to increase production and the other is to employ better machinery which would turn out products faster and more cheaply. I do not see the government moving in this direction at all.

I wish to speak now for a few minutes on the subject of credit unions. I have spoken on this issue before. I believe it is an important one for the Canadian people, particularly for those who live in the small country places. These are the people who work among themselves, the friendly people, the people who know one another. It is a great advantage for them to be able to do business among themselves. The basis upon which these credit unions are set up is that members who have a certain amount of money make it available for borrowing by people who need it, and the rate of interest is much lower than that which is commercially available on the finance market. We should assess the activities of these credit unions on the basis of answers to such questions as: How do they operate? How are they run? What do they do with any profits received? Do they accumulate reserves? Who administers them?

All the credit unions with which I have been familiar have been controlled by a board of directors. Most of them have set up committees to deal with loan applications, determine whether funds are available to meet any requests and whether a loan should be made. Neighbours and friends know the backgrounds of applicants better than anybody else. They are in a position to judge their ability to repay any sums advanced. Nine times out of ten, debtors will do a better job of repaying loans in these circumstances than they might had they borrowed from an outside source. About the only form of levy presently imposed on credit unions is paid to the credit union league. In Ontario this amounts to $1.50 and I assume the arrangement is similar in other provinces.

The credit union league is a body set up to keep credit unions healthy and give them advice. The federal government now advances a proposal to tax the reserves built up by the unions. But these are the very reserves which provincial governments have insisted should be set up. I have looked over the record, and I know of no case in which anyone has lost any money on investments in credit unions. Yet about 80 per cent of all the credit unions in Canada have assets amounting to less than $500,000. In Ontario, where some 1500 credit unions are operating, the amount in reserve is around $45 million. A guaranteed fund has been set up and is regulated by provincial legislation in the Province of Ontario—I expect there is similar legislation in effect in other provinces across Canada.

Many of those who are connected with the operation of small credit unions in rural communities are, by the nature of things, inexperienced in money management. Many of these people need advice. They are not professionals in the field of investment. It is a very good thing that the unions should have the benefit of this provincial supervision and of the reserve which has been established. It seems to me that federal tax legislation in this field would necessarily be in conflict with provincial thinking—that there would be direct conflict with regard to the determination of what might be regarded as excessive reserves by Federal authorities. It is not unlikely that many of the smaller credit unions would be scared of ever reaching the paws of government taxation, and prefer to close down their organization. If there were many such decisions it might be embarrassing. The situation might even be a difficult one for the stabilization fund of the Ontario Credit Union League to handle.

Bill C-259 proposes to tax credit unions in the same manner as other corporations are taxed. But corporations operate on the basis of a permanent capital system, as do most businesses. Capital in a credit union is share capital only; it does not include loans by members. Limits are placed on the amount which can be deducted from capital and it cannot be reduced below 5 per cent of the amount of members' capital employed. Credit unions do not require permanent capital in order to conduct their operations; they lend money as they get it when members' savings are made available to them. In effect, a credit union is just a big family, borrowing from those who have money and lending to those who need it. This is a simple explanation of the way in which a credit union works, as I see it. Let the federal government keep out of this.

Dividends paid on credit union shares represent the cost of doing business. The savings of members are called shares. They really amount to risk capital in the event of liquidation. The shares are savings deposits and they may be withdrawn on demand. They do not appreciate in value; you get the same amount back. Therefore, they do not yield a capital gain. The dividends on members' shares have always been treated as ordinary interest income and are taxable, and any member of the credit union pays tax on any dividends he receives. He pays personal tax as well, so therefore you have double taxation. The credit union disburses practically all of its income, generally speaking, and is taxed at whatever rate it is taxed at on personal income.

• (4:40 p.m.)

It is interesting to note that credit unions have today over $5 million in assets, and have just over that in numbers of members. In little communities across Canada they are performing a very useful service indeed. They make financing and credit available to look after the needs of the community at a low rate of interest compared to the finance companies. Therefore, it seems to me to be folly of the worst kind, and unjustified in the community life of Canadians, to subject any small credit union to taxation, when the government already tax interest or dividends that come into the hands of the fellow who has lent the money.

If I have time, Mr. Chairman, I should like to dwell for a moment or two on the subject of accounts receivable. I know that the general rule is that taxpayers who are in business must compute their taxable income on the billed basis. I realize that the government will say that this measure is bringing the situation up to date and putting the professional class in the same position as businessmen. I also know the government says that it is not contemplated that professionals will have to estimate the value of their work in progress at the end of the year unless they want to do so. But this recognizes the fact that work in progress is very difficult to evaluate until it has been completed and an account rendered.

I should like to know how this provision is going to affect OHSIP, which is national health insurance. Sometimes the government is two or three months behind with