you want to respond?

Ms. MacNaughton: Not really. I will add, I guess, since it seems that a number of us are telling our own stories, like the women before me. Actually next year I will have been teaching in Canadian public schools for 40 years. I did not have time off for all the reasons that you heard, although most of my beginning years were in another province. Even though I have put in the time, I guess, basically, the money is not there, but that is another one. For most of the people that are retiring today, they have to take a cold, hard look at whether they can completely retire, or whether they need to supplement, and how they are going to do that becomes a real issue.

Mr. Caldwell: I would just briefly like to thank you for bringing this perspective, because it is a perspective that has not been brought to the table. I do appreciate that. Thank you.

Mr. Chairperson: Thank you very much for your presentation. Jan Speelman, please proceed with your presentation.

Ms. Jan Speelman (President, Manitoba Teachers' Society): Thank you to the Chair and members of the Legislative Committee. I completely thank you for doing this on June 25, rather than July 25, and also at 7:30 at night, rather than four in the morning. I am very happy to be here at a reasonable time.

An Honourable Member: We are just glad you did not bring your motorcycle.

* (19:30)

Ms. Speelman: No, I did not bring my motorcycle tonight or my scooter.

Manitoba Teachers' Society commends the Manitoba government for its willingness to make amendments to the Teachers' Pensions Act. Since its election, this Government has encouraged input on teacher pension issues from the Society. This productive dialogue has resulted in the proposed improvements that have been very, very long awaited by Manitoba schoolteachers.

Although we appreciate the proposed amendments, the Society must register its concern that significant and long-standing issues remain unresolved. You have already heard about these, but I am going to touch on these again.

The Governance Model: Pension plan governance has changed significantly since the '60s. Governance of the teachers' pension plan today must be updated. A new governance model, consistent with what we believe are today's best practices for pension plan governance, is necessary to represent the interests of the parties to the deal.

In early 1999, the Teachers' Retirement Allowances Fund Board presented a proposal to restructure the governance of the pension plan. That proposal would recognize the joint partnership between the provincial government and the Manitoba Teachers' Society, and permit changes to our pension plan without having to go to the Legislature each and every time we want to make some changes.

Although the parties agreed to continue discussions on this topic, and, yes, we do have a memo of understanding, setting a deadline of December 31, 2001, to come forward with a recommended model, there have been no formal discussions this calendar year and the clock is ticking. High priority must be given to this issue.

Pension Adjustment Account: In December 2000, the Manitoba government agreed to continue discussions with the Society on (a) the method by which interest is credited to the Pension Adjustment Account; (b) the contribution rates; and (c) the level of future cost of living adjustments. This discussion was undertaken with a view to developing a long-term solution. The parties agreed to try to bring resolution to these matters, and, again, we have another memo of understanding, by July 1, 2001. That is just around the corner. Unfortunately, although discussions continue, we will not be able to meet our proposed deadline.

The issues of appropriate cost of living increases have been brought forward by the Society for many years. The Society believes that it must be able to assure members, both active and retired, that a reasonable rate is being used to credit earnings to the Pension Adjustment Account, and that all retired teachers will receive adequate costs-of-living increases.

The proposed legislation addresses this issue for a short term. It provides an amendment to authorize the transfer of funds to cover the liabilities for a 2% cost of living adjustment paid for the year 2000. But a long-term solution is urgently needed. July is fast approaching, and over 7000 retirees will once again face a situation whereby they will not receive an adequate cost of living increase. And you have already heard here, today, that it is barely a half of what the cost of living will be.

Our recommendation is that the act be amended so as to permit earnings to be credited to the Pension Adjustment Account based upon a three-year average of total fund earnings, rather than just the percentage that is credited at this point. When we base it upon a three-year averaging, that avoids the highs and lows of the markets and situations that we got into this year.

Changing the method of crediting earnings to the Pension Adjustment Account will not resolve the issue of adequate cost of living increases, but will enable TRAF to ensure that a reasonable rate is being used to credit earnings to the Pension Adjustment Account. This complies with the recommendation by the plan's actuary for a more diversified investment

strategy; one that parallels that of the overall invested fund.

Maternity Leave: The Society is grateful that this provincial government has attempted to address some aspects of pensionable service for teachers on maternity leave. Though maternity leave has not been part of recent pension discussions, the Society takes this opportunity to indicate that the serious concerns outlined in our presentation last year on Bill 45 continue to be unresolved.

Again, I am speaking of the fact of retired teachers and, also, the fact that there is only a short window for teachers to buy back their pensionable service, rather than giving them right up to the date of retirement, as it deals with other times that they were away from their positions.

Since this remains an area that impacts a great deal on our female members, and you have heard that over and over again tonight, who constitute nearly 65 percent of the Society's membership, we will continue to urge this Government to respect the principles of gender equity and economic equality.

Adoptive Leave: In the last session, the Government introduced provisions for maternity leave that allow for the purchase of periods of maternity leave at the individual's own contribution rate.

The Society believes the adoptive leave provisions should match the existing provisions for maternity leave. Whether one becomes a parent through childbirth or through adoption, teachers who become parents should have equality before and under the law.

Commenting on the specifics of the proposed changes: In general, the proposed amendments clarify and update provisions of the act by defining what constitutes retirement and length of the period retired teachers can teach while receiving a pension.

In addition, the amendments clarify that pension eligibility will be based upon continuous service, not credited service, bringing our act in line with The Pension Benefits Act.

The proposed legislation also allows the purchase of periods of past service for parental leave, work under the Department of Education, or work as a member of a university education faculty.

On behalf of the public school teachers of Manitoba, we say, thank you. All of the above amendments are appreciated. Nevertheless, we do wish to raise concerns about specific amendments.

Definition of Retirement: The Society is pleased that the definition of "retirement" has been addressed. But we need clarification of some related issues.

Though "teaching days" is defined as in The Public Schools Act, and "school year" will be defined under the proposed 17(1), it is not clear how these sections will apply to individuals not working within the framework of the school year.

For instance, superintendents or individuals employed with faculties of education do not operate on the standard school year. That could lead to inequities in applying the 30 teaching day retirement provision. There needs to be clear understanding of how the clause will apply to those individuals.

Return To Work after Retirement: The Society believes retired teachers who work more than 120 days in the public schools should stop receiving their pension, and recommence making pension contributions.

As with the definition of retirement, this section needs to be clarified.

The Teachers' Pension Act defines a teacher as an individual with a certificate and a teaching contract.

Substitute teachers, though certified, are not under contract. It is our understanding that the 120 day limit on post-retirement work does not include work as a substitute teacher.

Further, the definition of retirement would not prevent an individual from substitute teaching within the first 30 teaching days of retirement.

Maximum Salary Permitted To Be Used for Pension Calculation under The Provincial Income Tax Act: Legislation to authorize the board to administer other pension or benefit plans is included in proposed section 41(17). This is a positive step. What is not clear with this amendment is what happens where excess contributions have already been made and no provision has been negotiated for a benefit to be paid on these contributions.

We recommend that where excess contributions have been made and no provision for payment of a pension beyond that provided under The Income Tax Act exists that excess contributions be refunded.

In conclusion, the Society again commends the Government for the consultative process which has occurred over the past 18 months on issues of teacher pensions. Clearly, progress is being made and good will is evident. However, the outstanding issues are a source of great concern to our 14 000 members across this province. The Society trusts that an open dialogue between the Government and the Manitoba Teachers' Society will result in a successful resolution to the pension adjustment account, governance and maternity leave issues. The public school teachers of Manitoba deserve no less. Thank you.

* (19:40)

Mr. Chairperson: Thank you for your presentation, Jan. Do members of the committee have questions for the presenter?

Mr. Glen Cummings: Just on a small point, where you referenced requiring some clarification on returning to work after beginning pension, is there a position that you want to put forward on that, or does clarification mean supporting the interpretation that you see as a definition of an individual with a certificate and a contract. Is that satisfactory?

Ms. Speelman: Yes, that is satisfactory.

Mr. Larry Maguire (Arthur-Virden): Thanks very much for your presentation, as well. I made a note in regard to the bill about the 120-day limit on teaching days in a year. Do you see anything restrictive in regard to that as we move

forward into what is being touted as a shortage of teachers in the future?

Ms. Speelman: No. I think it still gives retired teachers an opportunity to teach 120 days. They certainly can teach beyond the 120 days. It just does not allow them to continue to collect pension, the problem being that when you have retired teachers who are collecting pension you have a job that a person who would be contributing to the pension plan would be in that position. It puts a real drain on the pension plan. We have to be careful about the viability of the plan. Yes, while we would like to see those kinds of situations resolved, we have to look at the viability of the pension plan.

Mr. Caldwell: Thanks, Jan. I appreciate the presentation by the Teachers' Society. It is as thoughtful as usual. I appreciate that. I am continuing the greetings from western Manitoba here today. It is great to see so many presenters from Brandon and Westman.

I just want to ask a quick question on page 1 about the governance model. We have heard a few times tonight already about having retired teachers on the TRAF board. Is that within the gamut of what is being proposed in that governance model suggestion?

Ms. Speelman: What we are proposing for a governance model is an equal partnership of teachers and government, and then either party can name their representatives to that board.

Mrs. Smith: I want to thank you for your presentation, very balanced. Your point about the need for the plan to be viable is well taken. So thank you for that.

Mr. Chairperson: Thank you very much, Ms. Speelman. Mr. Terry Clifford. Do you have written copies of your presentation?

Mr. Terry Clifford (President-Elect, Retired Teachers' Association of Manitoba): Yes, I do.

Mr. Chairperson: Thank you. You can proceed with your presentation, sir.

Mr. Clifford: Thank you, Chair. My name is Terry Clifford, and you should be aware that I

am the incoming president of the Retired Teachers' Association of Manitoba. Perhaps I am a novelty here in that I come from Winnipeg. What I will be doing, not only reading the brief, but I shall be making some side comments as I go through, so that people do not get confused, not necessarily by ad libs, but by important points that I want to make not in print.

On behalf of the members of the Retired Teachers' Association of Manitoba, I thank the committee for this opportunity to address changes in pension legislation proposed in Bill 18.

Of about 7000 retirees who are in receipt of a pension, the association directly represents over 4000. As the number of teachers retiring in the next while rises, we expect our membership to increase steadily.

As with most people who are pensioned, our major concern is with the maintenance of the purchasing power of that income. Both CPP and OAS recognize that need, and increases are built into these plans. Current legislation acknowledges the need through the Pension Adjustment Account (PAA).

Regrettably, the PAA recently has not been able to meet reasonable demands placed on it. There was no money in the PAA to permit any cost of living allowance, COLA, for this year. Only the transfer of some \$15 million of teachers' money to the PAA from the general account proposed in this bill will enable the increase of 2 percent be paid for the lifetime of current retirees. This funding provides a partial COLA, but it is a stopgap measure. The bill confirms that which has occurred. It does not address the need for long-term stability of the PAA and its ability to provide for full CPI. Certainly, we are grateful to this Legislature for the allocation of \$850,000 earlier this year to pay its portion of a COLA, at least for part of that year.

Annually, the PAA is examined to see what cost of living increase is possible. This July, it appears that, in a year when CPI is 3.23, the PAA will be able to pay about 1.5 percent—less than half. On July 1, my associates and I will be poorer, maybe not by much in this one year, but

cumulatively, it quickly compounds. This is where I break from the script, if you wish, Chair, just to give you a couple of examples.

I phoned up TRAF this afternoon. There were 326 people retiring. The average pension for a female retiring at the end of this week will be slightly over \$20,000. For a man, it is ballpark \$30,000. If you take the increase that we will be getting this year, the 1.5 over the 3.23; in 30 years half those teachers will still be alive. That \$20,000 will be worth just \$50 over \$12,000. They will go from buying power today of \$20,000 to \$12,000.

Let me cite a different example. Let me cite, for example, an individual who retired 30 years ago, in the early '70s. If they were on maximum, did their salary, in fact reach five digits, and, indeed, if it did not, and take the usual computations in place, exactly how much is that today? We have, incidentally, in the province something like a thousand teachers who are over 80. They could well have retired fairly close to that time. There are problems.

There are solutions which we believe are possible if the desire is there to help the PAA. To be honest with you, Chair, we believe that that desire does exist.

There is a formula for funding PAA. This formula limits the amount payable, and, as a rate, is lower, on average, than the rate paid on the rest of the monies invested by TRAF, and the previous speaker made allusions to that.

There is a significant surplus being generated in investments which is not accessible to PAA. It should be made accessible. To give you an example of what we may suggest: If, for example, the surplus is in the order of \$150 million, then perhaps \$50 million of that could go towards PAA. The same amount could go to a cushion, because rates are going to fluctuate and there will be years when the actual interest paid is somewhat lower than expectations, or indeed, needs. Then perhaps \$50,000 for the cushion that is needed for those teachers who are starting to teach. By the way, I would add that, while I am saying that one-third of it could go to the PAA, something over 60 percent of that money I am told, in the account is money paid in

by retired people. So we are not even asking for the proportion; we are asking for 50 percent, not 60-something percent of that 150.

Another way of solving it and perhaps necessary in the longer term is to increase the contribution rates by teachers. Each time there is a change, either major or minor, it requires changes in a teachers' pension plan. The approval of the Legislature is required. Surely it is more efficient if some of those decisions were to be delegated to TRAF with, of course, due controls in place, as the TRAF's governance model proposes.

* (19:50)

There are some other features in the bill that I would like to address. We commend the Government for permitting teachers to buy back maternity leaves, but we are confused as to the rationale which limits this to active teachers. You could have twins in, let us say, their late 50s. One has retired, the other has not, and they had children at the same time. One could buy back, the other one could not. Now, I have heard that it is something to do with federal legislation. If, however, that is federal legislation, it is bad legislation and does need to be changed and certainly on behalf of our time, if we could assist the Government in any way to get that change made, we will be more than willing to assist. We do belong to the Canadian Association of Retired Teachers and represent, therefore, a fair number of retired teachers across the country. We agree to the effect of adding section 6.2, which deals with returning to work within 30 days of retirement. Such actions are an abuse of the concept. We do not agree with pseudo-retirement, and certainly clarification is needed with regard to that 120 days. Is it full time; is it part time? I am not quite sure.

There is a point to be made here, and it is a very awkward one. Certainly we would acknowledge that there are teachers whose pension is simply inadequate and there is a need perhaps for those individuals to supplement their income. This is one way of doing it. In fact, there is even the possibility in some manner, which I think many active teachers would retire, is looking at some concept of phased retirement. Exactly what it would be is subject to further

negotiations. We are aware of the changes in governance model proposed by TRAF and we agree with this proposed model. TRAF pensions exist only for the benefit of retired teachers and their families. We believe that it is to the benefit of all parties that a retired person, preferably named by our retired teachers, be part of that governing body. There are several points with which this brief deals. All are important. However, let me be sure that there is no ambiguity. The maintenance of our purchasing power by the provision of a COLA, which equals CPI, is our priority.

On behalf of the members of the Retired Teachers' Association of Manitoba and, I suggest, all retired teachers, I thank you.

Mr. Chairperson: Thank you very much, Mr. Clifford. Are there any questions for the presenter?

Mr. Caldwell: I appreciate your presentation, Terry, in bringing your colleagues, Peggy and Murray, and so forth to this. It is always a pleasure to meet with you and discuss these issues. I do appreciate your comments about COLA, particularly in governance as well because, as I said earlier, those are two issues that are quite alive in my office right now. I do appreciate your advice on these matters, as well. I know that we have made a lot of progress over the last number of months because some thoughtful advice has been coming forth by RTAM, and I do appreciate that as the minister. I am also very happy to see somebody from Winnipeg at the podium. Thank you.

Mrs. Smith: I, too, extend my thanks to you, Mr. Clifford. You have brought up, I think, the major points now that retired teachers and all of us are dealing with at this point in time.

My question to you: The thing that keeps crossing my mind is when we talk about incentives to get new teachers to come into the profession. I think more and more teachers are becoming more and more knowledgeable about pension benefits and these kinds of benefits. Has the Retired Teachers' Association done any research or data on the new teachers coming in, in terms of what they are facing at retirement?

I know many new teachers now, although in the past I dare say when I was teaching we never really talked too much about retirement. It seemed that it was not in the forefront of our minds. Now I was speaking to a class of student teachers earlier this year and two or three questions from the class were centred on benefits and retirement and this kind of thing. Has this ever been an issue when you are putting all this under consideration? It seems to me that having an attractive retirement package and attractive benefits might be an incentive to attracting people to the teaching profession.

Mr. Clifford: Directly, the answer is, no, we have not, but obviously we believe we now have the hindsight, which is always useful, to say we wish we had thought about that earlier around. Certainly, I believe it is correct to say that there does need to be some serious re-examination of the whole formula for the funding of pensions in that longer term.

Mr. Chairperson: Thank you very much, Mr. Clifford.

Mr. Clifford: Thank you.

Mr. Chairperson: Gordon Shead. You can proceed with your presentation.

