

*Canada Co-operatives Association Bill***CANADA CO-OPERATIVES ASSOCIATION BILL**

INCORPORATION, ARTICLES OF ASSOCIATION SHARE STRUCTURE, GENERAL POWERS AND DUTIES, ETC.

Hon. Ron Basford (Minister of Consumer and Corporate Affairs) moved that Bill C-177, respecting co-operative associations, be read the second time and referred to the Standing Committee on Justice and Legal Affairs.

He said: Mr. Speaker, by way of introduction to this motion for second reading of this bill and reference to the Standing Committee on Justice and Legal Affairs, I should like to say a few words in support of the bill entitled an Act respecting Co-operative Associations. I trust that these remarks in explanation will assist hon. members in their consideration of this lengthy piece of legislation.

As is well known by hon. members knowledgeable in the field of co-operative law, there has never been any federal legislation of general application governing the incorporation and operations of co-operative associations at the federal or national level. Going back into history and checking *Hansard*, one learns that as early as 1907 a bill passed in this House but fell in the Senate mainly because, as I read the debate, the proposed legislation did not clearly indicate that it was to be operative only in the areas in which the federal Parliament was competent to legislate. Since 1907, the co-operative movement of Canada from time to time has pressed various governments for the passage of such legislation, namely legislation at the federal level allowing for the incorporation and operation of what we could call federal co-operatives. Some years ago, the two largest Canadian co-operative organizations jointly pressed the government for federal legislation on co-operatives. The joint Senate-House Committee on Consumer Credit, which I had the honour of co-chairing with Senator Croll, in its report of April 25, 1967, supported representations made to the government and concluded by way of recommendation "that federal legislation governing the incorporation of co-operatives is long overdue".

● (3:50 p.m.)

The government of that day, headed by Right Hon. Lester Pearson, indicated to the co-operative movement that it was in sympathy with its demands. He said that he and the government would consider carefully introducing before this House a federal co-operatives bill. I am happy, Mr. Speaker, as a member of the government headed by the present Prime Minister (Mr. Trudeau) to bring this legislation forward after a parliamentary pause of some 63 years—which is somewhat slower than Parliament usually operates. I am glad that after such a long wait the co-operative movement of Canada is now able to see before Parliament a bill which, at the national level, will allow for the incorporation of federal co-operatives.

The absence of a federal co-operatives act should not be taken to mean that no co-operative associations have ever been incorporated by the federal authorities. That is not so, as co-operative associations have, over the years, been incorporated either under the federal companies

act—under what used to be the Dominion Companies Act—or by special acts of Parliament. Although the validity of these incorporations was never questioned, it was generally recognized by experts in co-operative law that the Companies Act was not the proper vehicle for incorporating co-operatives and, in recent years, we have adopted a similar policy under which no such incorporations have been allowed to take place.

An obvious question that arises, Mr. Speaker, is: why is the Companies Act unsuitable for co-operatives associations. Or, in other words, why have co-operatives not been incorporated under the Companies Act? Why do we need the special act we are considering today? The answer to this question largely rests on the distinctive nature of a business corporation and a co-operative association. There are, in effect, a number of differences between these two types of organizations, namely, the co-operative association and the business corporation. For the purpose of illustrating the point that the Companies Act is not suited for co-operative associations, I propose to discuss two of the more basic differences.

One of these differences relates to the treatment of surplus or profit resulting from operations. In the case of an ordinary business corporation, generally speaking, such surplus is distributed to the shareholders by way of dividends and there are provisions to that effect in the Companies Act. But in the case of a co-operative association, the surplus of operation is normally distributed to the members or clients of the association on a patronage basis. This means, in effect, that the share of a member of a co-operative association in the surplus of the operation is calculated on the basis of the use he has made of the services of the association. The more he uses the association, the more he receives as his share of the surplus resulting from the operation; whereas shareholders in a corporation receive their dividends regardless of whether they have used the services of the corporation or not.

The second important difference is this: it is a basic principle of co-operative law that a member has only one vote, notwithstanding the amount of his investment in the association. As hon. members know, in the case of an ordinary business corporation, of course, the voting rights of a shareholder are ordinarily dependent on the extent of his investment in the corporation, one share bringing one vote. Again, there are provisions to this effect in the Companies Act. These are but two important differences as between corporate law and co-operative law which render the Companies Act unsuitable for co-operative associations.

As I said before, a number of co-operatives have been incorporated by the federal authorities under the companies act. In doing so, it was recognized that some violence had to be done to some of the provisions of the act, in order to suit the peculiar nature of a co-operative association. That is the reason it was eventually decided that no further incorporation of co-operative associations under the Companies Act should be allowed to take place. That is also one of the reasons we are bringing this legislation forward at this time, so that co-operative associations incorporated at the federal level could be

[The Acting Speaker (Mr. Laniel).]