

Income Tax Act

matter of intense discussion, I cannot answer because I was personally not a party to the negotiations.

Mr. Downey: Mr. Chairman, as a final question I should just like to read a paragraph from a letter that the Minister of Finance sent to one of the pools and perhaps the parliamentary secretary could explain or clarify it. It reads as follows:

The impact of this new formula could have been severe for some co-operatives because of the way in which the capital of a co-operative revolves. Co-operatives typically raise capital through patronage dividends which are reinvested in shares, and they redeem the shares as members die, retire or give up farming. This requirement for an annual redemption of capital is one which the investor-owned corporation does not face. Where the earnings of a co-operative are relatively low, the proposed limit on patronage dividends could have caused financial difficulty for the co-operative. Accordingly, under an amendment tabled October 13, an alternative limit will permit patronage dividends to be fully deducted to the extent of two-thirds of the income of the co-operative before patronage dividends.

In the case of the wheat pools, the particular group in question here, how would the amendment that was made on that date to provide an alternative limit appreciably improve their position in this regard?

• (12:10 p.m.)

Mr. Mahoney: Mr. Chairman, I have no more access than the hon. member or anybody else to individual tax returns, so I am not able to answer questions regarding specific taxpayers. The amendment does not exactly permit an option though it is an either or situation; it is either the lesser of 5 per cent of the capital employed or one-third of the taxable income for the year before allowed deductions. However, on a gross basis, and as far as the co-operative movement is concerned, the taxation will be approximately one-third of what it would have been but for the amendment. This assumes, of course, the full application of the amendment ten years hence; it will be much less during the intervening period as the particular provision is being phased in.

Mr. Downey: Mr. Chairman, that is the extent of my questions at this time and I thank the parliamentary secretary for his answers.

Mr. Whelan: Mr. Chairman, I have not taken much part in this debate, indeed any at all, since the matter has come before the House though I have listened to a lot of comments made about co-operatives and credit unions, some of which have been very appropriate. It is obvious to me that some people who have talked about co-ops and credit unions think there may be some political advantage in talking about them. I want to make it clear that I, as a Liberal member, and as what I call a real Liberal, am a strong supporter of co-ops and credit unions and always have been.

I might add that the first time I became active in public life was in the co-operative movement with my local co-operative, the Harrow Farmers Co-operative. This was when I was 17 years of age and wanted an advance so that I could buy a farm tractor. The banks would not give me the money I required. No one wanted to lend this poor farm boy money, and so I went to see the local manager of my co-operative in Amherstburg, who was a Scotsman by

the name of MacDonald, and he gave me an advance which enabled me to enter the agricultural industry.

My local co-op has also helped many other young people, as well as older people and new Canadians in the area. Some of them owe their very existence today to their local co-operative. However, this co-op, as is the case with others in Canada today, is finding it very difficult to stay alive, let alone be a threat to big business. As a farmer I have always felt that my co-op was just another machine which did a necessary job and enabled me to carry on my farming operations. I felt that I owned just a little piece of that machine along with about 700 other farmers. I later became president of this co-operative which was and is mainly a farm supply co-operative, along with a large grain business owning probably three of the most modern grain elevators in the country. I might say to western members that from what I know of their elevators, having visited them, ours are even more modern than those in western Canada. The co-operative also has grain dryers and a large storage space which was built in recent years.

Being a member of this co-operative I later became a director of the United Co-Operatives of Ontario which, by the way, elects its directors by a vote of the delegates that are sent to its conventions by the local co-operatives. The procedure is not the same as in some of the big companies which pick their directors from among members of the other place, or in some manner such as that. In the co-operative movement, the directors are elected. This way it is a truly democratic organization and you must take your chances on being elected. I might say that I was a delegate at large and when I ran for a directorship, I was elected by the delegates from all Ontario, not just by those from my own area. I repeat, the directors are not appointed. The United Co-Operatives of Ontario is owned by all the other co-operatives in Ontario. It is mainly a wholesale house for the locals all over Ontario. Some have stated that co-operatives have not been paying their fair share of taxes. Co-operatives have not been paying taxes for many years. Here in Ottawa United Co-Operatives and organizations on which I have had the privilege of serving as a board member, this year provided \$350,000 for payment of income taxes, and last year this amount was over \$300,000. We hardly consider this to be in the exempt class. If the minister considers this to be exempt, no wonder co-operatives are concerned when they think of what their taxable status might be.

Another point I should like to make, and this is very confusing to me, is that on the one hand the government appeared to be encouraging co-operatives and self-help programs, particularly for Indian and Eskimo housing, and so on. I can remember when the united co-operatives sent one of its personnel skilled in organizing co-operatives to help the Eskimos organize a co-operative. Why then is this government, through its proposed tax legislation, trying to kill established co-operatives, because that is what this will do. Why does the government keep insisting that co-operatives have preferential tax treatment? We do not have such treatment.

The government is concerned about the consumer and keeps a watchful eye on prices and price increases. This is as it should be. I was a member of the consumer affairs committee and I thought this was something we should have been doing years ago. Members of the consumer