Mr. Gordon Shead (President, Manitoba Association of School Superintendents): Good evening honourable committee members. Before I start the presentation, I want to draw your attention to the cover page and clarify something. You will note that it is not as professional a cover page as it should be. It is a fax page. I was on the road to a meeting this morning in Wanipigow, up near Bissett, when the cell phone rang as I drove north and I heard, at that time, that I was coming to this meeting if I got back to Winnipeg in time. I did get to the meeting; it was late. I got back in time, but this is a cover copy page. That explains that. It also explains why it says "or alternate" is coming to this meeting. I did make it so you can cross out the alternate, thank you.

I am very pleased to be here on behalf of the Manitoba Association of School Superintendents, and I want to touch on this paper. I

will not read it. I will hit some highlights of it and speak to a few points.

The mission of the superintendents' association is twofold: It is to provide educational leadership and advocacy for lifelong learning through public education and supports for its members. Superintendents are senior managers, senior executive officers of school divisions and have a very important role to play and a very balanced perspective to bring to the table with respect to looking at collective agreements, employee benefits and pensions. We have to balance those always against the needs of students in the system, whom we all seek to serve and support.

To those points I have three comments based upon input from our association which follow:

The first point is to do with the 30 days following the retirement from teaching, and the teaching more than 120 days. The point is in this day and age there are certain positions which are extremely difficult to fill with respect to vacancies that might arise. A couple of examples are given in the paper in terms of bilingual teachers, and particularly the example cited: Bilingual teachers with skills in mathematics and sciences. These are very rare commodities these days.

The association is of the opinion that we suggest to the committee it consider some sort of hardship clause or mechanism whereby people who have such skills who are still willing to work in the system may continue to work in the system without being penalized with respect to their pension. Again, that is a balancing act, we know, but this is a reality which we are facing as we speak today. There are real examples on the table where school divisions are having difficulty filling these positions, and they are going to their talented, experienced pool of retired teachers, who have voiced an interest to come back and work in the system in some capacity. So the 30-day separation—perhaps one approach is to waive it with the hardship clause notion; something similar to what we do with limited teaching permits, sort of a qualified perspective with respect to the certification that brings people into the business.

A second notion is to consider, and this was raised by an earlier presenter, the form 2A, form 2 contracts versus substitute teaching, and the clarification therein. It would seem that it may be possible for someone to substitute with respect to getting back into the teaching profession for that 30 days, and, therefore, step over that limitation which is currently in the draft legislation. Similarly, with respect to the 120-day limit, the association of superintendents is also suggesting that you consider some sort of hardship clause, simply to deal with the reality of allowing school divisions to access those talented, experienced people who may choose to work in the system a little longer than their earliest-out with respect to retirement possibilities.

* (20:00)

The second point that I would touch upon has to do with TRAF contributions and the link with respect to federal legislation. Again, one of the previous presenters touched upon this same point. The federal legislation puts a limit in terms of the contribution that individuals can put into TRAF, and whether or not there are no more earnings with respect to pension from that point forward. The association is aware that some organizations, some individuals, can negotiate individual agreements, RCAs, registered compensation accounts as a parallel to TRAF. The association is of the opinion that there is a bit of unfairness attached to that approach, that the TRAF really is intended to be a province-wide pension plan for all people contributing, and, we would add, at all levels. So we would suggest that be examined with respect to the earning power for the future of that pension amount relative to the cap.

In addition, we are thinking, too, the association is, that if the bill passes as it stands now, and federal regulations change with respect to pensionable amounts, contributions therein, that may, in fact, create some further challenges for TRAF and the provincial role with respect to supporting TRAF in the future.

The third point that the superintendents' association asks me to raise is, again, an issue with respect to input and tapping the experience base of the provincial association of

superintendents on the board of TRAF, the governing board of TRAF, and we believe that the superintendents' association has a good balance of perspective, of expertise, of experience that they are more than willing to bring to the table and offer with respect to enhancing education for students, and enhancing benefits for members, including retiring teachers now and for the future. So we would suggest, with all due respect to the committee, that the involvement of the association be given due consideration with respect to a voice at the table in terms of the governance model.

Again, I want to thank you for the opportunity to be heard. We offer our support in helping Government deal with some very difficult and challenging educational issues for students and benefit pension and salary issues for employers as well—teachers, educators who are very, very important, the most important people in the public system.

Thank you very much.

Mr. Chairperson: Thank you very much, Mr. Shead.

Mr. Caldwell: Thanks very much, Gordon, for coming back down south to present this. I really appreciate your presence here, and I appreciate the advice that you give me on all sorts of issues. The issue around being on the governance board of TRAF is not part of this legislation, but it is something that, as I said earlier, is alive in the office right now.

What sort of membership would active superintendents or retired superintendents—what would the base be of that group, in terms of numbers? A couple of hundred, maybe? One hundred people. Okay.

Mr. Shead: There are superintendents, assistant superintendents, directors of instruction. A variety of titles make up the current active members and, in turn, the retired members that come from that same pool. So, actively, it is about one hundred members. Retired-wise, I honestly do not know. That could be found out.

Mr. Caldwell: That could be a couple of hundred. Okay, I appreciate that. Thank you very much again for that brief.

Mr. Struthers: Yes, thank you, Mr. Shead for your presentation. I would be interested to know what kind of impact you see this having on schools that are a great distance from the city of Winnipeg, schools that are remote. I know that when we look at teacher shortages, usually the first areas of a province that get hit are up north and in some remote rural areas. As a matter of fact, the Frontier School Division got so hard up for teachers one year they even offered me a job.

I would like to know what impact do you see this bill having on your ability to ensure a sufficient supply of teachers in some of those remote communities.

Mr. Shead: It is a good question. It is a challenge which we face in the North in a number of school divisions, that is, a shortage of teachers looming as we speak. In the last couple of years, more and more superintendents from the North are hiring people from out of province, eastern Canada. More and more we have seen a trend of hiring people who have recently retired, either from this province or from other provinces, coming to work in Manitoba and in the North. That has been a phenomenon which has only surfaced I would say in the last two to three years, and now it is something which we pretty well expect as a matter of normal operations, normal business.

The ability to access retired teachers to fill some of these vacancies that are difficult to fill through any other normal means is really an advantage for northern school divisions, not just Frontier, but others in the North as well. I would say that, yes, that is a reality we face as we speak. We do not want to see that closed out necessarily in a very slamming the door fashion if there are maybe some options or some flexibility that can be built into that, recognizing again the balance of financial contributions to TRAF and the need to put teachers in front of students on a daily basis. How you do that with great wisdom, that is a challenge.

More and more we are hiring retired teachers and teachers out of province as a matter of routine, and it is something most of us never thought we would be facing three, four, five years ago.

Mrs. Smith: Thank you, Mr. Shead. I thought the two points that really struck me are, well,

first of all, the hardship clause suggestion, because clearly you are taking a really close look at the needs of the students in the province and the resources that we have here, the possible shortage of teachers in math, science, particularly at the senior levels, and the capable retired teachers out there who could fill that. I guess all of us would prefer Manitobans to get those jobs, and I commend you for doing that because that is something that needed to be voiced.

Also, the Manitoba Association of School Superintendents is an integral part of the education system all across Manitoba, and to point that out as part of the teaching staff and the educator part I think was very important to hear tonight. I certainly commend you and thank you for your presentation and the effort you took coming all the way back to get here. Thank you.

Mr. Shead: Thank you.

Mr. Chairperson: As my former boss, I thank you very much for your presentation. It was very informative.

Mr. Shead: As an aside, Mr. Rondeau, the people of Cranberry Portage FCI say hello to you.

Mr. Chairperson: Thank you. That is it for the presenters on Bill 18.

Bill 26—The Winnipeg Commodity Exchange Restructuring Act

Mr. Chairperson: We will be moving on to the presenters on Bill 26. I understand the two people from out of town, presenters on Bill 26, are on a plane and have not arrived as yet, so if it is the will of the committee we will just proceed as per the list, rather than wait for the presenters. Is that agreed? *[Agreed]*

Okay. So we are dealing now with the presenters on Bill 26. Mike Gagné. Is Mike Gagné present? Mr. Gagné, we will give you a minute just to get organized and have the room clear.

Do you have written copies of your brief for distribution to the committee members, sir?

Mr. Mike Gagné (Interim President and Chief Executive Officer, Winnipeg Commodity Exchange): Yes, I do.

Mr. Chairperson: Please proceed with your presentation whenever you are ready, sir.

Mr. Gagné: Thank you, Mr. Chairman. Members of the committee, my name is Mike Gagné, and I am here today as the Interim President and Chief Executive Officer of the Winnipeg Commodity Exchange, Canada's only commodities exchange. I have been with the Exchange since 1992, first as director of finance and now as president.

Thank you for this opportunity to speak in favour of Bill 26, The Winnipeg Commodity Exchange Restructuring Act. Bill 26 is necessary in order to repeal the current mandating legislation of the Exchange, that is The Winnipeg Commodity Exchange Act, and permit the Exchange to continue as a share capital corporation under the provisions of The Corporations Act of Manitoba.

The Winnipeg Commodity Exchange is currently in the process of demutualizing. Demutualization refers to the process and procedures by which a not-for-profit membership organization transforms itself into a share capital, for-profit corporation. With a couple of minor exceptions, notably the Minneapolis Grain Exchange and the New York Board of Trade, every other securities and derivatives exchange in North America has demutualized, or is in the process of doing so.

* (20:10)

The other two exchanges in Canada, the Toronto Stock Exchange, the senior equity exchange, and the Montréal Exchange, a financial derivatives exchange, have already demutualized, after obtaining legislation from their provincial governments that enabled them to continue as for-profit, share capital corporations and obtain the necessary tax rulings for their members. Demutualization is only one change that these exchanges have recently undergone. In an effort to grow and preserve their markets, the TSE, the ME and the Canadian Venture Exchange in a well-publicized effort

reorganized. Recent reports suggest that the TSE and CDNX are now merging. All of this points out that constant change is a reality in the exchange business.

As committee members are aware, the Winnipeg Commodity Exchange provides an important service to the agricultural business community and provides, directly and indirectly, significant employment in Manitoba. It is the position of the WCE that Bill 26 must be approved to support the ongoing viability of the Exchange. If the bill does not pass, the Exchange will not be able to demutualize.

The decision of the Winnipeg Commodity Exchange to demutualize was made after considerable analysis and review. That analysis was very detailed and included a historical review of the industry, the current status of the industry, recent trends in the industry, a comparison of WCE to other exchanges and the advantages and disadvantages of demutualization to the WCE. A committee of members, including representatives from the grain companies, from Futures Commission Merchants, those are the members that deal with the retail public, and floor traders, met over several months. After completing their detailed analysis, recommended to the Board of Governors that in order to continue to be viable, the Exchange was required to demutualize for reasons I will outline for you shortly. Due to concerns by some members and due to the significance of the proposal, the board held an information meeting of members on November 14, 2000, and a special members meeting on January 10, 2001.

On February 20, 2001, the membership of the Exchange voted by 83.5 percent to demutualize. This vote was held by secret, mail-in ballot. Of the 239 members of WCE eligible to vote, only 12 did not vote, resulting in the highest voter turnout in the past 25 years; 36 members dissented, some of which are probably represented here today.

Exchange by-laws allow that the Exchange can be wound down with an affirmative vote of two-thirds of the membership of the Exchange. If the membership of the Exchange was satisfied that the Exchange could be wound down

completely with a two-thirds affirmative vote, then clearly a continuation as a share capital corporation should be able to be accomplished, if approved by a similar percentage vote.

The Exchange is not a leader in the trend to the demutualization of exchanges. In fact, probably over 90 percent of the exchanges in the world have already demutualized or are in the process of doing so. What has led to this trend?

Technology has enabled non-traditional competitors to challenge the product monopolies of traditional exchanges. Technology has also enabled traditional exchanges to list competitive products and to offer lower cost transactions to a greater number of market participants. The majority of the recognized commodity exchanges have demutualized in response to competition and to take advantage of opportunities to grow their business in new and innovative ways. By demutualizing, or adopting a for-profit structure, traditional exchanges are making the transition from membership-based organizations to competitive, consumer driven operations.

At this point, I would like to put into context for you the size of the Exchange relative to its competitors. A noted industry group, the Futures Industry Association, publishes an annual report of derivatives exchanges throughout the world, and the volume of contracts traded. Out of the 40 exchanges listed for 2000, our Exchange was listed 34. What this means is that the Exchange's competition is all much larger and has considerably more resources, both monetary and in terms of staff, to deal with the global challenges facing the business.

Whenever change is proposed, there will be those who raise objections, for various reasons, whether they be personal, ideological, business related, et cetera. During the lengthy and exhaustive review of demutualization, there was one overriding concern that was expressed by certain members. That was that once it demutualizes the WCE will immediately close the floor and move to electronic trading. The fact is that currently, as a membership organization, the board of governors could decide now to change the trading platform of the Exchange from open outcry to electronic trading by a simple majority vote.

Demutualization is not a prerequisite to such a determination. Exchanges everywhere are converting to electronic trading platforms as the world becomes technology driven. At some future point, the board may determine that an electronic trading platform is necessary and in the best interests of the Exchange. However, the decision will have to be made whether or not the Exchange demutualizes. These are two separate and independent issues.

In an effort to reassure concerned members that this decision would not be taken lightly, a resolution has been adopted whereby approval of 60 percent of the shareholders will be required before a change to electronic trading can be implemented. This is a more onerous test than is currently the case.

A secondary concern that has been expressed is once the Exchange demutualizes the Exchange will be sold. Certainly over the past year or two many exchanges have been in discussions concerning potential alliances, and these discussions continue. Exchanges have also been talking to technology providers, B2B's and other potential partners concerning possible mergers, alliances and partnerships, all with the view of trying to be competitive and to create opportunities to grow their business in new and innovative ways. This industry is no different than any other. We must be positioned to consider what is best for the organizations and the markets they provide.

Another concern that may be raised today is that certain current members may be disenfranchised in some way or another. I can state for you today, categorically, that this is not the case. All members are receiving an equal number of voting shares for each membership certificate held. Everyone who is currently on the trading floor can continue trading under contractual agreements. Demutualization does not benefit or hinder any type of member or any type of market participant, including farmers. Contracts will continue to be developed and maintained, as they are today, for the benefit of all market participants. The Manitoba Securities Commission, as our regulator, will insist that this be the case. On this point, the committee should be aware that regulators in Canada and abroad

have not been concerned that demutualization will negatively impact the markets.

It is the position of the board of governors that demutualization will provide for several advantages for the Exchange and its membership that are not available under the current structure. In the very near future, we will need to make major decisions concerning fundamental matters that include alliances and new business relationships, industry consolidation, technology issues, involvement in cash markets and diversification into new products. Faced with these issues and the rapid pace of change in the futures industry, demutualization can be expected to provide the Exchange with an improved governance and a managerial structure, an improved financial decision-making model, the flexibility to pursue new business opportunities, access to capital and a more flexible access policy.

* (20:20)

While demutualization will enhance the potential prospects of the WCE, it will not guarantee success in what is becoming a very competitive industry. However, demutualization improves the flexibility and speed at which the organization can act. The for-profit corporation model increases the likelihood of the right decisions being made in a timely manner, and provides the flexibility to implement the best strategy. A very large majority of the members, 83.5 percent, voted to demutualize, because they believe that it is in the best interest of the Exchange to do so.

On behalf of the members, I seek support of Bill 26 from all members. Thank you, Mr. Chairman.

Mr. Jim Penner (Steinbach): Thanks, Mr. Gagné, for that excellent presentation. Some of the questions that have been put to me, I will put two of them to you. How many votes do the five largest members have?

Mr. Gagné: I do not have the exact answer here, but I will perhaps guess about 80. I do not have the exact answer here.

Mr. Jim Penner: I would not expect all that information to be readily available. Another

question was, how many members owning multiple memberships could control the voting outcome?

Mr. Gagné: Again, I do not have the answer here. All I can comment on in that regard is that the Exchange for the last 130 years or so has operated on the basis of every membership has one vote, as is the case with, as far as I know, all the other exchanges and also for shareholder corporations: one share, one vote; one membership, one vote.

Mr. Jim Penner: So it is not 83 percent of the people. It is 83 percent of the memberships.

Mr. Gagné: That is correct.

Mr. Chairperson: Any further questions?

Mr. Stan Struthers (Dauphin-Roblin): Thank you, Mr. Gagné, for your presentation. If we were not to proceed with this bill, what do you foresee happening? What impact would that have on your operation?

Mr. Gagné: The Exchange is in a very competitive industry. There are pressures to keep costs down, and there are also pressures on our revenue side by one of our elements of revenue, which is the sale of our market data. So there is pressure on the revenue side. One of the options is always to increase fees. But at a certain point in time if your fees get too high, market participants will decide to trade somewhere else.

Mr. Chairperson: Mr. Maguire, did you have a question?

Mr. Larry Maguire (Arthur-Virden): Yes, thank you, Mr. Chairman. Thank you very much for your presentation, Mr. Gagné. Shares on the Exchange presently can be purchased by anyone?

Mr. Gagné: That is correct.

Mr. Maguire: So they are at a marketable trade position? You do not have to demutualize so that you can increase your share numbers, that sort of thing?

