

with the taxation policies of the government. A prominent firm of auditors gave this opinion:

A preliminary review of these provisions indicates that the 5 per cent may only be reduced by interest paid to members as contrasted with dividends paid on shares held by members. These provisions would appear to severely limit the deduction of patronage as compared to the present system.

I am at a loss to understand why the government deliberately set its sights on a very small sector of the economy in terms of total capital invested, and people participating, to restrict through taxation the activity of cooperatives which are truly Canadian owned and have a policy to grow, develop and serve the people. Let me give an example of this. Several years ago we needed additional terminal storage at the port of Vancouver. Although the government knew this, they did not want to build these facilities. Pressure was put on one of the Saskatchewan grain cooperatives to build that terminal storage, which they did. This not only provided a service to the members of that particular cooperative, but to all grain growers in western Canada served by the port of Vancouver. It not only made a contribution to the people in that part of Canada, but in all of Canada. As the government is cognizant of this, one would think that they would have been anxious to see these cooperatives improved and expanded.

I talked to members of one cooperative which I shall not name. They informed me that the actual amount of tax which might have to be paid as a result of these decisions would probably be three or four times as much as at present. In this House we have heard talk about the advantages and disadvantages to the individual taxpayers in this country. One proposal in this budget is going to affect the cooperatives adversely and, I am reliably informed, will increase their tax to that extent. Moreover, the operation of these new provisions is not yet fully understood by those who will be affected. I talked with them and found this to be true. In my opinion, this is a bad tax and one which should be reviewed. The government should meet with representatives of the cooperatives and discuss this provision before it is too late and before too much damage is done. The Co-operative Union of Canada, for example, expressed concern and deep disappointment with regard to the proposal for the taxation of cooperatives contained in the tax reform package released by the Minister of Finance. The Co-operative Union stated:

• (3:20 p.m.)

Upon careful study of the proposed tax legislation presented to the Ways and Means Committee, the Co-operative Union of Canada finds that compliance with these proposals will create extreme difficulties for cooperatives. The net result will be to force cooperatives to abandon their basic nature.

This is a serious charge. I asked the Minister of Finance some days ago whether he had received representations from the cooperatives with regard to another aspect of the proposed changes, that is to say, the proposed elimination of the three-year exemption. As I recall it, the minister said he had not. I am quite prepared to accept his statement, but if the press release to which I have just referred had by then been made public

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he would surely have been aware of the attitude of the co-operatives concerning other aspects of the changes he proposes.

The press release went on:

The Co-operative Union of Canada feels it is not the prerogative of a taxation body to interfere with the relationship between an organization and its members. The taxation imposed should be in keeping with the nature of the taxpayer.

The proposed legislation totally disregards objections raised in the Co-operative Union's submissions to Mr. Benson and to the taxation committee of the House of Commons and of the Senate.

The press release went on to set out the points which were then put forward. It stated:

The proposals failed to take into consideration the basic nature and method of operation of a co-operative, which is to distribute surplus earnings to members in proportion to the business they have done with their co-op rather than in relation to capital investment.

It continued:

Cooperative philosophy, regulations, etc. make it impractical for most co-ops to distribute their surplus earnings as proposed. Further, the proposals failed to recognize the difference between the nature of equity capital employed by co-operatives and by other corporations.

The cooperatives set out this case before the minister. Nevertheless, a taxation policy which is almost punitive in its nature has been followed, one which will not allow the cooperatives to grow or to perform the function they have been carrying on up to now.

This is all the more surprising to me when I note in the same budget the type of provision made in connection with mining companies—provision for accelerated depreciation, tax concessions on money invested, and so on. To these companies, as well as to exploration companies and development companies of various kinds, encouragement is offered. Many of the companies who benefit will be foreign companies. A few of them will be Canadian. They are to be encouraged under our tax system but the cooperatives in Canada are jointly and severally owned by citizens in communities across this country are being discouraged. If the government were at all concerned about the state of the rural economy, it would reconsider this move to increase the tax affecting cooperatives from 3 per cent to 5 per cent.

This afternoon I have made no particular plea for the farmer under the federal taxation system except to say that the government's approach to the basic herd concept is wrong. Its approach to the question of the purchase of farm machinery will no doubt make things more difficult, but perhaps farmers will simply sell their machines off and buy new ones cheap. If they follow this course, the pressure will then be on the local dealers. Anyway, the government's move is one which will disrupt the pattern of business the farmer has been following. If the government had decided after due consideration that a system which would work reasonably well within the farm sector for a long time without causing any important tax losses to the government should be changed, the least it could have done would have been to allow the farmers about five years in which to become accustomed to the