

*The Budget—Mr. Bentley*

financial position may be. Democratically elected delegates each year represent the shareholders at annual and general meetings. The directors are democratically elected each year from among the elected delegates. The president and the executive committee are democratically elected each year from among the elected directors. Thus, even the president must be elected each year as a delegate, and then as a director before he is eligible to be elected as president. The president must be elected every year as a delegate in his own municipal district before he is eligible to stand for election even as a director. Let anyone here describe a more democratic method of membership control than that.

Some may ask how long a period the president holds office. I can only say that the present incumbent of that office in the Saskatchewan wheat pool has been in office eleven years, but he has had to go through that democratic process of election every year. It only proves that after a lifetime of service given to the people of his locality they believe that he is the proper man to elect as a delegate every single year, and his lifetime of service to the organization has made his fellow delegates believe that he has the necessary qualities for the position. All honour to him for having been supported by his fellow delegates for so many years.

The disposal of all excess charges is decided by the delegates at the annual meeting. If the manager could say: We will distribute this just as we like, there might be some excuse for the minister's contention. But that is not the case. The minister seems to think he is justified in singling the wheat pools from all other cooperative enterprises for taxation in 1944 and 1945 because he says that the wheat pools had reason to believe that they were subject to taxation. Let me say emphatically that never did the wheat pools believe they were subject to taxation.

Mr. ILSLEY: If the hon. member will allow me—

Mr. BENTLEY: Just a moment. I see the minister smiling. But I will prove my statement with an abundance of evidence. I say that the wheat pools had every reason to believe that they were not subject to taxation. Besides being purely cooperative organizations, as I have demonstrated, which in itself is sufficient to give them every reason to believe that they would be free from taxation, they had also been informed by the taxing authorities over a great number of years that they were not subject to taxation.

[Mr. Bentley.]

Those are two good sound reasons which led the wheat pool to believe that they were not subject to taxation.

It is true that the wheat pools are aware that the Winnipeg grain exchange and other organizations would like to convince the public and the government that the pools should be subject to taxation. Nothing would give the grain exchange greater satisfaction. It is also true that the pools were aware that the Department of Justice at Ottawa considered them subject to taxation, but this did not convince the pools because they were prepared to submit their case to the highest court in the British commonwealth before they would consider themselves taxable as they were a true cooperative association. The former Minister of National Revenue, in reply to a question by Mr. Douglas who was then member for Weyburn, had this to say, in the session of 1943. It will be found in volume 2 of *Hansard* for that year:

It is not the intention of the government to have any change made in the provisions of the Income War Tax Act or the Excess Profits Tax Act which exempt the income of cooperative companies and associations from taxation thereunder; but, in view of the opinions—

Opinions mind you—not reasons.

—given by the Department of Justice, after an investigation of the facts, that certain corporations, referred to in the question as the wheat pool organizations of western Canada, do not qualify for tax exemption under such provisions, it is felt desirable that the questions of facts and of law pertinent to the liability of such corporations for tax be brought before the courts for investigation and final determination.

The Department of Justice has advised that the most practical method of getting these matters before the courts in a manner that will provide opportunity for a full investigation of all pertinent questions will be to appeal from such assessments in the usual way if they continue to dispute liability.

It is the intention of the government to make such assessments and, if appeals are made by the taxpayers, the government will be prepared to discuss with representatives of these corporations such arrangements as may be necessary to provide that the costs of such appeals to the corporation will not be greater than would be occasioned to them by a reference to the courts by the government itself.

That indicates that the government itself and the Department of Justice were not too sure of their ground when they felt that they needed the decision of a higher authority, and in order to get this decision the suggestion of the then minister of national revenue was carried out.

The pools were assessed and the matter was taken to the courts; but the courts have not yet given a decision, for shortly afterwards the McDougall commission was appointed to