Mr. Gagné: No. That is correct. Any current member or anyone who is not a current member has the opportunity to purchase memberships.

Mr. Maguire: You mentioned in your presentation, and we have heard a lot about demutualization and electronic trading. You also mentioned to me that was of interest that the Winnipeg Commodity Exchange is 34th out of 40 exchanges in size. Is that in regard to trading volume?

Mr. Gagné: That is in regard to trading volume.

Mr. Maguire: So, if that is the case, what kinds of functions are you going ahead with that would allow the Commodity Exchange to become more viable in the future?

Mr. Gagné: We have spent a lot of time looking at different types of contracts. We continue to look at agricultural contracts. For example, we are launching the Canola meal contract tomorrow, and in July we will be launching a revised field pea contract. However, we also have in our market development area people who research other contracts, other types of products that we may trade, for example, lumber, energy and that type of potential contract. We believe that if we can list some of those products that would bring in more revenue which would then distribute the costs that we have over more contracts, so the unit costs would be good.

Mr. Maguire: Having participated in the launch of some of those that are still there and some that are not, I would appreciate the diligence that you are going through in regard to competing with these other jurisdictions. There have been a lot of comments here. You mentioned one as a concern to some that there be electronic trading take place in the Exchange. Can you just give us some background on how much of a necessity it is to move to demutualization to have electronic trading?

Mr. Gagné: The two are not related at all. As a matter of fact, if you look at the history of a lot of the exchanges that are in the process of demutualizing or have already demutualized they have had electronic trading systems in place before they have taken that step.

Also, for example, the Minneapolis Grain Exchange has announced the acquisition, or are in the process of implementing an electronic

trading system. Again, that is for later this fall. They are looking at that. They are not demutualized. They are going ahead with that. It is a separate decision. They are looking at that to list new contracts.

Hon. Scott Smith (Minister of Consumer and Corporate Affairs): Thank you for your presentation, Mr. Gagné. I guess Mr. Maguire caught part of my question, but just to be perfectly clear this legislation does not allow electronic trading to take place. A lot of the other exchanges have gone to electronic trading prior to demutualization, and I guess you answered that piece of the question.

Without demutualization, where would you see the Exchange two years from now?

Mr. Chairperson: Mr. Gagné, for a quick response.

Mr. Gagné: We have done some financial projections of course, and unless there are additional sources of revenue or increased fees we will be hitting the wall and getting into a problem with revenues. There are decisions the board will have to make. I think what we are trying to do with this bill here is to provide the flexibility for the Exchange to pursue new opportunities.

Mr. Chairperson: Thank you very much for your presentation, Mr. Gagné.

The next presenter is Gordon Cummings. Do you have written copies of your presentation? Thank you, sir. You may proceed with your presentation whenever you are ready, sir.

Mr. Gordon Cummings (Chief Executive Officer, Agricore): Thank you very much, Mr. Chairman. Good evening, ladies and gentlemen. I am here this evening as the chief executive officer of Agricore Co-operative Ltd., as well as the current chairman of the Western Grain Elevator Association, both based in Winnipeg. Agricore Co-operative Ltd. is a farmer-owned co-operative operating on the Great Plains of North America. We employ over 2000 people, with over 250 being employed in our head office in downtown Winnipeg.

Agricore has over 80 000 farmer members across western Canada, is one of Canada's grain handling and marketing businesses and is the leading supplier of crop nutrition and crop protection products in western Canada. In the newest list of largest corporations in this country, it is interesting to note that the top five, it says here "in Winnipeg," but it is really Manitoba companies, are all from the agricultural industry, of which Agricore is one of them.

The grain industry in western Canada is undergoing fundamental restructuring currently, as indeed is the grain farming communities within western Canada, and there will be other committee hearings on that. One of the common threads of all its restructuring is the necessity of becoming more competitive from the world scene and reducing costs ultimately to the western Canadian farmer, indeed those of Manitoba.

The other aspect is the globalization of the marketplace, the need to have institutions that are truly competitive globally, and I guess I would add to this that there is no doubt now that price discovery around the world is instantaneous because of electronic communications and that that is a new reality. Our organization since its founding in the 1920s as Manitoba Pool Elevators and the Winnipeg wheat pool has valued the presence of the Winnipeg Commodity Exchange to provide marketing management tools to try to hedge some of the risk of trading grain worldwide.

The WCE has become more important in recent years with the growth of the Canola crop in western Canada, the crop that is marketed totally on a commercial basis around the world and in which at this point, as best we can tell, Agricore is the biggest single exporter of Canola in the world. We do not only deal with Canola from western Canada but also from Australia and Europe.

Agricore, along with other players in the industry, have become increasingly concerned about the ability of the Winnipeg Commodity Exchange to survive in a medium to longer term, and certainly this is in keeping with some of the questions that were asked of the previous

presenter. In particular, we are seeing a rapid change in other exchanges, including a move towards 24-hour trading in many cases. This is particularly important to us, in that many of our trades really are in Asia, in that the large markets that we sell to, two of the three, are in Asia; namely, the two biggest markets that Canada sells to are Japan and China, and obviously they are in the exact opposite time zones. It is night there when it is day here and the opposite. Basically, most of the transactions we do with our customers in Japan and China are when the Winnipeg Commodity Exchange is closed. So we are always carrying risk for about 12 hours we would rather not carry.

* (20:30)

I happened to have been a member of the WCE committee that looked at the benefits and implications of demutualizing last year. A committee I think that spent a long time at it did a lot of research and certainly, as Mr. Gagné has outlined, found that we were not at the vanguard of this demutualization but near the other end of it. I am currently chair of the implementation committee, which will hopefully successfully implement the decision of over 80 percent of the members of the WCE to demutualize. The committee that I am chairing is not questioning whether demutualization is good, bad or indifferent, but it is simply carrying out the wishes of the 83 percent that voted positively.

I would also point out that the grain industry is an exceedingly important one for Manitoba and the city of Winnipeg and that although in the late 1880s, when the grain industry was primarily established in this city, that markets in history no longer suggest that Winnipeg need be the centre of the grain industry in western Canada. When Agricore was created in 1998, we seriously considered whether our head office should be in Winnipeg or Calgary. Ultimately, we made the decision to choose Winnipeg, and one of the reasons was the presence of the WCE in this city. After we made the decision, we had several other participants in the industry comment that, had we decided to locate in Calgary, they would have had to reconsider whether they should have been in Winnipeg or Calgary. Therefore, the presence of the WCE is one of the linchpins of the grain industry being in Winnipeg.

On February 20 of this year, 227 of the 239 member holders of the WCE voted to demutualize. It was passed by the margin of 83.5, I think a clear indication that virtually all the factions of the WCE, with the one exception being the floor traders who do not want to see much of any change, there was a need for demutualization of the Exchange.

Mike has pointed out to you, not only have many insurance companies demutualized in Canada, but both the Montréal and Toronto exchanges have done; and, therefore, we are not leading the way down the path, but we are going down one that has been well trodden by others, not only in Canada, but a lot of the rest of the world.

I would trust that the Legislative Assembly of Manitoba, and you as a committee, examining this, would make the decision to pass the legislation that is in front of you and realize that rejection of the legislation puts at risk the WCE.

It is apparent that the utility and value of the WCE is the people who use it and the transactions that go through it, not the physical assets. The Exchange itself is of no value if it is not used. I do not wish to sound as if I am issuing you a threat but only to try to deal with this thing as realistically as possible. The reality is if the major users of the WCE do not find the Exchange operates in a manner that suits their purposes then the ultimate decision they must make is to start the Exchange anew, or indeed to throw in with another jurisdiction or another exchange. The fact that the Canola contract is with the WCE is more a function of history than a necessity of tomorrow.

Rather than focus on the negative, I would rather focus on the positive of continued and sustained strong presence of the grain industry in Manitoba, and indeed in Winnipeg, and the need to move forward with the times and allow the WCE to demutualize so that in fact the WCE can grow. If you look at it as we stand now most of the member owners are focussing only on agriculture. Mike mentioned lumber. The fact of the matter is if there was an investment made to trade lumber the current members would not approve it, because the current members would not benefit from lumber. The Exchange has to go

beyond where it is if it is going to survive and to grow. We need to demutualize. Indeed, within the Exchange we took time to evaluate this decision. Ultimately, the vote was a strong reflection of the vast majority of people understanding that.

I look forward to the approval of Bill 26 by the second session of the thirty-seventh sitting of the Legislature of Manitoba, and appreciate the opportunity to address this committee on this important matter for Manitobans. Thank you very much.

Mr. Chairperson: Thank you very much, Mr. Cummings. Are there any questions for the presenter?

Mr. Maguire: Thank you very much, Gordon, for your presentation. You indicated that you were the chair of the implementation committee, that you were also on the committee that studied this whole process. So I assume you feel there was due diligence done in the studying and the process of this whole bill to come forward?

Mr. Gordon Cummings: We took a long time on this matter within the committee. Lord knows we had big enough file folders and binders in the end. We did seek outside advice, both legal and business, on this so that we could not only be aware of what our thoughts were but also what had other people done and what were their experiences. We had a committee in terms of the evaluation committee and demutualization that included all the constituencies, including the floor traders. So there was a full and frank review of the facts and the alternatives and also a full and frank exchange among all types of participants in the Winnipeg Commodity Exchange before the decision was reached.

Mr. Gagné has outlined the extensive communication process that went on after the recommendation of the demutualization committee, which allowed members to have several months to consider it before the vote was held. So we both took time in terms of reaching a recommendation and then I think bent over backward to allow there to be ample communication with the membership before the vote was finally held.

Mr. Maguire: Thank you, Gordon. I guess, whether it is 83 percent, 83.5 percent, that is a

wide margin; there is no doubt about it. I think the fact that is more pertinent to the whole process is you only had 12 votes, it does not matter where they came from, but 227 of 239 members voted in favour of demutualization. Is that correct?

Mr. Gordon Cummings: Mr. Chairperson, 227 of 239 voted, so we had 12 non-votes, which would imply that we certainly managed to communicate to everyone pretty well and virtually anyone who had an interest voted. Of the 227 who voted, 83.5 voted in favour.

Mr. Maguire: Thank you for clarifying that.

I guess the question I would have is just a practical one. Whether or not you demutualize, the Exchange is going to be having to look at some changes down the road. I remember being a public governor, and we had to look at changes in governance, and I looked at a number of issues over the last decade. I find farmers today in the rural areas electronically trading live quotes with Chicago Board of Trade. Now they are bypassing the Winnipeg Commodity Exchange. It is not a function, I do not think, of the fact that they cannot trade here, because there are lots of mechanisms for them to do that. But they feel that that is where they can get some of the greatest opportunity to protect their investment in their farms today.

So I guess with that, and in light of the fact that you made your comments earlier here, in regard to the recognition for the changes needed for the aspects of globalization in the marketplace, and the need to have institutions that are truly competitive globally, would you agree that demutualization will help the Winnipeg Commodity Exchange be more flexible in that whole area?

Mr. Gordon Cummings: Yes, it will make the Exchange more flexible in the end. Clearly, the Exchange does have to handle more contracts and different types of contracts than it is handling to be more viable. Clearly, with owners currently basically focused on one class of trade, it is a very narrow ambient to be playing in. Indeed, I think by having a wider class of trade, which I hope will be one of the things that comes out of demutualization, and the ability to

attract more capital. Because some of the things we have described as well, Mr. Maguire, require capital.

Again, as long as we are going along on status quo, the Winnipeg Commodity Exchange works fine, but if we needed to invest a million dollars in new contracts or new systems, it would be very hard to come up with that under the current ownership structure. That would probably be a point where you hit a wall.

I guess the last point I would like to make, and it is tying two questions together; the thing that matters on this Exchange and in the Canola contract is liquidity. If you look at the trading volumes that occur on the Exchange, about 20 percent are done by the floor traders and 80 percent are by the rest. Now obviously, those of us that represent the 80 percent want the other 20. I mean we want as much liquidity in trading as possible. You know, we are not out to try to knock one group off the floor or out of the Exchange's operation. But I would point out that about half the transactions that go across the floor in the Exchange are from the larger companies that were asked about. You know, these represent a significant part of the total volume. It is important that we create an environment which will attract all types of traders to this, and, indeed, more than today, so that we create the viable thing in the future as well.

Mr. Chairperson: Mr. Maguire, for a very quick question.

Mr. Maguire: Just a quick question I guess in regard to your quota of institutions that truly being in favour of institutions that truly are competitive globally. Your comments about more volume in trade. You know, I assume then that you would believe that all institutions, including the Canadian Wheat Board, would be better off then if there were some choices for those farmers out there today enhancing their operations in regards to being able to have a greater, truer value for finding the true market value of those products. That choice would allow farmers, and particularly on feed barley and feed wheat, which the board does not sell a lot of, to get a truer value for the pricing of those

commodities in western Canada and enhance the Winnipeg Commodity Exchange as well.

Mr. Chairperson: And for a very quick response, Mr. Cummings.

Mr. Gordon Cummings: Well, without being unkind, I think that is well outside of the matter I was here to talk about tonight. Mr. Maguire and I have exchanged thoughts on this one at other forums, and I think I will leave it to that.

Mr. Chairperson: The honourable Mr. Smith for a very quick question.

Hon. Scott Smith (Minister of Consumer and Corporate Affairs): Mr. Chair, I never realized that that was part of the bill. Mr. Maguire might have seen that slipped in where I did not see that piece to be dealt with, but, Mr. Cummings, just a very quick question.

You had mentioned that you represent some 80 000 formal members in your organization through Agricore. I guess my question would be: Would you feel—obviously you have spoken in favour of the bill and demutualization—that the 40 000 farmer members in the, I guess, grass roots, if you will, are well represented by demutualization?

Mr. Gordon Cummings: Yes, I would say that they are. I mean, in the end, for the producers who produce things like Canola and indeed feed wheats or feed barleys that are traded on the Exchange, it is in their interest to have the strongest possible exchange that has the highest volume of transactions going through, so that there is the best possible price discovery, and there is the ability of farmers to trade when they want. Having a viable exchange is important to them. I strongly believe that our ability to have a strong exchange, based in Winnipeg, that handles these Canadian commodities is served best by having the demutualization of the Exchange.

Mr. Chairperson: Thank you very much, Mr. Cummings. Thank you for your presentation. The next presenter, I understand, is Rees Jones. Is Mr. Rees Jones present?

Do you have written copies of your brief for distribution?

* (20:40)

Mr. Rees Jones (Chief Financial Officer, CFG Futures Canada Inc.): Yes, I do.

Mr. Chairperson: Thank you. You can proceed with your presentation, sir.

Mr. Jones: Thank you, Mr. Chairman, ladies and gentlemen.

I am pleased to have the opportunity to speak in favour of Bill 26. The firm that I represent is CFG Futures Canada Inc. CFG is a futures commission merchant with our head office here in Winnipeg, 10 branches across Canada, and 60 employees. We specialize in the trading of commodity futures contracts. We have over 2700 clients in western Canada, the vast majority of whom are agriculturally based. Over the past year, we have received many calls regarding the future of the WCE and demutualization, but we have not received one call voicing concern, or objection to it, or that it could have a negative impact on the western Canadian farmer.

Global trade and the application of new technologies have rapidly changed the way business is conducted, and have forever changed many traditional business models. The commodity futures and stock markets are no exception.

At this time, the major exchanges around the world are merging and creating alliances in order to reduce operating costs, share the costs of developing new technologies and improve efficiencies. The driving impetus behind these alliances has been to reduce costs and increase trade volume.

Eurex, a relatively new European exchange operating on an electronic trading platform, now trades the largest volume of contracts in the world, eclipsing the major U.S. exchanges, which at one time appeared invincible. As a result, many of the U.S. exchanges are experiencing grave financial and other difficulties, and, in some cases, the equity in their seat values has been reduced significantly.

In Canada, we have seen the merger of the Vancouver and Alberta exchanges into the

Canadian Venture Exchange, which subsequently took over the Winnipeg Stock Exchange; and now, very recently, has been taken over by the Toronto Stock Exchange. Both Montréal and Toronto exchanges have voted in favour of demutualization, supported by their local regulators and provincial governments. Most other major stock and futures exchanges in the U.S. and Europe have also completed or are in the process of moving to for-profit organizations.

The WCE, however, continues to operate much as it has over the past century. The Winnipeg Commodity Exchange is a small, regional exchange with limited resources and options under its current structure of governance. As a non-profit institution, the WCE is not able to raise venture capital or enter into business alliances in which the potential for profit exists.

The passage of Bill 26 is critical to ensuring the future existence and viability of the WCE. CFG was represented on the demutualization committee of the Winnipeg Commodity Exchange that met last summer to sift through all of the information relating to demutualization and the ramifications of this issue on the future of the WCE. The committee was comprised of a broad spectrum of industry personnel representing the various industry stakeholders who use the services of the WCE.

