

*Income Tax Act*

they come to this conclusion because like actions usually produce like results unless there are exceptional circumstances, but that is the line taken in the proposals we are considering. The bill does not follow the Carter Commission idea that a buck is a buck, that taxation should be equal. I do not think it can properly be called tax reform in the sense that most people understand the word. Rather, it is a managed tax scheme designed to give advantage to those who already have most of the economic power and to those who will most rapidly develop Canada's basic resources, which means that those already in production in the smaller segments of the economy will find it increasingly difficult to survive.

One sees the same approach toward what the United States has done in applying a surtax. The government's response has been to provide for assistance to those manufacturers or processors who are sending more than 20 per cent of their products to the United States. For practical purposes this rules out most of the small entrepreneurs in Canada whose operations are designed primarily to serve the people in their own areas but who do, nevertheless, export some of their products and who will be caught by this surcharge. The government's approach to this question is not designed to help farmers as individuals. It might do something for those who are processing farm products, but the chances of this assistance trickling back to the farmer are remote.

I know that when it comes to workers' allowances for expenses, the government's approach is to specify a flat amount. Why not allow the workers the same privileges as are given to others and accept legitimate expenses as deductible, provided receipts can be produced to show that these expenses have actually been incurred? For example, the expenses of railroaders working away from home vary a great deal. I know of verified cases in my constituency where expenses have amounted to two or three times the figure mentioned here. We are not back in the days when a working man could walk to his job, or take a streetcar, and be there in 10 or 15 minutes. These are times in which a worker whose job folds may well have to drive to another area to find employment, such is the mobility of labour. He may be required to drive and maintain a vehicle which he otherwise would have no need to drive or maintain. But no recognition has been given to these factors. They have been ignored.

Then, there is the position of the co-operatives. I cannot make up my mind whether these proposals for taxing co-operatives were the result of stupidity or malice aforethought. I suppose we shall never know. We can only hope that as the bill goes through, the present provisions will be amended. Some have said: Let us express concern over the small co-ops but do not let us worry about the big ones. The hon. member for Edmonton West (Mr. Lambert), as reported in *Hansard* at page 7762, said:

We have had quite a reaction to this bill from the co-ops. I do not know what the House is going to decide, but it seems to me that the government has advanced its proposals after looking at some of the largest co-ops in the country, organizations which have lost their co-operative origins, that operate in the hundreds of millions of dollars class, their boards of directors being far removed from the ordinary members, in the same way as the boards of the biggest multinational corporations are far removed from the shareholders.

[Mr. Gleave.]

Then, he went on to say:

Unfortunately, the government's proposal gather up into the same net hundreds if not thousands, of small local co-operatives. I am speaking of co-operatives organized on a local self-help basis.

• (5:10 p.m.)

Perhaps some private business was feeling the pinch as a result of competition from these large co-operatives. Perhaps they persuaded the government to move to clip their wings. If this should be true, then I say again this displays an amazing amount of ignorance because this bill, with its taxation proposals for co-operatives, will make it extremely difficult not only for the small co-operatives but also the large co-operatives to operate. The time is and has been for some time when the large co-operative is extremely important. If we had not developed the large co-operatives which we have both in eastern and in western Canada, we could not operate effectively. Canadian Co-operative Implements Limited surely would not be able to finance the importation of machinery, the manufacturing of machinery and the distribution of machinery if this particular tax bill should go into effect.

We had an inquiry into the cost of farm machinery and found out that the costs were excessive, but we did not receive any clear cut recommendations concerning how this situation could be changed. The only competition that is and will be effective in the farm machinery field is from such a co-operative or from the smaller manufacturing industries we have in Canada. The only real competition which exists in the distribution of fuel oil to farmers in western Canada comes from the Federated Co-operative. I would not be surprised if in a few years it were the only refinery remaining in the province of Saskatchewan because it is owned by the people of Saskatchewan and they will keep it there. So, are we seriously thinking we will bring in this kind of taxation proposal which would cripple an organization which saves millions of dollars for its people? I cannot understand those who say that a small co-operative is a nice little business and we can safely pat it on the head, but when it gets into the multimillion dollar class it should quickly have its throat cut. How else could we have established a farmer-owned fertilizer plant in Calgary had we not had a co-operative which could raise the money required to establish the plant? How else could we have established a large grain terminal on the west coast had we not had a co-operative which could obtain membership earnings in order to put it there?

I have before me the submission to the Minister of Finance by the Co-operative Union of Canada in respect of sections 135 and 136. In their submission to the minister they say their purpose is to object to the continuation of a capital employed concept as a base to determine the extent to which patronage refunds may be paid by a co-operative. They were impelled to make this submission because the government decided that 3 per cent was not enough and intended to jump it to 5 per cent. This was an illogical method in the first place. In this legislation is a proposal for the taxation of co-operatives' annual earnings. Co-operatives have not objected to paying the tax on the profits they have. They have said in this submission "for non-member earnings, tax them as a corporation". What they are objecting to is the government dictating to them the manner in which they may distribute the patron-