

Income Tax Act

on 5 per cent—formerly 3 per cent—of members' contributions and capital existing after 1971, or to pay tax on one-third of the income before patronage dividends but after interest is given to members. This forces co-ops, if they wish to attain minimum taxation, into reorienting the whole basis of their business.

I might also add that although the taxation position of co-operatives in different countries varies considerably, in no other country is a minimum tax base or minimum earnings imputed to co-operatives by law. This legislation forces co-operatives to become oriented toward the return of earnings on investment rather than the return of savings to members.

Mr. Chairman, I realize that the parliamentary secretary has demonstrated great patience during the discussion of various amendments to this bill in committee—

Mr. Mahoney: Flexibility and understanding as well.

Mr. McGrath:—and is a little tired of this whole process. I would say the solution to this problem, however, lies within his own jurisdiction. I would suggest to him a choice which should be taken by the government, and that is to realize that the very detailed clause by clause examination of the bill should be referred to a committee of this House and should not be taking up the time of the committee of the whole House.

Mr. Reid: An excellent idea.

Mr. McGrath: I am thinking, Mr. Chairman, of the parliamentary secretary because I am concerned for his welfare. Perhaps there is no better way to illustrate what I have been trying to say than to quote from a letter which I received from a co-operative in my constituency. This is a co-op organization in Newfoundland which has grown to over 500 active members, with gross sales almost reaching \$1 million. The co-op writes:

This success has been due to a combination of a very hard working board of directors, management and staff and a dedicated membership. Our patronage dividends returned to our members (while operating on a competitive basis with other businesses)—

This is important.

—have been 6 per cent for the past three years. This tremendous savings to our members has been a godsend in many cases. Our board of directors at the last meeting were very much concerned with Bill C-259 which will have the effect of just about wiping out savings earned by members in the form of patronage dividends, destroy all incentive in co-operatives and result in the total collapse of the co-operative movement. We strongly protest the passage of this bill in its present form and request that you do everything within your power to have the contentious sections 135 and 136 rescinded as they apply to co-operatives.

Mr. Chairman, I repeat what I said at the outset of my remarks, that co-operatives in the Atlantic provinces and particularly in the province of Newfoundland are not large. Generally speaking they are very small, but they are a very important aspect of the social life of the community. They are in fact a different form of enterprise to that which is familiar to the parliamentary secretary who comes from the great city of Calgary, Alberta. They are self-help organizations which are always Canadian and, generally speaking, always locally owned; in fact, they are owned at the community level.

[Mr. McGrath.]

They fulfil a very important function and a very important social need in the community. They are generally found in primary production areas of the country for the marketing of grain, dairy, farm and fishing products, and the merchandising carried on largely serves the industries or groups of people located in these areas as required. In many instances they require services which, if they did not initiate them or show enterprise, would be denied to the people living there. Should people be denied the right to self-help organization recognition because their attempts to cut living costs cause some profit-oriented corporations to lose some business thereby?

I can only speak from the experience of the co-operative movement in my own province of Newfoundland. In many cases the only competition to the resident merchant in a small community is the co-op. If it did not exist, he would have a monopoly on the retail business in that area. This is a fact the government has lost sight of in drafting this bill. I strongly believe that the government has lost sight of the very simple fact that the co-operative movement is a people-oriented movement designed essentially to serve people at the local level. The government should take cognizance of this fact.

• (8:20 p.m.)

I hope the parliamentary secretary, who is a dedicated member of this House and has sat in on all of the meetings of committee of the whole and patiently listened to the speeches, will take this fact into consideration. I realize that this will be very difficult for the parliamentary secretary, coming from the city of Calgary, Alberta, where I am sure the co-operative movement is not an actual fact. I would like the parliamentary secretary to leave Calgary some time and travel across this country. If he visited the small communities of eastern Canada, the Atlantic provinces and Newfoundland, he would see how important the co-operative movement is to people in our smaller communities. If he did that, he would not sit so smugly trying to defend these amendments to the bill which are, in fact, repugnant to the co-operative movement of this country.

Mr. Mahoney: I would first like to say, Mr. Chairman, that coming from the city of Calgary I am not entirely ignorant of the importance of the co-operative movement or its significance in Canadian life, economically and socially. I subscribe to a school of thought that believes that the co-operative movement does indeed fill a need socially and economically. While one of Tory persuasion might feel that the private enterprise system should do all these things, the fact is the conventional private enterprise system has not succeeded in achieving everything. People have had to organize in something less than traditional ways in order to maximize the benefits they can achieve from our economic system. In the result I regard the co-operative and credit union movements most highly.

Second, I do not wish the hon. member and others to make speeches in the House representing that the very serious points that have been brought to the government, members of Parliament and the public by co-operatives and credit unions have gone unheard. As I listen to successive speeches and hear quotations from various representations made by the credit union and co-operative movement read verbatim into the record by hon. members, sometimes giving credit for them and at other times