The conclusion of the demutualization committee was strongly in favour of demutualization. There is no other logical decision given the rapidly changing structure of the marketplace and use of technology in the futures industry. Demutualization will not change how the WCE operates or jeopardize the services that it provides to its various stakeholders. Rather, demutualization will allow the WCE to react quickly to competitive threats and improve the overall efficiency of its operations, thereby reducing costs. Demutualization will also allow the WCE to raise venture capital, seek new business partners, enter into joint ventures and explore new business opportunities. This will allow the WCE to grow, strengthen its financial integrity, and ensure that it is able to continue to provide the services of risk management and price discovery that it was originally created to perform.

The membership of the WCE voted overwhelmingly in favour of demutualization in February with that 83.5 percent approving the change in structure. The vote was also the highest turnout in 25 years. The only voter bloc that is opposed to demutualization is the local floor traders, who fear demutualization will result in a closing of the trading floor and a move to electronic trading. Local traders on the floor of the WCE account for just 10 percent of the total membership, as a group account for only 1 percent of WCE revenues.

While we empathize somewhat with this group's concerns, demutualization of the WCE is not synonymous with electronic trading. In any event, the WCE does not need to demutualize if it wanted to bring in electronic trading. There is no guarantee that demutualization will secure the future of the WCE or its continued operation in Winnipeg. It is yet unclear what business model is the best one for the futures industry as strategic alliances, technology and business plans constantly change. The WCE presently does not have the resources or time to take a wait-and-see attitude. A major portion of the WCE's revenues is shrinking, due to consolidation and the use of new technology and the "vendor arena." It is clear that the status quo will force the raising of fees on the WCE to a level where business may be forced to move to other marketplaces. In a short period of time, this will create a non-competitive environment where the upward migration of fees will make the WCE unviable relative to other markets.

As the baseball immortal Yogi Berra, once said: When you come to a fork in the road, take it. The WCE is at that fork. We do not know, with certainty, which road will lead us to success, but we do know that the status quo will, in a very short period of time, lead to the end of the WCE. It would also send a message to the rest of the world that the WCE is not willing to take notice of the changing world, is not open to new opportunities and that it thinks that every other major exchange in North America that has moved to demutualized share capital model is wrong.

In short, demutualization will allow the WCE to react to changing market forces and take advantage of future business opportunities. The

end result will be the continuation of the services that the WCE provides to its customer base, mainly price discovery and the offset of market risk. These are the reasons that the WCE was originally created, and should continue to be the overriding factors to consider in the future operation of the WCE. Bill 26 needs to be enacted in order to put the WCE on a level playing field with every other major commodity exchange in North America.

I thank the committee for this opportunity.

Mr. Chairperson: Thank you very much, Mr. Jones. Are there any questions for Mr. Jones from the committee?

Mr. Smith: Mr. Chair, thank you very much, Mr. Jones, for your thoughtful presentation. You mention the ability to grow from demutualization, and you also mention the possibility of the Winnipeg Stock Exchange to actually lose advantage and remain here in the city of Winnipeg without demutualization.

Would you say, without demutualization, that there would be a good chance that the Winnipeg Commodity Exchange would wind down, compared to the rest of the larger markets and partnerships being created right now?

Mr. Jones: Yes, I would, over time.

Mr. Chairperson: Thank you. Any other further questions? I would like to thank you very, very much for your presentation then, Mr. Jones.

Mr. Jones: Thank you.

Mr. Chairperson: The next presenter is Mr. Brian Flaherty. Is Mr. Flaherty present?

Mr. Brian Flaherty (Private Citizen): Present.

Mr. Chairperson: Thank you. I understand that you have a presentation that you would like to present tomorrow, because you still have it in rough draft form, sir.

Mr. Flaherty: Yes. I would like to make the written submission available to the committee tomorrow.

Mr. Chairperson: Is it the will of the committee to accept the presentation tomorrow, rather than

tonight? *[Agreed]* You can just continue with your oral presentation. We will get it tomorrow and distribute it tomorrow.

Mr. Flaherty: Thank you, Mr. Chairman, honourable members of the committee. I have been a member of the Winnipeg Commodity Exchange since 1985, and privately, personally or through my company, Flaherty Grain, since 1993.

I have been a member of the board for approximately three years. However, I do not purport to represent the positions or interests of the board. In fact, it may be fair to say that I am at odds with the board.

I would like to just go through the summary points of my presentation and then come back to each of them and do them individually. First, the proposal, the demutualization report, was, in my view, not properly vetted within the WCE. There has been no formal outside assessment and the public, including the farming community, has not been adequately informed.

* (20:50)

The second area of concentration is dealing with the arguments for demutualization, including competitiveness, flexibility to pursue business opportunities, access to capital, improved governance structure. These, in my view, do not stand up to scrutiny.

Thirdly, I would like to deal with the separation of ownership from trading privileges and how that will irreversibly alter the fundamental nature of this long established and important institution and how, in my view, rights will be removed.

Then I will deal with electronic trading and the fact that it has been an essential element in the argument for this demutualization. Then, finally, I would like to talk about the required level of membership approval. In my opinion, the proposal was not properly vetted within the WCE. There was no formal outside assessment and the public, including the farming community, has not been adequately informed.

While 83% approval appears substantial, closer examination reveals that the WCE

membership is divided in relation to this contentious issue. I would further say that it is not only locals or the small independent companies who are opposed to demutualization. The volume of trade represented by those who oppose demutualization is not reflected in the 83% figure. Individual entities at the WCE may effectively own, through their membership representatives, multiple memberships and, in some cases, up to 15 or more.

Other organizations used for comparison purposes by proponents of this plan are one entity-, one-vote structures. There has been much made of the fact that the Montréal Exchange and the TSE have demutualized and voted to demutualize with, I think, a 66 2/3% acquiescence, but the TSE and the ME have different voting structures where one entity receives one vote.

If the WCE had a similar structure, one entity one vote, the support for demutualization in a vote would be much different, in my view, than the 83 percent. The plan, in my view, was initiated by the ex-president and CEO of the WCE and proceeded without proper dialogue or without the inclusion of membership, and there was an attempt to rush the matter to a vote of the membership with only an informational meeting planned.

After vigorous objections, there was a special meeting called, but formality requirements of that meeting did not permit open, frank dialogue. A motion made at the special meeting that a committee be struck to examine the demutualization plan in more detail and more carefully was turned down. The power of the bloc vote was emphasized in the fact that a second committee, a second look analyzing the many issues that I feel were not dealt with in the demutualization report was turned down.

There are many individuals and organizations who are directly or indirectly affected by the market's efficiency, transparency and integrity, but those who are not members of the WCE or only have a limited number of memberships have not been properly consulted, not the least of which is the farming community. As mentioned earlier by earlier presenters, the efficient, transparent and liquid markets of the

WCE have been an important part of the success of the western Canadian Canola industry which has been a bright spot in an otherwise poor farm economy, and therefore I think it only fitting that there be proper farm community input.

The second area of concentration is on the arguments for demutualization, including competitiveness, flexibility to pursue business opportunities, access to capital, improved governance structure, in my view do not stand up to scrutiny. It has been suggested by some that the WCE may not be viable without this demutualization plan. The WCE has been viable and has prospered and has weathered adverse conditions for 114 years without radically modifying its structure. Smaller, regionally based non-financial product-oriented exchanges similar to the WCE have not demutualized, such as Minneapolis Grain Exchange, the Kansas City Board of Trade, which was started for profit a hundred and some years ago, is still run as a mutual organization. The New York Board of Trade, which is formerly known as coffee, sugar, cocoa, for example, has not demutualized.

A membership organization does not restrict or unduly hamper the formation of strategic alliances or other similar initiatives, and this has been demonstrated recently by other membership-based exchanges. A well-managed exchange may access capital as was demonstrated when the WCE moved from the Grain Exchange Building to its new facility in around 1980 at a cost of, in today's dollars, approximately \$5 million. The Exchange recently funded its own \$1-million renovation project.

The WCE governance structure was recently changed a few years ago. Streamlining, as it is called in the demutualization report of any decision making, may simply mean denying some a voice.

The third area, the separation of ownership from trading privileges will irreversibly alter the fundamental nature of this long-established and important institution, and rights will be removed. Whereas now every equity owner is a trader, if a demutualization is permitted, commercial interest of the shareholder will drive the essential operation of the Exchange so that, if the new

owners or the shareholders who are not traders decide that it is more economically feasible for them to have an electronic platform, then the Exchange will presumably have an electronic platform with no regard to the efficiency and transparency of the market.

The divorce of trading rights from ownership has resulted in problems at other exchanges where demutualized models have been in existence for some time. For example, the Hong Kong Futures Exchange was a demutualized for-profit company when they encountered a serious default. Afterwards, it was changed back to a corporation with only members as shareholders.

The culture of the Exchange will be altered so that those with trading privileges may not feel allegiance to the WCE as they had as a member. Attitudes toward volunteer committee service, dispute mechanisms and long-held traditions of involvement in the organization will change. This commitment to the organization by members is an asset that is difficult to put a value on.

* (21:00)

It is argued that rights will not be removed because the current members will receive shares and a contract for trading privileges in the Exchange for their membership. No details of any such contract have been put forward, so that when we vote we may or may not have the details of the actual contract that is going to replace our trading privileges in hand. I would expect we would, but we do not at this point before this legislation is passed. We do not know any of the details of such a contract, the length of it, the cost of it, any kind of assurance or commitment that the floor will not disappear.

Fourthly, electronic trading has been an essential element in the argument for demutualization. It now seems to be suggested that electronic trading and demutualization are two distinct issues. The report on the demutualization committee and other earlier materials supportive of demutualization put forward clearly link the two. The report, for example, suggests cost advantages to electronic markets, and there is no analysis of the potential

effects on liquidity, transparency or market efficiency. The report states that technology has completely changed the economics of the derivatives market and suggests that new competitors will be armed with the ability to list similar products to those offered at the WCE and suggests this is an immediate threat. In fact in the case of the Canola market, competitors operating demutualized electronic markets have been relative to the WCE's open outcry markets' dismal failures, and the fact that the city market last week was forced to shut down and decommission its agricultural futures markets while the WCE hits record volume milestones repeatedly demonstrates the absurdity of this argument and raises doubts regarding the illogic of attempting to emulate our failed competitors.

It has been said, and I agree, that the WCE has an important economic impact and importance to the community. While at the same time the report of the demutualization committees suggests that centralized marketplaces are cost-inefficient. In the context of a for-profit exchange operating an electronic marketplace, what exactly is it that would keep the Exchange in Winnipeg?

Mr. Chairperson: You have about one minute left, sir, to wrap it up.

Mr. Flaherty: Okay. Some suggest it might be the Winnipeg Ballet. We know it would not be the Winnipeg Jets.

Since I only have a minute left, the section on the 95% approval level versus 66 2/3 percent will be dealt with by I know other presenters, but I would like to say that with proper consultation and assurances to the membership a 95% acquiescence of the membership is obtainable. I thank the committee for this time.

Mr. Chairperson: Thank you very much, sir. Any questions for the presenter, please.

Mr. Smith: Thanks very much for your presentation, Mr. Flaherty. You did not have a written presentation, so I just jotted down a couple of notes, and I hate to say I can hardly understand my own writing.

You had mentioned the level of disclosure to the membership was not sufficient. Just in some

information that I had, it seemed there was a lot of consultation. Could you just expand on that? There were a number of meetings and the annual general meeting. It is my understanding there was information put out there, and then, in a lot of previous meetings to that, there were information packages sent out. Can you just explain, I guess to me, how you feel it was insufficient? The information was provided. I know, even prior to the vote, there was a 23- or 24-page full summary sent out on disclosure of exactly what demutualization was, so could you just expand?

Mr. Chairperson: You could respond now, Mr. Flaherty.

Mr. Flaherty: Yes. Demutualization means different things. By itself, it is not even a word. It does not mean anything specifically, so each demutualization plan is different. For example, the demutualization plan at the NYMEX New York Mercantile Exchange that trades energies, they demutualized, but they did not separate shareholders from trading privileges, for example.

So there are all sorts of different options. There are options in the structure, in the eventual structure of the reorganization. The members were told what it was, what the committee had decided, through an informational seminar, but I always promoted the idea that members should be in a proper dialogue with a two-way conversation with the members; should vet properly all of the different options for a demutualization plan.

Mr. Chairperson: Thank you.

Mr. Maguire: Mr. Chairman. Thank you very much for your presentation, Brian. I look forward to the written copy of it.

A previous presenter, Mr. Rees Jones, indicated in his quote here that there is no guarantee that demutualization will secure the future of the Commodity Exchange, or its continued operation in Winnipeg. You indicated that demutualization does not guarantee the Commodity Exchange will not disappear. In regard to the present format and the present structure, I guess I would assume there are no

guarantees in anything. That the guarantee, even if it stays with the present structure, the Commodity Exchange, might have difficulty staying in the future. Can you just give us your view of that?

Mr. Flaherty: Thank you, Mr. Chairman. The separation of ownership from trading privileges is what concerns me about the Winnipeg Commodity Exchange, and viability and presence here in Winnipeg. That is that the shareholders will drive the essential operation of the Exchange. A for-profit driven company whose concern is for the shareholders will have a different approach to all kinds of different decisions, not just electronic trading. But it will not consider the fact that, presumably, the market be here in Winnipeg first as part of the public interest or that it would remain open outcry, or anything else. It changes the fundamental focus of the company and the objects of the corporation.

Did I answer your question?

Mr. Chairperson: Thank you very much, sir. Thank you for the presentation.

The next presenter is Peter Lloyd. Mr. Peter Lloyd, do you have written copies of your presentation?

Mr. Peter Lloyd (Director of Marketing, XCAN Grain Pool Ltd.): I do, Mr. Chairman.

Mr. Chairperson: Thank you. Please proceed with your presentation as soon as you are ready. Get yourself water, though. It is a hot night.

Mr. Lloyd: Thank you, Mr. Chairman. Although I did bring a written presentation, I seem to have lost my voice somewhere, so the presentation may get shorter as I go through this.

I would like to thank the committee for the opportunity to address you on the important issue of the Commodity Exchange's demutualization plan. Although I have had the privilege of serving as the chairman of the board of governors for the Commodity Exchange for the last three years, I would like to make my presentation from the perspective of my commercial position as the director of marketing for XCAN Grain.

Mr. Chairperson, XCAN Grain is a major exporter of Canadian grain, oilseeds and peas, and in order to transact this business effectively we are a major participant in the futures market operated by the Commodity Exchange. Last year we hedged over 8 million tonnes of grains and oilseeds in these markets, and so we appreciate fully the importance of viable and dynamic futures markets, not only to hedge the pricing risks for grain companies such as ourselves but also to protect the economic well-being of producers across western Canada.

Just as economic pressures are forcing significant changes in the agricultural industry, so similar external changes in the futures industry, in particular the rationalization and consolidation of quote vendor companies, will have a dramatic negative impact on the revenue base of the Commodity Exchange. At the last board of governors meeting, economic forecasts were presented to enable the board to determine the future outlook if no new capital were attracted to the Exchange. These economic forecasts took a fairly optimistic view of increasing volumes over the last two years' record levels and contemplated concentrating on agricultural products, dropping plans for diversification into other commodities and restricting spending on any new technologies. Despite the projections of increasing transaction volume and limiting expenditures, the forecasts suggest that the Commodity Exchange would need to raise its transaction fees significantly over the next two years in order to remain financially viable.

* (21:10)

While it is certainly possible that a substantial increase in fees and transaction costs could be borne, not only by the grain companies but also by the small local traders who do bring much needed liquidity to our markets, the Commodity Exchange would be remiss if it did not seek alternatives to controlling these projected fee increases. One approach could be to partner with other organizations who could bring capital, expertise or technology to the Exchange. There are opportunities to seek such arrangements, both to diversify our products and to enhance our current contracts, which would be facilitated by a demutualized structure.

Ms. Nancy Allan, Vice-Chairperson, in the Chair

The Commodity Exchange needs to have this ability to seek partnerships and alliances, if that is deemed to be in its best interests for its future viability.

Let me give a concrete example of how a demutualized structure facilitates the ability for the Commodity Exchange to diversify. At the present time, Madam Chair, we are developing a non-agricultural contract with an industry that has expressed interest in having access to a Canadian futures market. Since it is unrealistic to expect the grain companies to expend time, money and effort in supporting a contract totally removed from their core business, the Commodity Exchange needs to access other market participants. The most effective way to do this is through an electronic trading system which would allow the major futures commission merchants to carry the new contract on their existing systems at little or no incremental cost.

However, there are two major drawbacks to the Commodity Exchange acquiring such a system. First, the current membership, and that includes the grain companies, does not want to change our open outcry system to an electronic trading system. Second, the systems themselves are expensive to introduce. Thus, stuck in our current structure, we would be forced to approach the grain companies, as the major financial supporters of the Exchange, and ask them to make a considerable investment of money in an electronic system which would have only a limited utility for them.

On the other hand, as a demutualized entity, the Commodity Exchange could enter into a profit-sharing arrangement with an electronic service provider, who may be prepared to put into place the electronic system for a share of the profits gained from the new contract. If the contract were successful, the current membership would gain from having a more diversified exchange with an additional source of revenue. In addition, the Exchange would also have access to an electronic system that may be used to trade Canola in an overnight session for our Japanese and Australian customers, similar to how the Chicago Board of Trade supplements its open outcry markets with an electronic overnight session.

