

*Income Tax Act*

atives has not been reviewed since 1950, I think, after a royal commission studied the problem around 1945. It should be amended because in certain cases co-operatives have grown to be not only organizations grouping people with a certain goal or to improve the social or economic lot of their members, but also a threat to small private businesses.

Co-operatives should perhaps pay higher taxes. As for those which simply exist to meet a social or sociological need, they should have under our tax system the means to accumulate capital in order to achieve greater expansion. Were the proposals contained in the bill to be passed, it would be disastrous for co-operatives, particularly after seven, eight or ten years, because by increasing by from 3 to 5 per cent the employed part of the capital, that capital will accumulate from year to year in a strictly mathematical progression, and after a certain number of years, the co-operative will not have enough cash or liquid assets to meet its commitments to its members. Some co-operatives, large and small, would then disappear. I feel the cabinet has not really understood the implications of the proposal.

I therefore ask the House to amend the bill when it comes up before the committee of the whole to ensure that the tax system continues to allow co-operatives and caisses populaires to develop further.

In fact, Mr. Speaker, in the Maritimes, in my constituency especially, these co-operatives have sociological effects, and strictly with regard to efficiency, I think that without them Canada will lag behind and stand to lose. We realize today that society must look after the social condition of its citizen, their social education and give social assistance to those in need, so many programs helping the underprivileged and the poor. Many of these people live in rural regions and benefit from these co-operatives.

And what will happen if the bill now under consideration is passed? Society will have to look after these people through less efficient means than if we were to help co-operatives by tax abatements. So the income lost to the Treasury would be more efficiently spent than if attempts were made to solve social problems created by the disappearance of co-operatives. I think it would be more advantageous for the Treasury to sacrifice some revenues that would be of great benefit to the co-operatives.

The credit unions distribute their profits to their members. Profits are not their sole concern. In fact, they provide their members with economic advantages and they work in several other fields.

With regard to fishing, for instance, on the eve of the fishing season for some species, private companies are anxious to see what prices co-operatives will offer. Why, Mr. Speaker? Because in private enterprise, profit is the motivation. Private companies are less concerned with the social welfare of their members or people who sell them fish. It is quite normal to pay as little as possible to get the most for one's money. As a matter of fact, the system is so organized. But, on the other hand, co-operatives quite often give to a fisherman who is a co-operative member a much higher price. Therefore, companies must in turn pay more, which forces people at the end of the year to sell their fish and the consumer to pay a little more. Why? To pay for higher operating costs which affect not only the

unionized worker from a processing plant but also the fisherman whose only protection is the co-operative.

I felt that this bill would bring about the disappearance of co-operatives as well as harmful consequences for the economy and society; already the situation is very serious in my riding. And almost one third of the population is non productive in some designated areas. In fact, were co-operatives to disappear, the social and economic situation in my riding would become more critical.

Mr. Speaker, co-operatives are of prime importance in the Maritime provinces, especially in my riding. I hope, therefore, that the relevant sections will be examined by a committee of the whole House, and that the latter will amend these sections in order to provide a more effective and more equitable way for co-operatives to remain in operation.

[*English*]

**Mr. A. P. Gleave (Saskatoon-Biggar):** Mr. Speaker, I was very pleased to hear a government member say some of the things that need to be said with regard to the proposals in this bill for taxation of co-operatives. At the end of June, before we adjourned for the recess, there was almost a total silence on that side. I began to be amazed that a government had been elected in which there were not any members who were either aware of or concerned about the co-operative movement.

In this overall taxation proposal, there is a lack of concern for the disadvantaged in our economy. There is a lack of concern for those people and those organizations in our economy who find it difficult to gain new capital or retain capital for their operations. I think in terms of the co-operatives, in terms of the farmers, in terms of small businessmen. These groups will probably disappear if we continue present taxation policies. It is true there is provision for an increase in basic exemptions but the majority of wage earners, pensioners, salary-earners and small businessmen will, as far as I can make out, bear a disproportionate share of taxation. The measure before us is favourable to corporate business as far as tax rates and write-offs in certain categories are concerned. The government is sometimes charged with being devoted to creeping socialism. I do not think this is true at all. The government, as it appears from this tax bill, is devoting itself to the area of managed corporate capitalism in the hope that managed corporate capitalism, if left secure and not taxed too heavily, will be a source of prosperity for Canadians and a means of providing a satisfactory level of employment. I am assuming the government would like to see a satisfactory level of employment. Despite some of the things which have been done I cannot accept that it really does not give a damn.

● (5:00 p.m.)

This being so, the government must be following the general pattern we see here on the assumption that satisfactory employment will be created. From the look of these tax proposals, we must conclude that they expect satisfactory employment levels to follow from large-scale resource development. The fact that this has not happened up to now does not seem to faze them at all. It seems they believe that what has happened in the immediate past will not happen in the future. I do not know how