

*Income Tax Act*

individuals in committee stage, have brought about some very substantial changes to the legislation as it was proposed initially.

• (3:00 p.m.)

All we have to do is go back and look at the original white paper and legislation introduced by the government. I admit that some substantial amendments have been introduced—and they are welcome—but they do not go far enough. It would be foolish for the House to cripple the co-operative and credit union movements by leaving some of these provisions in the legislation.

Another point bothers me. As the debate goes on it becomes clearer that those responsible for this outright attack on the co-operative movement do not really understand the basic principles upon which that movement works. Members on all sides of the chamber have pointed out this fact. It is like putting a fox in charge of a chicken-coop. There is no use putting someone in charge of drafting legislation for the co-op and credit union movements unless he understands the principles upon which they operate. If one has not been a member of these movements he cannot fully realize the benefits they confer and their effect on society.

Entrenched privilege organizations have launched a major campaign against co-operatives and credit unions. That campaign did not start this year; it has been in progress for a number of years. People in the co-op movement are well aware of it. What worries me is that at long last these entrenched privilege organizations have gained the ear of the government, and that is why we are now debating this legislation.

I am a member of a credit union and of a co-operative. I know the type of service they give to the communities which I represent. It is a vital service. I well remember the desperate need which these communities had for co-operatives and credit unions. I remember when times were a lot tougher than they are today, when the average working Joe could not get a loan from a bank, and had nowhere else to go for a loan. That was back in the thirties. It was at that stage the credit union movement expanded in my area. Through it people were able to obtain credit and do things which otherwise they would not have been able to do. But when that movement reached the stage of development that entrenched privilege organizations felt their toes being stepped on slightly, they launched an attack against it.

I am going to read into the record some of the principles underlying the co-operative movement. It is said that repetition is the mother of learning, and I hope that repetition of these principles will convince the government that more changes must be made to the bill. The co-operative movement is not dodging taxation. All members of this House will admit that fact. Recently we all received copies of a letter from Mr. E. K. Turner, president of the Saskatchewan Wheat Pool, in which he made several interesting points that have already been quoted in this debate. I shall quote his letter again because these are points which should not be lost sight of during discussion on this legislation. In his letter Mr. Turner wrote:

Co-operatives are prepared to pay tax at the ordinary corporate rate on any earnings retained by the co-operative. Earnings returned to the member should become part of his income.

[Mr. Harding.]

For a taxation act to force an imputed taxable corporate income on a co-operative is to interfere with the democratic right of members to run their own business. Such a treatment is not applied to co-operatives in any other country, to our knowledge.

... the taxation proposals completely ignore the basic principle of a co-operative, which is that earnings are a result of surplus on operations and belong to members. Earnings are not a return on investment.

This is something that we still have not been able to get through to the parliamentary secretary and his advisers.

The co-operative is nothing more than an extension of the members' personal business. Any saving he is able to make in dealing with his organization is an increase in his personal income.

These points constitute the basic philosophy of the co-operative movement and should be recognized by the government. The president of the Saskatchewan Wheat Pool and the Co-operative Union of Canada, which is the voice of the co-operative unions collectively across this great country of ours, set out other fundamental distinctions in the nature of co-operatives. Again I would place these on the record because I believe they are useful to our debate. These distinctions are:

1. That co-operatives provide primarily a self-help service required by members.
2. That co-operatives distribute earnings to members in proportion to member business.
3. That co-operatives raise and service equity capital by revolving the same in relation to the use of the co-operative by its member.
4. That capital contributed by a member of the co-operative is to provide himself with service and not to produce a return on investment.

Somewhere behind the scenes are individuals who do not understand the functions of co-operatives and credit unions, because if they did understand, then legislation such as this would not have been introduced. Yesterday the hon. member for Regina East moved an amendment to section 135. Reading it in isolation makes it difficult to understand what he is getting at, but read in conjunction with the section it becomes crystal clear and certainly makes sense. This was his amendment:

That the amendment to section 135 be amended by deleting all words after the words "page 356" and substituting the following:

"and also by striking out lines 20 to 47 on page 357, lines 1 to 23 on page 358 and lines 33 to 40 on page 359."

• (3:10 p.m.)

This amendment, Mr. Chairman, points up the core of the whole problem. It is the key to the whole complaint which has been brought to all members in this House by co-operative groups all across Canada. The parliamentary secretary has not yet indicated whether he will accept the amendment, but I urge him to give it close scrutiny and, I trust, his full support. This could save much debate on this section of the bill.

The amendment deals with the "capital employed" concept and also with the option proposed in the government amendment. It will remove from the legislation one of the major objections of the co-operative movement. The "capital employed" concept as contained in the legislation will make it impossible for most co-ops to pay cash dividends. It involves the very existence and life of the co-op movement. Surely it is not the intention of the government to put into operation a plan which will slowly and surely