Some members have raised fears that, by demutualizing, the Exchange is open to being bought out by another entity. As a major participant and user of this marketplace, XCAN is sensitive to issues of control in a demutualized organization. Accordingly, XCAN proposed, and the membership approved, an amendment to the original proposal to require that no entity control more than 15 percent of the shares of the new organization. Thus, under the new structure, the shareholders retain the same degree of control and decision making that they would enjoy today as members. In addition, any major change in the Commodity Exchange's operation would require approval of two-thirds of the shareholders, a further safeguard against any future hostile bid for control of our Exchange.

It is our opinion that the greater risk to the Exchange comes from not making changes and leaving the Commodity Exchange with only the option of raising its fees to match the declining revenues from the quote vendors. Simply having the Exchange increase the cost to the industry as a whole of hedging grains and oilseeds may be a short-term strategy but is not viable in the long term. The Exchange needs to be able to attract capital and expertise in a cost-effective manner if it is to survive into the future.

In conclusion, XCAN is a strong supporter and major participant in the Winnipeg Commodity Exchange. We believe that by adopting a demutualized structure the Winnipeg Commodity Exchange will have wider opportunities to confront the challenges of a shrinking revenue base and increased competition. We respectfully request the support of this committee in the passage of this legislation. Thank you.

Madam Vice-Chairperson: Thank you, Mr. Lloyd, for your presentation. Questions from committee members?

Mr. Maguire: Thanks very much for your presentation, Mr. Lloyd. You have indicated the grain companies' preference would be to not look at changing the open outcry process to electronic trading?

Mr. Lloyd: Yes, the grain companies are well aware that the current open outcry system has

been very successful for the Commodity Exchange. We have expanding volumes. We, as XCAN Grain, would take the position of if it is not broken, why fix it? So we support the open outcry system for our current contracts. However, we do believe that in order to diversify successfully we will have to look at other methods of trading, which include electronic trading.

Mr. Maguire: As the chairman of the board of the Commodity Exchange at the present time, you have had considerable years of experience in this whole process of governance changes, looking at the demutualization, having it implemented as well. So can you comment further in regard to whether or not you feel demutualization, having been a farmer myself for many years and still am, will this demutualization negatively impact on farmers if we proceed with demutualization in their ability to interact with the Exchange? I will leave it at that for now.

Mr. Lloyd: I think, directly, demutualization should have no impact on farmers. It should be seamless to them. Indirectly, however, by controlling our costs, we hope to make access to the market and accessibility to and affordability of the marketplace for all the participants, including the farm community.

Mr. Maguire: I simply look at some of your last comments, Mr. Lloyd, where you indicated, it appears to me, as if neither demutualization nor leaving the present structure in its present form is going to guarantee the Commodity Exchange stays here or, in fact, prohibit fees from having to go up in the future, or some new mechanism being put in place to allow the Commodity Exchange to expand. So can you just elaborate on your point here of the Exchange having to increase the cost to the industry as a whole by putting up the short-term strategy to be viable, longer run implications in regard to increasing the hedging costs and that sort of thing, the margin numbers in those areas, and whether or not that would be impacted if you do not have to change, if demutualization does not take place?

Mr. Lloyd: I believe that demutualization is certainly not a panacea. The Commodity Exchange is confronting a challenge of a

decreasing revenue base, and that is the fundamental challenge that it needs to address. I think demutualization gives the Commodity Exchange some other alternatives that it would not have under its present structure. But, in and of itself, it does not solve anything.

Mr. Maguire: So really the cost to the Exchange, the costs right now of operating and that sort of thing in regard to fees, demutualization is not causing those to go up at the present time.

Mr. Lloyd: I am not quite sure I understood the question. You asked—

Mr. Maguire: Just for clarification, that if the Exchange goes ahead and demutualizes, that the present fee structure will not necessarily go up anymore than what it might have to under its present format?

Madam Vice-Chairperson: For a quick response, Mr. Lloyd.

Mr. Lloyd: I think the fees will have to go up if the Commodity Exchange is unable to attract new business. By demutualizing I think we have an opportunity, a better opportunity to attract new business than by retaining the present structure.

Mr. Smith: Thanks very much, and I thank you for your presentation, Mr. Lloyd. Your voice did quite well with a few glasses of water.

Just so I am clear, and just so others are clear, this bill, even though you have made some suggestions and recommendations on electronic trading, does not deal with the electronic trading. Obviously, the demutualization does not do that. Right now, at the present structure, just so I am clear, my understanding is, if, in fact, the organization was left as it is now, basically the board without the membership could change to electronic trading without a vote. Is my understanding correct?

* (21:20)

Mr. Lloyd: That is correct.

Mr. Smith: So with the changes and, if, in fact, in the future, if it went with the changes being

proposed there would have to be a membership vote, as opposed to now, where there is not.

Mr. Lloyd: That is correct.

Madam Vice-Chairperson: Thank you for your presentation, Mr. Lloyd.

Mr. Lloyd: Thank you.

Madam Vice-Chairperson: I would like to call Anthony Denis Cattani for his presentation, please. Do you have written copies? Thank you very much.

Mr. Chairperson in the Chair

Mr. Chairperson: You can proceed, sir.

Mr. Anthony Denis Cattani (Private Citizen): Firstly, I would like to thank the committee for this opportunity to make a presentation. I feel that some important facts that are necessary in coming to a decision have been intentionally omitted from the position put forward by the Winnipeg Commodity Exchange. We have heard several reasons for demutualization of the WCE. If you will allow me, I will briefly touch on a couple of them.

Firstly, it is the WCE position, and those that support it, that demutualization is needed in order to be more attractive in forming alliances with other exchanges. This is simply not true. Before the WCE contracted the services of the now past-president, Mr. Bennet Corn, the Minneapolis Grain Exchange under the tenure of Mr. Jim Lindau made overtures to form a joint working relationship with the WCE. These advances were spurned by the Winnipeg Commodity Exchange.

The Minneapolis Grain Exchange, which is now under the tenure of the new president, Mr. Kent Horsager, is once again floating the idea of a joint alliance of the two exchanges. Neither of these propositions included a caveat of a demutualized exchange.

Secondly, the move to demutualize has nothing to do with a move towards electronic trading. This is another false statement.

As past chairman of the electronic trading committee, I had in-depth knowledge of the push

for establishing an electronic trading platform. On several meetings with the past-president, I was told that any move towards electronic trading had to wait until after the Exchange was demutualized. Further, on many occasions, Mr. Corn alluded to a very large deal that was waiting in the wings once we demutualized and had an electronic trading platform.

Thirdly, only a two-thirds majority of the membership would be needed to vote in favour of demutualization, since that was the cut-off of the Toronto Stock Exchange vote. May I point out that the TSE vote to demutualize was one vote for one entity. In the case of the WCE, many of the large grain companies have accumulated numerous seats on the Exchange. A number of these firms have in excess of 10 seats. A large international house has in excess of 15 seats. To place a trader on the floor requires one membership. Why the extra seats if not to influence all voting on the floor of the Winnipeg Commodity Exchange?

I would put to this committee that we would have a much different picture if we had one entity, one vote. There are many impacts on changing the venue of the Winnipeg Commodity Exchange, and there are some similarities in what has happened in many other exchanges around the world.

Recently the Sydney Futures Exchange migrated to an electronic platform in October of '99. The result of this move wiped out the local population of traders who were unable to adapt to the new venue. On June 18 of this year, the Sydney Futures Exchange announced that it was delisting all agricultural contracts.

The Montréal Futures Exchange recently became a full electronic marketplace, only to see its volume in its most active contract, the BAX, the Bankers' Acceptance, drop by 30 percent. Why? The move wiped out the population of local traders who generated 30 percent of the volume.

The London-based International Petroleum Exchange, IPE, voted in favour to demutualize in February 2000. In May of this year, the ICE, the Intercontinental Exchange, an all electronic exchange, an OTC market based in Atlanta,

submitted a bid to acquire IPE holdings and migrate all of the International Petroleum Exchange open-outcry-traded products to an automated trading platform. The contracts would only continue to exist on a computer in Atlanta.

It is estimated that there are 900 Manitoban jobs directly tied to the trading floor of the Winnipeg Commodity Exchange. May I point out to the committee that, once the Exchange demutualizes, there is nothing to stop such a take-over bid for the Winnipeg Commodity Exchange? In the case of IPE, if the bid is successful, the Exchange will only exist on a computer in Atlanta. In the case of the WCE, such a move would wipe out nearly all 900 tax-paying jobs.

I would like to draw a couple of conclusions from the facts that I have presented.

1) I was told on numerous occasions by the past president of the Exchange that the move to demutualize had to precede the move to an electronic platform. I firmly believe that the demutualization of the Exchange is a precursor to electronic trading.

2) A move to an electronic platform would decimate the local population on the trading floor.

3) The resultant 30% decline in volume would create a Catch-22 situation, where commodity funds would also pull back their participation in WCE contracts due to a lack of liquidity.

4) The ultimate loser in this whole game is the farmer who now relies on the WCE for transparent price discovery and price publication.

Currently the local traders make up about 30 percent of the volume. This adds great depth and liquidity to the contracts of the Exchange. A move to take the Exchange to an electronic platform would wipe out this liquidity. As chairman of the Brokers and Floor Traders Association at the WCE, I am in a position to put to this committee, after polling the locals, that any move to migrate the Exchange to an electronic venue would result in all of the locals

migrating to much more active and liquid markets such as the S&P or Nasdaq contracts. Nowhere in the proposition, which divorces shares from trading rights, are assurances of any traders access to the trading floor or preservations of the current fee structure.

Why is it important to preserve the Exchange in its present venue? The bottom line, in my argument again, is the farmer. With the current venue, the farmer has a transparent price that is arrived at by open outcry auction. This is a necessary risk management tool in today's complex markets. Without a transparent price that is determined by an open market, there would exist an opportunity for merchandisers of agricultural products to adjust the wholesale or farm price of the commodity downwards, without the farmer having reference to a fair market-established transparent price. Make no mistake. There are thousands of farmers that are relying on the openness of the current market. What would be the motivation for such a downward adjustment? An adjustment downwards of \$40 per tonne in the cash basis of Canola translates to in excess of \$250 million per year.

I urge the committee not to recommend the legislation in its present form. For the protection of the 900 people that rely on the Exchange directly or indirectly for their income, and for the thousands of farmers that are not even aware of the implications of the current legislation before us, may I suggest a recommendation to further study the impacts that such a transition would create, or in the very least, a caveat be added to the legislation that preserves the Exchange in its current venue and fee structure?

We have heard comments on the need to diversify contracts. During a meeting of the Exchange membership on January 10 of this year, I put forward a motion to form a committee to study single stock futures, an up-and-coming massive source of revenue to U.S. exchanges, in which we potentially could have at least a one-year head start. Contrary to the presentation of Mr. Gordon Cummings from Agricore to support diversification, his company voted against this initiative, as did all other grain companies.

* (21:30)

Minneapolis Grain Exchange, it was mentioned, has made a commitment to electronic trading. They have also made a commitment to preserve their open outcry markets and only add new contracts to electronic trading. We have also heard that it is needed to raise capital to develop new markets. May I point out that recently, a \$1-million contingency fund was spent on renovation and furniture? If you take a look at the cost of the Exchange, salaries have increased from \$1.2 million to over \$2 million in the last couple of years. We also now send over \$800,000 a year that was kept here when we did our own clearing in Winnipeg, to a firm that is now owned by the Montréal Exchange. So there are many sources of revenue that can be tapped if the Exchange begins to be managed in a more upstanding and forward way.

That is my presentation. Any questions?

Mr. Chairperson: Thank you very much, Mr. Cattani. Are there any questions from the committee? Okay.

The next presenter is Mr. Ron Zimmerman. Do you have written copies? Thank you. Help yourself to water. Please proceed with your presentation whenever you are ready.

Mr. Ron Zimmerman (Private Citizen): I would like to thank the committee for the opportunity to make this presentation tonight. My name is Ron Zimmerman. I have been a member and a local floor trader at the Winnipeg Commodity Exchange for the last eight and a half years. This year I expect to trade approximately 300 000 futures and options contracts out of the Winnipeg Commodity Exchange, so I feel I make a reasonable contribution to the overall volume and liquidity to the Canola and option contract. I am here tonight to ask the committee to reconsider allowing Bill 26 to pass. I also want to note that I support the arguments put forth by Mr. Flaherty and Mr. Cattani, here tonight, opposing the acceptance of Bill 26.

Demutualization does not necessarily mean electronic trading. However, the Winnipeg Commodity Exchange, the information circulated about demutualization, also included references to electronic trading being a necessity

in the future to remain competitive. Also, the past president, Mr. Corn, has been noted as saying: Demutualization is the stepping stone to electronic trading. Currently, the local floor traders comprise 25 percent to 30 percent of the volume traded for Canola futures and options. If this contract became traded electronically, there would likely be an instant 30% drop in volume, as was witnessed by the Bankers' Acceptance contract at the Montréal Exchange when it went electronic recently.

On the Winnipeg Commodity Exchange Web site, it states the Winnipeg Commodity Exchange operates under a mission to provide a public marketplace for responsive price discovery and risk transference of commodities with efficiency and integrity. It also states, the Manitoba Securities Commission, a provincial regulatory authority, ensures the trading of the WCE is carried out in accordance with the public interest.

Now, if the Winnipeg Commodity Exchange contract, for example, went electronic and the volume fell by a significant 30 percent, there would be a reduced ability for the market to handle the risk transfer function with efficiency and integrity, and this would not be in the public interest, which is something the MSC suggests it is supposed to prevent from happening.

The WCE has also mentioned there was a need to demutualize to access outside capital. This may or may not be true. However, there may be ample means from current operations to access capital through a substantial reduction in cost and/or increase in revenues. Some of those were noted earlier. A couple of possibilities for reducing costs are bringing back the risk management functions that were always done effectively here in Winnipeg by the Winnipeg Commodity Clearing Ltd., but it was dismantled but are now contracted out to a Montréal-based company, CDCC.

This year, with increased volumes, there will probably be costs in excess of \$900,000 that could have been kept here. Secondly, under Mr. Corn's guidance, the budget for salaries and benefits went from \$1.2 million in '97 to in excess of \$2 million in just three years. That is a 66% increase. These two increases alone add up

to \$1.7 million per year or 33 percent of the 2000 expenses.

The other consideration is increase in revenue, with the introduction of new products traded in an open outcry pit. There is nothing preventing introducing new products, trade electronically or open outcry. It would not be a significant cost to implement. Again, a couple of examples might be the futures and individual stocks that other exchanges around the world are anxious to do. The Winnipeg Commodity Exchange does not want to look at the issue or the issue of listing of stock index, futures, on, say, the Canadian Ventures Exchange.

One note that I just added that is not in your notes there: It is noted here tonight the supporters of demutualization say they are not interested in making Canola electronic. However, when asked for a guarantee to maintain open outcry, even for a short two-year period, it was declined. So that would suggest that their real support for open outcry is not as strong as they suggest.

In summary, I just want to say demutualization is not a necessity to access capital, or to expand trading opportunities. If demutualization does lead to electronic trading, I feel this definitely would have a substantial negative impact on the public interest through declining volumes, which is what the MSC is supposed to ensure does not happen. Thank you for your time.

Mr. Chairperson: Thank you very much, Mr. Zimmerman. Are there any questions or comments from the committee?

Mr. Smith: Thank you very much, Mr. Zimmerman, for your presentation and your views here tonight. The issue of demutualization certainly is in front of us, but the issue of electronic trading certainly, I believe you realize, could be done now by the board. This bill does not have anything to do with the electronic trading so to speak.

On your summary, for capital and investment in the market, a lot of others have expressed concern that unless volumes go up, and there is growth in the industry, that in fact

could be a detriment to the Winnipeg Commodity Exchange. A lot of the others have formed partnerships and alliances with many of the others to form bigger markets. Your view is that is not a problem with the Winnipeg Commodity Exchange, if it stayed where it was now it could compete with the other larger growing markets and do well.

Mr. Zimmerman: Number 1, I am not suggesting we stay the status quo in terms of not introducing new products. I am saying they can introduce new products under the current structure. Secondly, the revenues have increased substantially over the past few years, probably from just over \$3 million to over \$5 million. However, as mentioned here, they have increased their costs. There has not been a real change in the operation of the Exchange but they have just increased their salary to suck up the revenue. They have also exported \$900,000 a year, which on a small budget like the Exchange could be quite effective in funding further growth in other products.

Mr. Chairperson: Thank you. Any further questions?

Mr. Maguire: Ron, I would just like to thank you for your presentation, as well as Denis. I did not get a chance to thank Mr. Cattani, but I wish to do it now.

You have given some discussion to the fees and those types of issues. Mr. Cattani raised the issue of some of the other exchanges being one vote, one entity kinds of issues. Of course it takes a certain amount of money. It takes a certain amount of dollars to keep anything running. It certainly does for the Commodity Exchange as well. Can you give me any kind of an idea of what the fees would have to be for a membership or what a membership would be? It would not change the value of the membership per se, but can you give me any indication of what the fees would be if the fees it took to operate the Exchange were charged on a per entity basis?

