

Mr. BENTLEY: I cannot help it if they were. I am not going to attempt to justify what they did, because I disagree entirely with their judgment on that particular issue. I hope I can in some way persuade the minister also to disagree with that particular part of the report. With other parts of the report I wish him to agree.

Let me give an illustration, using the Saskatchewan wheat pool. They operate in that province over 1,100 elevators. At about 170 points where they operate there are only pool elevators; there are no other elevators. These are the only elevators which it is convenient for the producers to use. At these places are farmers who for reasons of their own do not care to be members of the wheat pool. That is their democratic right, and the wheat pool has always taken the position that these people are entitled to their opinion. They say to them, "We would like you to be a member of our association; we want you in but we are not going to do anything whatsoever to coerce you, either advertently or inadvertently, to become a member of our association." At the 170 points they operate on a public licence in order to make it possible for these non-members to get all the marketing and handling services available through the pool elevator that they could obtain through a line elevator, were there a line elevator at the point. They give them just as good service as they give their own members, but they say, "Seeing you have assumed no responsibility, either for the original financing or present financing, in the governing, in the election of officers of this organization, we do not believe you should receive the benefits of this association." It is against their principles to pay dividends to those people. They could apply for private licences and provide services only to their own members, but they do not. They operate on public licences and give all the same service.

There is a tendency sometimes to think that these organizations do a lot of business with non-members. In only two years out of twenty-one years of operation have the Saskatchewan pool elevators gone over the prescribed 16½ per cent of non-member business. In the last four or five years their business with members has been about 92 per cent; rarely have they gone over seven or eight per cent with non-members. Why is this? A great number of younger and new farmers have been joining the association. They are willing to accept their responsibilities in order to get the benefits. There have been around 30,000 new members in the last four or five years in that province alone.

[Mr. Ilsley.]

This is the thing that angers the private elevator companies; this is the thing that has made them back the income taxpayers' association. The fact that these new and young farmers are joining the Saskatchewan wheat pool, the fact that they are accepting its cooperative ideas and are working along with the marketing and handling of grain, is the thing that has made these privately owned companies, with their headquarters in Winnipeg, so angry. I say to the minister that in his department are men who are entirely too friendly to that idea, and I think the minister gets a lot of reactionary advice from that kind of people in his department.

The cooperatives agree that it is almost impossible for a cooperative of any size not to do some business with non-members. Most cooperatives will say quite frankly that business done with a non-member is profit business, and most of them will say that they are prepared to pay the full income tax on that part of their business. However, it would be difficult and there must be some elasticity. Because of this the Cooperative Union of Canada has made a recommendation which I should like to quote. I can give the source of this if it is necessary, but I assure the house that whatever I quote has an authentic source which I can give. The Cooperative Union of Canada recommended as follows:

The surpluses of any association or organization conducting any business or enterprise for its members shall not be liable to taxation under the Income War Tax Act or the Excess Profits Tax Act, if not more than one-third of its business in any year is done with non-members.

I would point out that the Cooperative Union of Canada represents a total cooperative membership of close to one million people. I have not the exact figure, but I do not think I am far out in my estimate.

In his budget speech the minister has abrogated another important principle. He is going to force cooperatives to become profit-making concerns. He made this statement as reported on page 2921 of *Hansard*:

After careful consideration, the government has, therefore, come to the conclusion that it should accept the commission's recommendation that patronage dividends and similar payments be treated as a deduction from income—

Up to there it is good.

—subject to one relatively minor limitation designed to avoid at least some of the discriminatory effects I have mentioned. The limitation is this: That no company or association shall be able to go so far in its distribution of tax-free patronage dividends as to reduce its taxable income below a reasonable return on capital employed in the business. This reasonable return will be defined as three per cent on the capital employed.