would find themselves in the same position—provide business goods and services to their member units, such as management assistance, advertising material, or a variety of services. Those services are taxed by the GST. The cost of administering these taxes or recovering these taxes to the Co-op Atlantic is about $100,000 a year.

• (2020)

The retail competitor—the Sobeys, for example, escapes that administrative cost. In this second set of problems, the objection, I should make clear, is not the tax itself; it is the administrative burden caused by the system that is applied. Surely that is unjust.

Finally, I turn to the taxing of share capital. It is interesting and appalling that the bill treats the share capital in a co-operative in precisely the same way as it would the membership of a golf club. We know that consumer co-operatives, for example, must have capital for investment, and that capital is provided through the membership in the form of either an initial purchase of capital through a single payment or through a commitment on becoming a member to accumulate a level of capital over a period of years. Now, these are not huge sums. For example, in Shediac, New Brunswick, I think the share capital required for a member is $400, or so I am told. A member who wished to join the Shediac Co-operative, and paid his share capital payment would pay a 7 per cent tax on it. If that same person bought a private share in a commercial corporation, there would be no tax. That is what is so objectionable to the treatment of the co-operatives under the GST.

I should point out that that is the situation in Shediac, as I understand it. A new member would have to pay $400 as the required capital subscription in order to become a member and pay 7 per cent tax. The same would be true of a co-operative like the Brador Co-operative when the minimum share capital per member is $400, and that tax would have to be paid on that initial contribution.

A number of us in the Senate know about consumer co-operatives. We know that individuals in local communities have joined a co-operative. They accumulate their share capital through the rebate on what is known as the patronage refund, but, at the end of each year in the co-operative, a surplus is declared which is distributed among the membership in accordance with the business done in the co-operative, and that amount is payable each year; and often in the old days—maybe it has changed—because of the poor circumstances of many of the members served by the co-operatives, they built up their share capital and their membership over the years by dedicating their patronage refunds to the capital of the co-operative.

That is the situation, and the GST treats the share capital of a co-operative similar to membership of a golf club—overlooking the history of the co-operative movement in Canada, and overlooking the way, for example, that credit unions are treated in Bill C-62, because the share capital of a credit union is not taxable, but the share capital of a consumer co-operative is. Why is that?

[Senator MacEachen.]

Senator Olson: Good question.

Senator MacEachen: Nobody who knows anything about the co-operative movement can understand why one form of co-operative organization, namely its operations in the financial field, are not taxable and those in the consumer field are taxable.

I believe this to be a rather serious question, because there is considerable growth potential in Canada at the present time for worker co-operatives. I was told today, for example, that there are, in a vast region of Spain, about 122 industrial worker-owned co-operatives with about 25,000 employees, and I asked how many there were in Canada. I am told that in Canada at the present time the worker co-operatives number about 446, with considerable potential for the future. Quebec has 323, Manitoba 32, Saskatchewan 9, British Columbia 20, Newfoundland 4, New Brunswick 12, Nova Scotia 39, and, I believe, Prince Edward Island, 12.

The share capital in these worker co-operatives will vary greatly depending upon the capital intensity of the operation, and what interests me is why there has been no representation from the province of Quebec, keeping in mind that there are 323 worker co-operatives in that province. Do they understand that now the share capital of those worker co-operatives will be taxed 7 per cent? I am told that the co-ops in the Atlantic provinces discovered this by looking at the bill that an exemption had been granted to the consumer, to the credit unions, the financial co-operatives but not to the consumer co-operatives. It may be that that has been unnoticed by others, but it will have considerable repercussions if the share capital, as it may be, amounts to $5,000 per individual in a worker-owned consumer co-operative.

• (2030)

What is asked for is not a benefit or gift, but the same treatment that is now granted to the capital of ordinary corporations, which is non-taxable. These points are carefully reasoned in the documents that were tabled in the committee. As honourable senators know, there are a lot of consumer co-operatives in Nova Scotia. The newest and apparently fastest growing are the direct-charge co-operatives, but there are many conventional co-operatives operating from the capital that is contributed by the members in the way that I have described. There are many in my part of Cape Breton: Cheticamp, Inverness, Port Hood, Mabou, Victoria Farmer's Co-operative in Baddeck, the Whycocomagh Co-operative, the co-operative in Petit-de-Grat, and so on. This reaches into the grass roots. It is not a matter that affects the elite. It affects many ordinary people. That is why we have had representations in great abundance.

Having the case on that ground, what is disappointing to me is that the GST does not understand, as it were, the social and developmental role of the co-operative movement in this country. The co-operatives are not businesses like other businesses. They have the same characteristics. They have to be efficient and have good management, but they have a different philosophy and structure. Their capital comes from a different source and follows a different regime than that of an ordinary corpo-