

*Income Tax Act*

of protests from groups and individuals representing all segments of the economy the government made it known there would be some backtracking as far as some of the resource industries were concerned. Then came the bill itself, a massive piece of ill-conceived legislation, proven so by the large number of government amendments already proposed. No doubt there are more to come. Only a few weeks ago the Minister of Finance introduced further measures adding more changes to an already obscure picture.

Let us consider some of the provisions which particularly affect co-operatives and the credit union movement. There appears no room for doubt that the government is determined to penalize these two organizations which have proven extremely helpful to hundreds of thousands of Canadians. I am quite certain that the Consumers Co-operative which functions in the city in which I live has been a strong factor in keeping prices reasonably in line. A very admirable service has also been provided by the local credit union.

• (9:50 p.m.)

My seatmate, the hon. member for Wellington, has already put on the record this afternoon the structure of credit unions and caisses populaires in Canada and the services they provide, so there is no need for me to repeat it. I think this will probably meet with the favour of the hon. member for Calgary South, who as I have said was earlier on his feet telling members of the opposition they are being too repetitious and that the government does not need to hear the same thing over and over again. What I am attempting to do in the short period of time available to me this evening is to re-emphasize some of the things the government has been told but about which they have obviously done nothing.

The co-ops and credit unions were extremely concerned by indications in Bill C-259 that their future was undoubtedly very bleak. However, after meetings with the minister and representations made by members of the opposition the co-ops and credit unions were told that the implications in the bill would be reviewed by the government. Amendments have been proposed to the sections relating to co-ops and credit unions but the damage that will be done to these organizations is still very apparent.

As far as the co-ops are concerned, the use of capital employed as a base for taxation is entirely wrong and discriminatory, and although the government has come forth with amendments to sections 135, 136 and 137 of the bill I do want to impress upon the minister, through his parliamentary secretary, that the measures the government originally introduced might quite easily have sounded the death-knell of many co-operatives. Certainly the amendments proposed by the government are unsatisfactory from the point of view of these organizations.

I suggest to the government that co-operatives be allowed to continue to distribute annual savings in a form which would enable members to continue their investment in the co-operative. It would also make it possible for co-operatives to carry on with the essential policy of retirement of equity of those members who no longer use the co-operative.

Since the disclosure in June that credit unions will be very much affected by the tax reform legislation they

[Mr. Simpson.]

have been exceedingly concerned with the threat that the tax proposals constitute for them. If enacted, the proposals will severely undermine the definitive characteristics of credit unions and will surely place them at a disadvantage in the competitive business market. Bill C-259 reveals a very basic misunderstanding of the nature of credit unions, and although some amendments have been introduced by the government, the proposals still project a tax formula that is inequitable.

May I also point out to the minister that these amendments do not meet the objections of the co-operatives, who insist that the fundamental distinctions in their nature be respected by the taxation statute. These distinctions are as follows: First, the co-operative provides primarily a self-help service that is required by its members. Second, the co-operative distributes its earnings to its members in proportion to member business. Third, it raises and services its equity capital by revolving the same in relation to the use of the co-operative by its members. Finally, the capital contributed by a member of a co-operative provides the member with services and does not produce for him a return on investment.

As all of us know, the members of co-operatives have strenuously objected to the "capital employed" concept contained in Bill C-259 which substantially reduces the amount of patronage refunds which could be paid to members on business done with themselves. Reducing patronage refunds hits at the economic existence of co-operatives. These refunds are part of the investment required to enable the co-operative to continue to exist.

Members usually invest some of these refunds in their co-operative which provides a substantial portion of the capital required for the operation and growth of the co-operative, and especially for the revolving of member capital to keep the ownership of the co-operative in the hands of the user of the co-operative. I am pleased that the minister has been convinced of the error of his original ideas in respect of co-ops and credit unions. However, again I assure him that the members of these organizations are still far from satisfied.

In conclusion, I say to the parliamentary secretary from Calgary South, who a short while ago gave the committee a lecture on what he called the repetitiveness of the speeches by members of the opposition, that it appears quite obvious from a letter that all Members of Parliament received this afternoon from the Co-operative Union of Canada, signed by its president, that this government needs to be told things many, many times before it gets the message. I quote part of this letter which reads as follows:

Co-operatives have recently received a letter from the hon. Minister of Finance, the final paragraph of which reads:

"The government considers that the proposed new tax bill, as amended, will result in a fairer distribution of the tax burden while helping co-operatives in the transition from exempt to taxable status".

This illustrates very well that the government has to be told these things time and time again since the co-operatives are not presently exempt from taxation.

Progress reported.