Mr. Zimmerman: I am not suggesting that the fees need to be increased any more than they are now, if that was your question.

* (21:40)

Mr. Maguire: I am not either. I am not indicating that the fees may need to increase. But with the present operating budget of the Exchange, if you went from the memberships being charged a fee under today's structure to each entity being, if it is an entity being a company or an entity being an individual floor trader, that being two entities, you would shrink the number of people that you are spreading the cost of operation of the Exchange over today. Can you give me some idea of what the cost would be under that kind of mechanism?

Mr. Zimmerman: I do not think the annual fees the members pay to be a member of the Winnipeg Commodity Exchange are a significant contribution to revenue. Most of the revenue is provided through transaction fees, code vendor fees and things like that. So the annual fee that they currently pay or would pay under demutualization is not a real significant contributor. I think it is less than 10 percent.

Mr. Chairperson: Thank you very much, Mr. Zimmerman. Mr. Vic Janzen is our next presenter. Is Mr. Janzen in the audience? No? His name will fall to the bottom of the list and be called at the end. Mr. Curt Vossen or Terry James. Do you have copies of your brief?

Mr. Terry James (Vice-President of Grain Merchandising, James Richardson International): No, I do not. I just have my own short form abbreviations, point form that I want to speak to.

Mr. Chairperson: Okay, and your name is, Sir? Are you Curt Vossen?

Mr. James: No, I am Terry James. I am Vice-President of Grain Merchandising for James Richardson International. I am a member of the Winnipeg Commodity Exchange myself. I have served on the board of governors for about 10 years, immediate past-chairman, serve on the executive committee. I am also a member at the Chicago Board of Trade and I am a member at the Minneapolis Grain Exchange.

JRI has 1200 employees in western Canada, 300 of them are in Winnipeg, a long-standing Winnipeg-based company, pay taxes in the province of Manitoba. A lot of our employees'

salaries, payroll taxes, property taxes, et cetera, are contributing to the Canadian and the Manitoban and the Winnipeg economies. JRI sells Canadian agri-products around the world. The customers that we have, China, Japan, Mexico, et cetera, come to Winnipeg. They want to see the Winnipeg Commodity Exchange. We are proud to bring them here. We feel that it is a showpiece to show them where the price is being discovered, and it is a very positive selling feature for our province and our city. We certainly want to keep it that way.

Our company is growing in Manitoba. In the last five years we have spent over \$40 million on capital expenditures, assets that are on the ground in Manitoba. Many of those assets are used by the Commodity Exchange as delivery facilities, of which we pay a fee to be able to have the privilege of allowing them to stand for delivery facilities.

I am a very strong proponent of the Commodity Exchange and the Commodity Exchange's price discovery mechanism, setting the price of Canola, which has grown to be a global crop. The price discovery is set in Winnipeg. Winnipeg Commodity Exchange has a long track record of being successful in that commodity, and hopefully it is going to continue.

As some of the speakers have earlier mentioned, the Sydney Futures Exchange is going to discontinue their ag commodities. A lack of liquidity is probably their main reason for doing that, and that is to Winnipeg's benefit because we are going to have that liquidity come to this marketplace. Canola is a rapidly growing commodity in Australia. A previous presenter has mentioned that their company operates in Australia. We would like to operate in Australia ourselves as Canadians simply because of the growing acreage base in that country. Believe it or not, a lot of that Canola is hedged and priced in Winnipeg, even with the time change.

Tomorrow, the Winnipeg Commodity Exchange is going to go a step further and open a Canola meal contract. Again, as a crusher, a company that operates a crushing plant, we are very supportive of that and we are wishing it the best of success and hopefully it is going to

succeed. It is a tough industry for the Commodity Exchange to operate in. We have a number of different threats that have already been mentioned, but the demutualization issue hopefully is something that is going to be able to make the Commodity Exchange survive against these competitive threats that we have.

JRI supports the Commodity Exchange in a number of different ways. We are one of the companies that have a number of different memberships. The reason that we have a number of different memberships is so that our people that trade different commodities can belong to certain committees, participate in the Exchange, go to the Exchange's floor, participate in the board of governors and contribute people-wise.

We contribute to the Exchange financially through our dues. Each one of our memberships that we have pays dues. I mentioned to you that we have elevators that are delivery facilities. We pay fees for that. As well as every time that we trade in the Commodity Exchange we also contribute through transaction fees. I did some calculations before I came over here and if I total up all the fees and contributions that we make to the Commodity Exchange and not counting our people assets that we have at the Commodity Exchange, we probably represent 5 percent of the total revenue of the Commodity Exchange from just our company.

When we sell 50 000 tonnes of Canola to the Chinese overnight, we have to hedge that. We need a liquid market; 50 000 tonnes of Canola would represent the contents of about 600 rail cars. We have to have the ability to put that out in the marketplace and hedge that, you know, immediately. In the last few years, in fact, China which is now Canada's No. 1 customer for Canola, 50 000 tonnes, you know, sometimes a company may have to sell two of them in the same day. We need a very viable and liquid Commodity Exchange in Winnipeg to hedge that price risk. That is very important to us as a Canadian company, as a Winnipeg-based company.

Historically, our company has supported the Exchange then in a number of different ways, and in fact, Mr. Richardson himself used to make traders like myself trade at the Commodity

Exchange just to provide liquidity in the Canola market to get the thing started. So we have a lot of roots in it and, like I said, we are very supportive of it.

Demutualization? Well, I learned about that word back a few years ago. I did not know what it was. It came to me through mailings from my insurance company. I am sure maybe that is where you heard about it, and wondered what it was, et cetera, et cetera. It did not take long to figure it out, though, because insurance companies did demutualize. You got a lot of mailings on it. We probably all voted in favour, or some maybe against, but generally passed with big majorities. Shares of those companies that have demutualized have gone up considerably. For example, the one that I have a policy with was called Mutual Life at that time. I do not know if that is the reason for demutualization, but it is now called Clarica. Shares started at \$20.50, now are trading about \$45. Sun Life is another one; \$12.50 now trading at about \$36. So, that is demutualization. That is how it started. The next things that demutualized were the exchanges. The Exchange is providing them an offensive strategy, as well as a defensive platform for their future.

JRI supports demutualization. One of the major reasons for it is that, as I have said, we have spent a lot of money on building assets. The western Canadian grain handling system is requiring a lot of capital. We want to have a liquid market here in Winnipeg, but we are not interested in running an exchange. We are not interested in putting cash calls, or supportive cash into the Exchange. We will pay our dues, we will pay our fees, we will give our people to support the issues and initiatives in the committee structure. But JRI is not interested in being a major contributor or financier of the Winnipeg Commodity Exchange. We feel that demutualization gives the Exchange the opportunity to be able to go out and raise that capital through partnerships, or other ways and means for other revenue.

We, as I said, want to have a strong Canola market right here in Winnipeg. We think it is something to be proud of. We think that demutualization helps preserve that ability. JRI wants a low cost and an efficient marketplace to

trade and hedge its risk in the Commodity Exchange. We feel that is another reason why we would want to support demutualization, because we think that is going to help the Exchange become more viable.

Better decision-making processes, as some of the other speakers have mentioned. We believe that the Winnipeg Commodity Exchange cannot survive as a one-trick pony. The Canola contract is beautiful, lovely volume and globally recognized. Other commodities that we have had, such as oats, we have had to delist due to lack of volume. We feel that being a one-trick pony in the future is not the way to go. Other commodities, Peter mentioned lumber, et cetera, we need investment to be able to get these things off the ground. Demutualization is the way to raise that investment.

* (21:50)

We believe that demutualization gives the new board of directors a springboard to make decisions that can help the Exchange be run more efficiently, to be managed more directly, and makes the decision-making process more efficient. Look at ourselves here: a major institution, based in Winnipeg, that would appear to you to be quite fragmented, with one group of members opposing this and another group speaking so much in favour of it. The ironic thing about it is a company like ourselves supports the people that are opposing this move to demutualization, because we provide them with orders in the pit. We provide them with their business lifelines in terms of the volume. Probably paid a quarter of a million dollars in commission fees and brokerage fees to people to trade in the pit, because JRI does not have its own person in the pit. That would go to independent brokers, it would go to futures commission agents that trade in the pit.

So we have a disjointed membership here, one group opposed and another group in favour. Demutualization helps us make the decisions that we have to make to get on with running the business of the Exchange.

There has been some discussion here about the vote and voter turnout, et cetera. I am not going to repeat it. As we moved forward with

demutualization, I took the liberty to talk to many members, many members that were not in Winnipeg—members in Hong Kong, Chicago, New York, et cetera. I basically wanted to know whether (1) they received the package, (2) they had any questions.

Generally, support was there by anybody that I spoke to. I should say not anybody, there were a few, but basically the vast majority. I think those calls I made helped get the support that we got in terms of the voter turnout up, but generally the themes were very common.

The people I spoke to understood the issues. Some of these were farmers in western Canada. There are a few farmer members that have memberships, a few, I say, but they understood the issues. They agreed with the action. They agreed that in their own constituencies the opposition was very similar for a lot of very similar reasons that you are hearing today, but basically they told me get on with it. Get on with it. You should have done it sooner. We support anything that unlocks shareholder value. Demutualization does that so they were very supportive of it.

There has been some discussion here today about electronic trading, that this is the platform for electronic trading, demutualization, and that we were going to head toward an electronic trading platform as soon as we demutualize. I am just going to give you a paragraph of a memo dated September 28, 1999, to the electronic trading committee. It was sent by the former president of the Exchange, CEO, Mr. Corn. The second paragraph reads: However, the potential benefits of an electronic trading system such as faster execution, anonymity, reduced errors and low cost are not nearly as significant for the Winnipeg Commodity Exchange as they may be for other larger exchanges that trade more widely used products. The Winnipeg Commodity Exchange has a trade-oriented market that does not have a large speculative interest and overall, operationally, complaints are low. Accordingly, except for perhaps extended Canola trading hours, an ETS does not appear feasible for existing Winnipeg Commodity Exchange products.

That was the basis of the electronic trading committee's venture into taking a look at that.

After trading hours—hey, Sydney just closed, the Aussies are growing more stuff—if we can set something up that works, it is going to just make Winnipeg more stable and ensure its livelihood of setting the Canola price around the world.

Alternatives: Do nothing? Stay as we are? Not really viable. We do that, we probably lose ground. We have to do something. More study? Well, you know, we have been looking at it for two years, had a number of different people through the committee, heads of companies, representatives from all organizations. It was not unanimous, but to my knowledge there was not a vote against it at that committee.

At the board of governors, generally speaking—I know, okay, one minute—broad support from the board. Yes, we have had the floor, Brian, and some opposition to it, so everybody can have their own view. This gets portrayed sometimes as a David and Goliath scenario. It is not. The Commodity Exchange itself is a small exchange in a very big marketplace, and what we are trying to do with demutualization is put it on a foundation where it can survive.

When the Premier (Mr. Doer) of Manitoba travels to China it is, I think, a real feather in his cap that he knows that the largest export of any Canadian product going to China, the price is established at the corner of Portage and Main. The decisions are made here. Thank you.

Mr. Chairperson: Thank you very much, Mr. James. Are there any questions?

Mr. Jim Maloway (Elmwood): I would like to ask Mr. James how he answers Mr. Cattani's claim that proceeding with this bill will essentially wipe out the trading floor, eliminate 900 related jobs in Manitoba, and all the business of the Exchange is going to end up in some server in Atlanta or somewhere else at the end of the day. That is essentially what may well happen with the demutualized life insurance companies. They will be takeover targets, and the ownership will be maybe overseas. The question is: How does this help the local economy? I would like you to be able to address his arguments, because you both cannot be right.

Mr. James: As I said, Richardsons have 250 employees here in Manitoba. We are not going anywhere, regardless of what happens to the Winnipeg Commodity Exchange. If our jobs are included in that 900, you can subtract that.

I think the issue is maybe the way it is portrayed that this is the worst possible scenario. The Exchange moves to another location, another venue. We are seeing more Canola grown in the United States, up maybe 25, maybe 40 percent. We are seeing less grown in Canada. That is a threat to the Commodity Exchange. Minneapolis, electronic trading platform, yes, they are looking out there, and they see those yellow fields of Canola down there. They would rather see the orders go into Minneapolis than in Winnipeg.

But, if we demutualize, it provides us with the best opportunity to save what we have got. If we do not demutualize, yes, we could maybe stagger along for a couple of years, perhaps, but if something else comes along that has a more efficient order filling and liquidity, as an operator, I have to take a look at where it is going to be the most efficient for me. If I have a high-price system here and a low-price system there, I have to take a look at what is going to be the best for my company.

Mr. Smith: Thank you very much. I would like to thank Mr. James for truly an international perspective. I mentioned trading around the world, and I think you answered my question with your response prior. The options seem to be to stay the same, and you seem to be of the opinion, if it does stay the same, it will eventually wind down. If, in fact, demutualization takes place, you feel that it puts this Exchange on a playing field in the ability to form partnerships and to actually grow what we have here in Manitoba. I guess those would be reflective of your comments?

Mr. James: Yes, it does. It gives it its best chance of survival, in our opinion.

Mr. Chairperson: Thank you very much, sir.

The next presenter is Mr. Alexander MacKenzie. Is Mr. MacKenzie here? Do you have written copies of your brief?

Mr. Alexander MacKenzie (Private Citizen): I do.

Mr. Chairperson: Thank you, sir. Help yourself to the water, and proceed with your presentation, sir.

Mr. MacKenzie: Thank you. Mr. Chairman, Mr. Minister, ladies and gentlemen of the committee, thank you for this opportunity. I am a lawyer, and my involvement in this matter has been substantially through assisting the nay forces to help understand some of the rules and regulations which they have had to deal with in trying to, first of all, appreciate the impact of the procedural matters that have led them to this point.

* (22:00)

I must say that in my perspective what is sad indeed is that the Winnipeg Commodity Exchange, which has existed for over a hundred years as a mutual organization with very substantial co-operation with its members, is fragmented. There is some expression about united we stand and divided we fall. I think that probably applies to more than just political parties and political interests. It applies to organizations. What the sad thing here is, with the greatest of respect from the point of view of the people who are opposing this bill, there has never been an opportunity to get on side.

The Winnipeg Commodity Exchange is a focal point of Manitoba's economy. Its survival is of the utmost importance, and there is not a single person in this room who has spoken, whether they are on the for side or the against side, who would challenge that point. For most of its history, the Winnipeg Commodity Exchange has been a mutual non-profit association. Trading and membership are integrally connected. Members are vicariously liable for each other. Conduct and behaviour is and has been controlled by the organization itself, except for such trading practices as fall within the control of the Manitoba Securities Commission.

In 1996, the association was continued as a special act, Manitoba corporation, under The Winnipeg Commodity Exchange Act. It continues to be a non-profit corporation. That is its fundamental nature as reflected in section 5 of the act. There is no provision in The

Winnipeg Commodity Exchange Act for winding up or for conversion to a share capital corporation. There has been a contention as to the appropriate percentile vote to effect the mutualization. One of the things that I think I would like to emphasize with Mr. Flaherty's point is that given that there is a common interest in this organization for its survival and growth that he believes with appropriate consultation and co-operation, a consultative model, there could be a 95% approval.

Prior to continuation as a special act corporation, the constitution of the Exchange itself provided that major changes could occur with a mere 66 2/3% vote of the members. That was, as I say, within the constitution of the organization prior to its continuation under special act of this Legislature. Also, The Corporations Act of Manitoba has a provision that a corporation can make major changes by special resolution, which also requires a vote of 66 2/3 percent. Add that to the business about the Toronto Exchange and its 66 2/3, and on that basis members have been informed by the administration of the Exchange for so long as I have had any awareness of this matter that the appropriate level of support for demutualization, as this nominalization is called, is 66 2/3 percent.

This number has for these reasons become the benchmark of all discussion. However, The Corporations Act in sections 167(2) and (3) says that conversion of private corporations, those are ones with no public interest, from not for profit to profit or, vice versa, profit to not for profit, must be supported by a membership vote of 95 percent, by statute, for a private corporation moving either way. Why would that be? This is not a question of people deciding not to do business anymore in a conversion of that sort. It is a decision as to what the absolute essence of an organization is going to be, not whether to disassociate, not at all.

It is a question of under what terms one continues one's association, charity or a money-making outfit. These kinds of issues are important.

However, the 95% rule, as I have indicated, applying both ways when a conversion from

profit to non-profit or vice versa, is not the case by virtue of section 167 of The Corporations Act, which specifically provides that a corporation created by special act, which is this corporation, cannot make any fundamental change except to change its name.

The fact is that only the Legislature has the right to permit changes to a special act corporation. The members do not have the right no matter what the rate of approval or acquiescence, as the case may be. It is unfortunate that members were misinformed by their administration for as long as I have been involved in this matter in that regard. It may well have impacted on the vote of 83 percent, which is touted as being so magnificent in the face of the 95 percent for any other private corporation that would have to make this change without any public interest whatsoever.

