

## THE SENATE

Wednesday, November 7, 1990

[*Editor's Note: Continuation of Proceedings from Issue No. 107A.*]

The sitting of the Senate was resumed at 8:06 p.m., November 7, 1990, the Speaker in the Chair.

### THE CONSTITUTION

QUALIFICATION OF EIGHT SENATORS APPOINTED UNDER SECTION 26—QUESTION OF PRIVILEGE

**Hon. Royce Frith (Deputy Leader of the Opposition):** Honourable senators, I want to give notice to honourable senators that I will raise a question of privilege on my own behalf and perhaps that of others who were not appointed under Section 26, arising out of the remarks made by Senator Grimard just before adjournment. However, I do not want to proceed before I have an opportunity to study the remarks when we get the *Debates of the Senate* in due course.

EXCISE TAX ACT  
CRIMINAL CODE  
CUSTOMS ACT  
CUSTOMS TARIFF  
EXCISE ACT  
INCOME TAX ACT  
STATISTICS ACT

### TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—MOTION IN AMENDMENT

**Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations):** Honourable senators, I yield to the Leader of the Opposition.

**Hon. Allan MacEachen (Leader of the Opposition):** Honourable senators, I wish to discuss the impact of Bill C-62 on the co-operative movement in Canada and propose an amendment that will remove at least a number of the discriminatory features in this bill as it affects co-operatives in this country.

Perhaps I should begin by reading a letter which I received from James Murray, 13 Dobson Lane, Rothesay, New Brunswick, a member of the Ken Val Co-Operative Ltd. I also received all these letters from members of the same co-operative in New Brunswick indicating their dissatisfaction with the proposed GST legislation. So may I read the letter in question, because it gives me the opportunity to introduce a number of the items I would like to discuss in more detail? It reads:

As a member/owner of Ken Val Co-Op Ltd. I wish to express my dissatisfaction with the proposed GST legislation in that it discriminates against the co-operative movement.

A Direct Charge Co-op such as mine uses the weekly service fees to help recover overhead costs in a way that is both shared and visible among Co-op members.

Because fees generally are subject to tax under the proposed legislation, this weekly service fee is treated as if it were the same as a fee for a golf course, as an example, and does not recognize non-taxable food items on the shelf.

Additionally, the taxing of share capital as proposed is a direct tax on the capital formation of my Co-op, as opposed to a consumption tax as was intended.

Why not the same recognition of the legitimate difference of a consumer co-operative as that already provided to the Canadian Credit Union System through Bill C-62, Section 140?

I ask that you support my co-operative's stand in its endeavour to be treated justly and fairly.

Yours sincerely,

James Murray,  
13 Dobson Lane,  
Rothesay,  
New Brunswick.

James Murray, in his brief letter, raises two of the three issues which have been underlined by representatives of the co-operative movement in their testimony before the Standing Committee of Banking, Trade and Commerce. These three issues are, first, the impact of the GST on direct charge co-operatives; second, the unnecessary administrative costs which are imposed on co-operatives as a result of the GST; third, the taxing of the share capital in co-operatives. I would like to discuss each of these in turn.

As is pointed out in the submissions by the co-operative movement, the fastest growing co-operative in the retail sector is described as the direct charge co-operative. It is different from the conventional consumer co-operative in that the merchandise is sold almost at cost, and the overhead of the co-operative is met by a weekly direct charge which varies from co-operative to co-operative but which amounts to several dollars a week. I understand that this form of co-operative organization is growing rapidly because it is regarded as fair and the method of doing business is transparent and visible to the consumer.

In my own area of Nova Scotia there are a number of direct charge co-operatives. For example, at the Straight of Canso there is the Straight Co-Operative. In Sydney there is a co-operative called the Modern Co-Operative. Outside North