It may well have impacted on the vote of those members, and, I would suggest, especially on those members who have felt at odds with the administration. How convenient, as the last speaker himself has noted, that so many of the traders depend upon those trades that they give them, and I guess they can be pretty selective about who they give them to, can they not?

If Bill 26 passes, the Exchange may be continued under The Corporations Act as a private for-profit corporation with only, only a 66 2/3% ratification by members. This Legislature would thus preclude any informed—and I have underlined that in my presentation, "informed"—argument or discussion as to the propriety or adequacy of that level of support by the members themselves. In the constitution of the Exchange, prior to its incorporation as a special act corporation, any matter could be submitted to arbitration.

For private corporations created under The Corporations Act, any member who feels an abuse at the hands of the majority is entitled to a judicial determination of the matter. Section 234 allows for a shareholder application to a court in the face of oppressive behaviour by the majority, and I would just hasten to add that the Exchange here has five categories of membership. They range from floor traders, who feel oppressed, to the employees of the big grain companies, who

do not feel so oppressed. Section 234, as I say, for a private corporation does permit, in the face of oppressive behaviour by the majority, for a court challenge.

Section 184 provides for an application to the court to dissent in the face of a fundamental change to a corporation. With government ratification, the possibility of court challenge will be lost to dissenting members.

I see there are several fundamental problems with this bill, with the greatest of respect. I would suggest, in the context of such a fundamental change as a movement from non-profit to profit, 66 2/3 percent is too low. Why would this Legislature lower the bar? Where are the studies? Where is the basis for that, pardon me for the expression, but that essential abrogation?

* (22:10)

Second point, the right to a court challenge is stripped away by virtue of the enactment of a particular percentile by this Legislature. In the context of leading up to the great ratification number of 83 percent, it was necessary for the bigger companies to seek proxies from their up to 18 members. I do not want to try and pretend to know exactly how it works, but I would suggest to you that it is not a secret ballot at that point. So I would suggest the final flaw in this legislation is that it does not clearly provide for a secret ballot on such an essential matter, with respect.

Thank you.

Mr. Chairperson: Thank you very much, Mr. MacKenzie. Are there any questions to the presenter? Thank you very much for your presentation, sir.

The next presenter is Lawrence Yakielashek. Is Mr. Lawrence Yakielashek in the audience? Then, following the rules, his name will be dropped to the end of the list and called a second time later on. Mr. Glen Peters is the next presenter. Mr. Peters. Do you have copies of your presentation?

Mr. Glen Peters (Private Citizen): Yes, I do, Mr. Chairman.

Mr. Chairperson: Okay. Please proceed with your presentation, sir.

Mr. Peters: Thank you, Mr. Chairman, and good evening, committee members. My name is Glen Peters. I am a partner with the law firm, Fillmore Riley. My firm acts as external legal counsel to the Winnipeg Commodity Exchange and was specifically engaged with respect to all legal aspects of the demutualization of the Exchange. In light of all of the other parties present here this evening who have spoken or will speak to the business aspects or the business case for demutualization, I am not intending on commenting in that area. Rather, I would like to restrict my comments to the process followed by the Exchange in exploring demutualization and the legal context which has given a need for the bill that is before you this evening.

Dealing first with process, as you have heard and will continue to hear throughout this evening, the board of governors and the management of the Exchange formulated an extremely detailed process to explore the potential benefits of demutualization. Contrary to a few of the comments heard earlier this evening, I would suggest to you that there could not have been a more transparent process created for the whole demutualization process.

A demutualization committee representing a cross-section of the Exchange membership, including floor traders, met over a period of several months and completed a detailed analysis and formulated recommendations to the board, including a recommendation that in order to continue its viability the Exchange needed to consider demutualization. Before taking any steps towards implementation, however, a detailed information memorandum was prepared and distributed to all members of the Exchange for the purpose of a preliminary vote on the demutualization. Included in that information memorandum, on page 16, was the following language concerning the need for this enabling legislation: Provincial legislation will be enacted whereby WCE's charter is continued as a Manitoba Corporations Act share capital, for-profit corporation.

As you are now aware and have heard from many parties previous, the membership of WCE

voted 83.5 percent in favour of demutualization following review of that information memorandum. Upon receipt of that approval in principle, an implementation committee was struck to proceed with addressing all aspects required to implement the process that was summarized in the information memorandum. Each of those matters is now in the process of being addressed, including the need for this enabling legislation which is in front of you this evening. A final ratification vote for all specific aspects of the implementation, including the actual articles of amendment to amend the corporate structure for the Exchange, will be conducted in order to obtain a final members' approval prior to implementation.

So, just to emphasise that point, you had a very detailed information memorandum provided to the members at the front end of this process. You had an 83.5% preliminary approval vote. Before we embarked on the actual technical aspects of implementation, I would suggest to you it would have been imprudent for us to be appearing before you trying to pass legislation without a preliminary indication from the membership as to whether they wanted demutualization at that point in time.

However, once this bill is passed, we still require the ratification vote, or we still go back to the members with another detailed package with the actual articles of amendment, with the actual by-laws of the corporation and with the actual participation contract which has been referenced earlier this evening. So a lot of the comments, I would submit, in terms of process, simply are not accurate in terms of the process that was established. As I indicated, I think there could not have been a more transparent and inclusive process established.

As I have indicated, one of the critical implementation requirements that the committee is addressing is the need for this enabling legislation. As part of our firm's diligence in reviewing the proposed demutualization, we reviewed in detail the legal process and the legislation enacted in connection with other exchanges that had gone through demutualization. Through that review we worked closely with legislative counsel in providing suggestions as to the requirements for this bill, both in the

context of corporate approvals, as well as tax aspects inherent in the conversion for membership to share capital. The result is the bill that is before you.

As I indicated, I am not going to speak to the business case for adopting the bill because others who are more directly impacted are in a better position to do that. However, with regard to the legal context requiring Bill 26 to enable the demutualization, I offer the following brief comments for the committee's consideration.

The current Winnipeg Commodity Exchange Act, the special act, does not contemplate demutualization and does not establish any corporate process for demutualization. Not surprising because it is a relatively recent concept and it would have not have been contemplated at the time that statute was drafted. As Mr. MacKenzie has indicated, this Legislature is the only body which can pass the legislation to enable the continuance and the only body that can set the corporate approval standard required for that implementation.

The second point is that we are not breaking new ground here in Canada. As a matter of fact, as has been indicated by a number of speakers, we are one of the last exchanges to follow this process. We have the benefit of viewing their process, both politically and at implementation. The Toronto Stock Exchange in 1999 obtained enabling legislation from their government. It is interesting to note there has been a reference here to a 95% vote approval requirement in The Corporations Act, a relatively obscure section of the act, I would suggest, that is not looked at very often. In addition to passing the enabling legislation in Ontario, the Ontario government also saw fit to change the entire corporations act and change that section so that any non-share capital corporation can convert to share capital with a two-thirds voting majority.

Another point that has been raised is the by-laws of the Exchange, the current by-laws of the Exchange. As has been indicated, the by-laws provide that an affirmative vote of two-thirds of the membership of the Exchange currently could wind up the Exchange. Logic dictates, if the membership, by a two-thirds voting approval, can wind up the Exchange and

effectively start anew in another format the next day, that is in fact an appropriate voting level for a process such as demutualization.

I will comment very briefly with respect to section 167 of The Corporations Act. It is very technical. I comment only because of the comments made to you previously with respect to that section. I would submit to you that section was never intended to deal with a situation such as the proposed demutualization of the Commodity Exchange. In fact, Mr. MacKenzie, I agree with his submission that this Legislature is the only body that can set the voting standard required with respect to the demutualization. I think that section was likely there, historically, to deal with community clubs, charities, curling clubs, et cetera, and the like, and a 95% requirement might well be appropriate in that context.

However, a vote of 95 percent is extremely onerous and unnecessary for the situation at present. To require such a percentage would effectively halt the process of demutualization and, as you have heard earlier this evening, will, in the opinion of the vast majority of the membership, impede its ability to continue to exist, impede its viability.

I would submit that a special resolution, or a two-thirds majority vote of members, is the appropriate standard in this instance. To give you some examples by way of an analogy, a two-thirds voting resolution is the standard used in virtually all corporate governance legislation for any fundamental changes to a corporation. This is not an arbitrary number that we have pulled based upon Toronto or other examples. It is the standard approval required under The Corporations Act for fundamental changes that are taken out of the hands and voting control of the boards of directors.

* (22:20)

I want to take the opportunity to comment on a few of the previous speakers' comments or perhaps to clarify a few points. I hope my comments on process have alleviated any concerns you may have had with respect to the openness and the transparency of the process. In my opinion, members have been given ample

opportunity to make any submissions, and in fact it is unfortunate that some of the technical legal arguments we heard this evening were being heard by us for the first time. There has been no communication to myself or to any member of the management of the Exchange with respect to any of these matters. We would have welcomed those comments and the opportunity to discuss them in the context of our previous significant diligence in review of The Corporations Act and our recommendation as to what the appropriate voting approval would be.

Finally, there were a number of comments about control and somehow losing control and take-over bids, and somebody was going to take over the Exchange immediately if we converted to share capital. As Mr. Lloyd spoke, there was a motion brought forward early in the demutualization process to restrict share ownership to 15 percent of the voting shares in the capital stock of the company. That will be going forward in the articles of incorporation. There will be this 15% restriction. That was made clear in the information memorandum given to all members, and it will be made clear again in conjunction with the final ratification vote. So I hope that clarifies that point.

Final comment. There was a comment made that the previous structure of the Exchange made the members vicariously liable. I will only comment on that by saying I do not think that is at all accurate legally, and does not reflect the current operations of the Exchange. Nothing that we are doing, or nothing that this legislation proposes, changes that in any way, shape or form.

Those are my comments, Mr. Chairman. I would welcome any questions.

Mr. Chairperson: Thank you very much, Mr. Peters. Are there any questions for the presenter? I thank you very much for your presentation, sir.

Mr. Peters: Thank you.

Mr. Chairperson: Mr. Don Stewart is the next presenter. Is Mr. Don Stewart in the audience? Mr. Don Stewart? His name will go at the back of the list, and be called a second time later on.

I understand Mr. Greg Webb is not going to be presenting tonight. He has phoned and

cancelled his presentation, so that leaves Mr. Jim Mann. Is Mr. Jim Mann present? Do you have some written presentations of your brief for distribution?

Mr. Jim Mann (Farmers of North America Inc.): No, Mr. Chairman. I just have my verbal comments, which will be short and simple, which I am sure everybody will appreciate this time of night.

Mr. Chairperson: Well, then please proceed. Thank you, sir.

Mr. Mann: Thank you, Mr. Chairman. Just to tell you a little bit about our organization. We represent 2700 farmers across western Canada. We are a business organization of producers, not a lobby organization. We are actually involved in the commercial transactions our producers take, and negotiate on their behalf on both some marketing issues but mainly on farm supplies.

The main issue that brings me here today, and it has been a rather steep learning curve for me, is that we in the farming community, although there has been some touch on it tonight, have been made aware of this. By and large, we have very little knowledge of what has been happening here, and it only re-emphasizes the concern about the Winnipeg Commodity Exchange that has been through the decades, that the Winnipeg Commodity Exchange is something that is out of sight from farmers. Something is going on at setting our prices that we know nothing about. How does this all happen? We do not know. But we are concerned, mainly because we see that we are not getting enough for our product, and if the existing mechanism for price discovery is not working, then we have to find someplace else to do that.

So I would suggest that in any decision there has to be a fair bit of conscientiousness taken in how you set and make changes because, again, if you do not have producers using this system, it will die and wither away. As we have heard today, there are billions of dollars of our product that are being traded on this marketplace. Yet, where are the farmers? I do not see any of us here, other than myself. I do not see anybody from media that can tell us about it. I think we are maybe missing an opportunity here to maybe

have producers become more aware of what the Winnipeg Commodity Exchange is.

I see some alienation that may continue. I see some alienation to the local group of traders, which, from what I understand, particularly from producers we like to use, because they can explain what is happening, as compared to sitting on and using a computer to run our Exchange. I think that is maybe a piece of information that needs to be found out from one form or another, before a decision can be made: If, in fact, the demutualization means that there is a greater possibility of going to electronic trading.

Will producers use electronic trading, or will they prefer to use the locals? What will happen if that is, in fact, related to demutualization? That is a question, I think, that needs to be answered. Whether it can be done, even if the question is answered, through legislative committee to make any changes, is a question I do not have the answer for. All I do know is that we have to change the attitude of producers as to what the Winnipeg Commodity Exchange means to us in price discovery, because right now, quite frankly, it is not a very good attitude. We are not making very much money, and we have to blame it on somebody, and if it is the price discovery system, so be it.

So, just as a little bit of a comment. This whole process maybe has been transparent, but as one of the fellows said back there, it has been so transparent that producers have not even been able to see it. I do not think that is a good thing. At the end of the day, I think this dialogue is good. I think debate is good. At the end of day, what will determine the success of what has happened in changes is how actively it is used, and do not forget that it is producers' product that is being traded. If we decide this system does not work, we will find another way. Sooner or later, we will get organized, and be able to accomplish that.

If we want to add things to the Commodity Exchange list of items that are being traded, why do we not go with inputs, because we see, on the price of our commodities that are being sold, we are getting the lowest price? The last bushel that is produced sets the price. Maybe, on the input

side, we should have glyphosate and seed and machinery and that treated here as well so that we could have an effective system that would set prices that would give us a better return on our investment and our labour.

Again, I am just going to wrap up, I think there is an opportunity here. I think there needs to maybe be some more dialogue. I do not think there should be alienation of the locals, and I do not think there should be alienation of the producers. If producers are not part of a system and what is happening, they will feel alienated. We need to know what is going on. If we know what is going on, there is greater chance you will have a stakeholder belief or stakeholder approach taken by producers. I think you are dealing with an issue that has a significant amount of importance because there is huge amount of change going on in this industry. I encourage you, in your deliberations, to make the right decisions. Thank you, Mr. Chairman.

Mr. Chairperson: Thank you very much, sir. Are there any questions for the presenter?

Mr. Maguire: Mr. Chairman, thank you for your presentation, Jim. I guess I would only ask: Do you believe that, if demutualization occurs, the Commodity Exchange will lose its transparency of price discovery and price publication?

Mr. Mann: I think right now it is seen by producers that there is not a lot of transparency. I think, if demutualization means going to an electronic format, that will only increase that concern. If the two are independent, which quite frankly I have been told probably 15 times that they are not, but it is brought up in comment, it tells me common sense that, yes, they are related. But we need to have a transparent price-discovery system that has integrity, that is seen by all to be acting fairly. I think that is important.

Mr. Maguire: Mr. Chairman, I guess just a final question. You know we have heard a lot about electronic trading tonight and whether or not it will go or whether it will come or be there under the present process or under demutualization. From a farmer perspective, I know a number of farmers in western Canada today that are

trading. Certainly a lot of them use independents. They use grain companies. They use other brokers as well. Some of them are using electronic trading on their own farms today. Do you see this as a deterrent, something that floor traders will not use, electronic trading?

Mr. Mann: I think there are some concerns that have to be addressed and probably can be best addressed by talking to producers about that issue, whether they would use it. I do not have the answer to that question. My thoughts are this, though, that right now those floor traders provide a useful amount of information to those that are using the system, and without that information, there would probably be less trading occur. Although I know the large grain companies have tried in recent years to provide that service to producers, I am just not sure to what extent it is being used.

As farms grow larger and they have more of a sophisticated marketing system in their marketing, I think they will be using some sort of system of price discovery, but more importantly they will be using more hedge as a tool to hedge risk rather than price discovery. I think that is the primary tool that producers like to use the Exchange for.

Mr. Chairperson: For a quick question, Mr. Maguire.

* (22:30)

Mr. Maguire: Mr. Chairman, I guess my only point here is that we have got Canola; we are going to have Canola meal as of tomorrow morning. We hope that it becomes the big brother of Canola and that they both take off well together in this Exchange. I certainly would be the first one to admit that the floor traders play a very active role and a valuable role in price discovery in the Winnipeg Commodity Exchange or any exchange for that matter. However, I do not believe that the present floor traders that we have got today lack the sophistication of the technology or access to the technology or the equipment to be able to be players in that process as well. I believe it is there for them, and they do understand it, a good many of them, if not all.

So can you fill in for me what am I missing that would prohibit them from being participants in electronic trading, because farmers do realize their value on the floor and farmers do stay in touch with them for that information, so they continue to use that information in trading?

Mr. Mann: I guess I have nothing to rely on but history. When I see that floor traders generally are concerned here and when I see, maybe, what happened at other exchanges where their usefulness has deteriorated to the point where they are not involved, I have to say: Why? I do not know why, but I think that is a concern, and, by gosh, I would like to have those floor traders on side. So often I find I have to question, why do you need to have 15 memberships, or 13 memberships or 10 memberships? My concern is there is a control issue here, and that sometimes when you have got the big block and instead of dialoguing, you just bulldoze it through. I think there is some of that that has been caused here. Again, I am not sure what a legislative committee can do about that, but I think there is some repairing to be done in order to make the Exchange as viable and as vibrant as possible, so that it continues to provide the benefits to western Canada, and Winnipeg particularly.

Mr. Chairperson: Excuse me. We have reached a five-minute time limit for questions, and the presenter has used a total of four minutes and thirty-five seconds for his presentation. Is it the will of the committee to continue the questions, if there are any more questions? Mr. Smith has a question. Is it the will of the committee to continue with one question?

Mr. Smith: Just one quick one.

Some Honourable Members: Agreed.

Mr. Chairperson: Okay. Agreed.

Mr. Smith: Thanks very much for your presentation, Mr. Mann. You represent a considerable amount of producers, obviously 2700, I believe, you had mentioned. The issues before us on this particular piece of legislation—I know many people have made comments on two separate things; one, electronic trading, which this bill does not deal with; and demutualization. So I would like to touch on demutualization. As

the other people have indicated, electronic trading could be done right now by the members without any change at all in legislation. That is not what this bill deals with. Others have mentioned that, without change and without demutualization and volume increases in the Winnipeg Commodity Exchange, that, in fact, it might put it as a disadvantage with a lot of the other amalgamations and growth that is taking place.

Just strictly on what the bill deals with on demutualization for larger volumes growth. We have had some presenters—I know Agricore and some of the people that presented, in fact have 80 000 participants and members, farmers and producers that they represent. They seem to be under the opinion that without going to demutualization—competing with the world market now—that we would be at a disadvantage with the Winnipeg Commodity Exchange. Can you just comment on that piece, on the demutualization and the need to increase the volumes to stay competitive on the world market?

Mr. Mann: I suspect Agricore feels quite comfortable because of the level of influence they have there at this time, as far as being able to ensure that it meets producers' interests. If it is demutualized, and there are new shareholders that come in that dilute that, there may be somewhat of a concern as to how the organization meets the needs of producers and, thereby, how it is utilized and whether it stays functional. That is just a comment that way.

What I see happening, I guess, if there is an opportunity for investors to participate, and those shares become tradable, in fact, even maybe publicly traded somewhere, control and direction of the organization can change dramatically, and could have a huge impact on how the organization functions and where it functions.

But there is no question if you bring in more shareholders and you make it for-profit, somebody is going to want to make more money on a profit thing; and from a producer's point of view that, one way or another, it is going to come out of the price of grain; and from a producer's perspective, if it is coming out of the cost of my grain, I want to make sure that it is

efficient and it is functional and it is serving the purpose for which it was designed. I am not sure if we have got Agricore there and some other organizations that represent producers, that is fine, but what happens if that changes and there are no longer producers there? I guess we may decide to use the exchange in Minneapolis or Kansas or another exchange may take on Canola if it is not being utilized here.

So those are the checks and balances in the system, I guess. But, when you do not have representation from producers, the possibility of something getting out of hand and out of control can happen very quickly, especially in today's world. Something can happen before you even blink your eye. I think you are dealing with an organization that has been here a long time. It means a lot to this part of the country and to Winnipeg. I do not think you want to make any decisions that would jeopardize its future.

Mr. Chairperson: Thank you very much, Mr. Mann, for your presentation. That concludes the list of presenters. We have to call the people who did not appear the first time. Is there a Mr. Vic Janzen? Mr. Vic Janzen? Mr. Lawrence Yakielashek. Mr. Lawrence Yakielashek. Mr. Don Stewart. Is Mr. Don Stewart there? Those names will now be dropped from the list and will not be called again.

That concludes the list of presenters that we have before the committee. Are there any other persons in attendance who wish to make a presentation?

Hearing none, is it the will of the committee to proceed with clause-by-clause consideration of these bills? *[Agreed]*

Are there any suggestions as to the order of consideration for these bills? Eighteen first? Good. If there is agreement from the committee during the consideration of these bills, the Chair will call clauses in blocks that conform to pages with the understanding that we will stop at any particular clause or clauses where members may have comments, questions or amendments to propose. Is that agreed? *[Agreed]*

Bill 18—The Teachers' Pensions Amendment Act

Mr. Chairperson: Does the minister responsible for Bill 18 have an opening statement?

Hon. Drew Caldwell (Minister of Education, Training and Youth): Just very briefly, Mr. Chair, it is mostly to acknowledge the advice and thoughtful commentary and thoughtful consultations that took place between staff and the department. I want to acknowledge Mr. Larry Grant, he is to my immediate left, particularly, as well as members of the Manitoba Teachers' Society, the Retired Teachers' Association of Manitoba in particular for their thoughtful consideration and thoughtful advice on the preparation of this legislation.

Mr. Chairperson: Thank you very much, Mr. Caldwell. Does the critic from the Official Opposition have an opening statement?

Mrs. Joy Smith (Fort Garry): I too would like to thank all the contributors, because there are many things in this bill that are very positive and very supportive of retired teachers. I also acknowledge that there are some challenges that need to be addressed as well in terms of aspects that may be beyond the scope of the bill, which is things like governance and of course the issue of the COLA. So I look forward to working with this bill this evening and thank you all for being here.

Mr. Chairperson: We thank the member. During the consideration of the bill the enacting clause and the title are postponed until all other clauses have been considered in their proper order.

Clauses 1 through 3—pass. Clauses 4(1) through 5.

Mr. Caldwell: Mr. Chair, I have an amendment to Bill 18. I move

THAT the proposed subsection 6(6.2), as set out in subsection 4(1) of the Bill, be amended by striking out "If a person under the age of 65 years becomes employed as a teacher within 30 teaching days after retiring" and substituting "If, within 90 days after retiring, a person becomes engaged, otherwise than as a substitute teacher, in providing what would be pensionable service under this Act if the person had not retired".

Motion presented.

Mr. Chairperson: The motion is in order.

Mr. Larry Maguire (Arthur-Virden): Just a clarification, Mr. Chairman. Can the minister indicate to us the reasons for the change?

Mr. Caldwell: Yes, Mr. Maguire, it is to clarify the application to members of the pension plan such as superintendents and others employed with the faculties of education who do not operate on a standard school year, by using the term "full" days rather than "teaching" days. Those are people who work for universities or the Department of Education and Training. To clarify, the substitute teacher is excluded from this provision and to ensure a consistent application to all members of the pension plan, regardless of age, by removing the words "under the age of 65 years." One of the presenters made reference to that, too, this evening.

Mr. Chairperson: Is the committee ready for the question?

Some Honourable Members: Question.

Mr. Chairperson: The question before the committee as follows:

THAT the proposed—

An Honourable Member: Dispense.

Mr. Chairperson: Thank you. Is it the pleasure of the committee to adopt the amendment?
[Agreed]

Clause 4(1), as amended—pass; clause 4(2)—pass. Shall clause 5 pass?

Mr. Caldwell: Mr. Chair, I would move

THAT the proposed subsection 17(1), as set out in section 5 of the Bill, be replaced with the following:

Definitions

17(1) In this section,

"employed as a teacher" means engaged in providing a service that, if it were provided by a teacher, would be pensionable service under this Act;

"school year" means the period beginning on July 1 of one year and ending on June 30 of the next year.

Motion presented.

Mr. Chairperson: The motion is in order.

Mrs. Smith: Mr. Chair, could the minister please explain in full the reason for this particular amendment?

Mr. Caldwell: It is to include superintendents and others who are receiving a pension that are not employed as a teacher.

Mr. Chairperson: Is the committee ready for the question?

Some Honourable Members: Question.

Mr. Chairperson: The question before the committee is as follows:

THAT the—

Mr. Marcel Laurendeau (Opposition House Leader): Mr. Chair, seeing as we just received this amendment, we would just like to have a moment to discuss it.

Mr. Chairperson: Do you need about one or two minutes?

Some Honourable Members: Yes.

Mr. Chairperson: Okay, we can give you a minute or two, if it is the will of the committee.

An Honourable Member: Well, if it is not, we can debate it for an hour.

Mr. Chairperson: Two minutes? Do it. We will take two minutes.

The question before the committee is as follows:

THAT the proposed sub—

An Honourable Member: Dispense.

Mr. Chairperson: Is it the pleasure of the committee to adopt the amendment? [*Agreed*]

Shall clause 5 as amended accordingly pass?

An Honourable Member: Not yet.

Mr. Chairperson: Not yet.

Mr. Caldwell: I have amendments here.

THAT *section 5 of the Bill be amended*

(a) in part of the proposed subsection 17(4) before clause (a),

(i) by striking out "under the age of 65 years", and

(ii) by striking out "teaching days" and substituting "full days";

(b) in the proposed clause 17(4)(a), by striking out "teaching day" and substituting "full day"; and

(c) in the part of the proposed subsection 17(5) before clause (a), by striking out "under the age of 65 years";

(d) in the proposed clause 17(5)(b), by adding "full" before "days";

(e) in the proposed subsection 17(6)

(i) by striking out "while under the age of 65 years", and

(ii) by striking out "teaching days" and substituting "full days"; and

(f) by adding the following after the proposed subsection 17(6):

Full day

17(7) For the purposes of this section,

(a) a person who is employed as a teacher for half a day or less shall be considered to be employed as a teacher for a half day;

(b) a person who is employed as a teacher for more than half a day but less than a full day shall be considered to be employed as a teacher for a full day; and

(c) a person shall be considered to be employed as a teacher for one full day for every two half days that he or she is employed as a teacher.

That is the amendment.

Mr. Chairperson: It has been moved by the honourable Mr. Caldwell,

THAT section 5—

An Honourable Member: Dispense.

Mr. Chairperson: The motion is in order. Is the committee ready for the question?

An Honourable Member: Question.

Mr. Laurendeau: To the minister. Does this put in place for substitute teachers to get a pension at this time?

Mr. Caldwell: The proposed amendments to the subsections are intended to clarify the—

Mr. Laurendeau: Just making sure he is not padding his own crib.

Mr. Caldwell: Fair enough. To clarify the meaning of the term "employed as a teacher" and the subsections 4, 5 and 6 of Bill 18 are intended to clarify the application to members of the pension plan, such as superintendents, and others employed in faculties of education who do not operate on a standard school day.

Mr. Laurendeau: I just did not want to get you in a conflict.

Mr. Caldwell: No, that is fine, by using the term "full days" rather than "teaching days," and to remove the "65" under the 65 years so that it is consistent to all people. Yes.

That is part of what we heard tonight, too.

Mr. Chairperson: Is the committee ready for the question?

An Honourable Member: Question.

Mr. Chairperson: The question before the committee is as follows—

An Honourable Member: Dispense.

Mr. Chairperson: Is it the pleasure of the committee to adopt the amendment? *[Agreed]*

Clause 5, as amended—pass; clause 6—pass. Shall clauses 7 through 11 pass?

Mrs. Smith (Fort Garry): Thank you. I have an amendment to No. 9 and it is handed out as follows, just to make it more fluid, 9(1)—

Mr. Chairperson: Mrs. Smith, is it your will to pass 7 and 8 before we go to clause 9?

Mrs. Smith: Thank you.

* (22:50)

Mr. Chairperson: Clause 7—pass; clause 8—pass. Shall clause 9 pass?

Mrs. Smith: You have a copy of it in front of you. I move

THAT *the Bill be amended by renumbering section 9 as subsection 9(2) and by adding the following as subsection 9(1):*

9(1) The following is added after subsection 49(6):

Transfer to pension adjustment account

49(6.1) If at any time the actuary, on the basis of his or her valuation of Account A and the pension adjustment account, reports a surplus in Account A and determines that payment in any year of the total pension adjustments provided for under section 10 would result in an unfunded liability, the board may transfer all or any portion of the surplus to the pension adjustment account.

Just to make it more flexible and more fluid. It adds to what is already there.

Mr. Chairperson: It has been moved by the Member for Fort Garry

THAT the Bill be amended by renumbering section 9—

An Honourable Member: Dispense.

Mr. Chairperson: Dispense. Thank you.

We will take a minute for the Leg Counsel to determine whether the motion is in order, so we will just take a minute for that, and we will get back.

Order, please. I have been advised that the amendment proposed by Mrs. Smith, Fort Garry, is out of order because it could call for the expenditure of funds and therefore cannot be considered by the committee. *Beauchesne* citation 698(7) says: "An amendment is out of

order if it imposes a charge upon the Public Treasury, if it extends the objects and purposes, or relaxes the conditions and qualifications as expressed in the Royal Recommendation."

Mr. Glen Cummings (Ste. Rose): I hear you, Mr. Chairman, when you say it is out of order. I wonder if the minister could explain why it is out of order.

Mr. Chairperson: I have been informed that we are not able to debate it because it has been ruled out of order. However, the minister can make a comment if he so chooses as to why it could be considered out of order as far as the expenditure of funds.

Mr. Caldwell: I would just say that I respect *Beauchesne*.

Mr. Laurendeau: I respect *Beauchesne's* as well. There are a number of categories in that book that I read on a daily basis, but, Mr. Chair, there is one other thing that I have a lot of support for and that is the teachers who have worked in our education system over the years and the unfairness that they are under at this time in not falling under the proper COLA and the balance. I am sure that, by leave, this committee could accept this amendment, as we have done in the past. When we were in government we would accept certain things and do it by leave of the committee in support of the teachers.

Mr. Chairperson: I have been informed that it is not a question of scope, which could be moved by leave. From what I have been informed, expenditures of funds can only be moved by a minister of the Crown and not a member of the Legislature.

Mr. Cummings: Mr. Chairperson, it is one thing to say that it causes expenditures of monies, but I think the teachers deserve an explanation of where the implication is and require an expenditure of money.

Mr. Chairperson: I am sorry, but this has been ruled out of order. All we can do is debate the clause. We cannot debate whether it is ruled in and out of order.

Mr. Laurendeau: Mr. Chairperson, you did explain to us one thing that could happen, and

that is that the minister could decide on his own to bring forward this clause. We would support him, and I am sure that the teachers of Manitoba would support him in bringing forward this clause, as I am sure that the members at this table would. But, in all due respect, I believe the honourable member from Fort Garry is going to challenge your ruling.

Mrs. Smith: Mr. Chair, I challenge the ruling.

Mr. Chairperson: Mrs. Smith, Fort Garry, wishes to challenge the ruling of the Chair. The ruling of the Chair has been challenged. Shall the ruling of the Chair be sustained?

Voice Vote

Mr. Chairperson: All those in favour, please say yea.

Some Honourable Members: Yea.

Mr. Chairperson: All those opposed, please say nay.

Some Honourable Members: Nay.

Mr. Chairperson: In my opinion, the Yeas have it.

Formal Vote

Mrs. Smith: A counted vote, please.

A COUNT-OUT VOTE was taken, the result being as follows: Yeas 6, Nays 4.

Mr. Chairperson: The ruling of the Chair, the Yeas have it. The ruling of the Chair has been sustained. Thank you.

* * *

Mr. Chairperson: Clause 9—pass; clause 10—pass; clause 11—pass; clauses 12 and 13—pass; clause 14—pass; clause 15(1), clause 15(2)—pass; enacting clause—pass; title—pass. Bill as amended be reported.

* (23:00)

Bill 26—The Winnipeg Commodity Exchange Restructuring Act

Mr. Chairperson: Order, please. For Bill 26, does the minister responsible for Bill 26 have an opening statement?

Hon. Scott Smith (Minister of Consumer and Corporate Affairs): Mr. Chair, I would just like to start off by thanking staff, particularly folks from the Manitoba Securities Commission that provided an incredible amount of information regarding this bill. I would like to thank, as well, the Winnipeg Commodity Exchange for information provided a number of times when asked for, and I would like to thank my staff and deputy minister for a considerable amount of work that was done to provide information on this bill. As well, the critic and I had spoken on this bill a number of times. I would like to thank him for his suggestions and moving forward on this bill. It is so important to our city and our province here in Winnipeg.

Mr. Chairperson: We thank the minister for his comments. Does the critic from the Official Opposition have an opening statement?

Mr. Jim Penner (Steinbach): I also appreciated the presentations that were made here tonight. Obviously, there is not total agreement, and I would hope that, if either party wishes to amend this bill, they would bring forward a proposal to amend it at third reading. Thank you.

Mr. Chairperson: We thank the member.

During the consideration of a bill, the enacting clause and the title are postponed until

all other clauses have been considered in their proper order.

Clauses 1 and 2—pass; clauses 3 and 4—pass.
Shall the enacting clause pass?

Mr. Glen Cummings (Ste. Rose): Can the minister provide any enlightenment when he thinks it might be enacted?

Mr. Smith: The member asked for enlightenment. I could suggest a number of things that might enlighten the member. However, in dealing with the facts, I would hate to set a date and put a time on this particular time frame.

Some Honourable Members: Oh, oh.

Mr. Smith: Many people are providing enlightenment from the peanut gallery. Certainly, in due course, the bill will receive royal assent when time does come.

Mr. Chairperson: Enactment clause—pass; title—pass. Bill be reported.

That concludes the business before the committee. The committee rises.

COMMITTEE ROSE AT: 11:08 p.m.