



REVITALIZING CANADA'S ECONOMY: CO-OPERATIVES ARE PART OF THE SOLUTION

Pre-budget consultation brief

We are writing you from the co-operative sector to offer our perspective on how the next federal budget can help stimulate Canada's economy, move out of recession and avoid depression. We believe we have both a unique perspective on this issue, and one that is complementary to that of many other sectors of the economy and society who are trying to advise the government on its next budget which is centred on stimulating the economy and improving the well-being of Canadians during these difficult times.

The Canadian Co-operative Association believes in the important role of government to take the lead in the process of stimulating the economy in tough economic times. At the same time, we remain committed to the principle that citizens themselves, given the proper help and framework, can contribute their own resources – financial, as well as volunteer time and energy – to this task. We will outline in our brief some of the key ways in which citizens can play this role by using the co-operative model.

We support the emerging consensus that the next Budget should set out a stimulus plan to:

- **save jobs and operations** in key sectors such as automobile, forestry and energy,
- **make credit more easily available** to individuals and companies which are ready and able to borrow
- **invest more in hard infrastructure** such as roads, public transportation, social housing; to which we would add also the need to invest more in the social or soft infrastructure such as homecare services for seniors, child care facilities, and services for people with disabilities which can provide more jobs to women
- **improve employment insurance benefits** so that low-income working Canadians who are laid off from their jobs can benefit more and faster
- **improve charitable tax deductions** to encourage Canadians to expand rather than cut back on their donations as this is the time that they are most needed
- maintain existing levels of funding to **non-profit organizations**

We also believe that this crisis provides a real opportunity for the government to partner with co-operatives to help make this happen. Co-operatives, including many of our largest credit unions and retail co-operatives, were born and grew up in hard times. We think that the co-op model can again be an important vehicle in helping to get our economy moving again. In today's volatile economy, co-operatives are a rock of stability because they are owned by their members who are based in our communities. Their shares are not traded on the stock market. Profits are shared at the end of the year, thus keeping wealth in the community.

2009 marks the Canadian Co-operative Association's 100th birthday. Co-operatives have been an important part of our economy for more than a century and are more relevant today than ever before. Co-ops exist in virtually every sector of the economy, from agriculture, retail and banking services to renewable energy, housing, and child care. Canada's co-operative sector has over 8800 co-operatives and over 17 million memberships and is one of the largest in the world on a per capita basis. Co-ops have assets of over \$275 billion and employ some 150,000 people. CCA alone represents organizations with over 9 million members. Our francophone sister organization, the Conseil canadien de la coopération et de la mutualité, represents over 8 million members. As the International Co-operative Association has stated: "It is no coincidence that the world's most successful and stable economies generally also happen to have the world's most co-operative economies". Canada is one of these economies.

While co-operative businesses are not immune from the effects of job losses and consumer spending drops during a recession, they will not fail because of stock manipulation. They are owned by their members, rooted in their communities and focus on long-term sustainability rather than short-term profit maximization.

We would also like to underline that even in the depths of the recession new co-operatives are being created or expanding. Here are only a few recent examples:

- The **Integrated Grain Processors Co-operative** (IGPC), based in Aylmer, Ontario. This is a new renewable fuel co-operative which held its official opening on Dec. 17 with a farmer and local citizen investment of \$55 million as well as substantial federal and provincial government investments. This project is the largest co-operative launch in Canadian history.
- **BRAV-C**, the Battle River Agri-Ventures Co-op in Flagstaff County, Alberta, 120 km. southeast of Edmonton. This co-op began as the Battle River Straw Cooperative, and was founded to take advantage of straw-related revenue generation activities. It will act as a supplier to a new biofuels project in the area.
- The **Northwest Premium Meat Co-operative** in Telkwa, British Columbia. This co-operative of local livestock producers and consumers has recently constructed an abattoir and processing facility, which will provide producer members with access to health-inspected facilities where their produce can be made ready for sale to the local public.

What is interesting is that all three of these co-operatives received help in starting up from the federal government's Co-operative Development Initiative (CDI), which provided some of the initial funding for feasibility studies and other projects. The CDI is one of the initiatives we believe government can fund which will help deal with the current recession. What follows is our more complete list of items for inclusion in the next budget:

WHAT THE GOVERNMENT CAN DO TO HELP CREATE NEW JOBS AND STIMULATE ECONOMIC ACTIVITY THROUGH PARTNERING WITH CO-OPERATIVES:

1. Renew and expand the Co-operative Development Initiative (CDI), which will support the creation of more jobs by starting new co-operatives and helping emerging ones.

Federal government investment in new and emerging co-operatives is a low-cost and effective means to help revitalize our economy. In making this investment, the federal government is partnering with citizens in local communities to start new businesses. Renewing and enhancing an existing proven federal program, the Co-operative Development Initiative (CDI) can help make this happen.

The Co-operative Development Initiative helps develop and promote new and emerging co-ops. It is a unique partnership program between Canada's two national co-op organizations – the Canadian Co-operative Association (CCA) and the Conseil canadien de la coopération et de la mutualité (CCCM) – and the federal government. It has been funded by Agriculture and Agri-Food Canada (AAFC) for six years and is scheduled to end on March 31, 2009. A specialized agriculture co-op program – the Agricultural Co-operative Development Initiative (Ag-CDI) – was also funded by AAFC in 2006 and helps farmers start new value-added co-operatives.

Together, these programs have helped create some 200 new co-operatives and aided more than 1,500 other co-operatives.

The CCA and the CCCM are now proposing a new and enhanced CDI which would combine the best aspects of these two programs. CCA and CCCM would jointly administer the whole program, assuming all responsibilities including some which were previously managed by government. The program would run for four years starting April 1, 2009.

The new and expanded CDI would:

- provide more funding for Advisory Services (such as technical advice on how to set up new co-ops) at \$4 million per year and delivered by partner organizations in each province and our northern territories.
- create a new Co-operative Development Fund with a one-time-only investment of \$70 million. This Co-operative Development Fund would be a repayable loan fund and not a source of grant funding. Investments made under this fund will be based on an analysis of a group's business plan and its capacity to pay back loans on the terms negotiated

and over a specified period of time. Detailed information on the workings of the proposed Co-operative Development Fund has been submitted to the federal government's Co-operatives Secretariat.

- continue the value-added agricultural co-op program (Agricultural CDI) at \$1.5 million per year.
- relaunch the Innovation and Research program (Project Assistance Program) at \$2 million per year to provide grants to new co-op projects.

Our full proposal for a renewed and expanded CDI is available at www.coopscanada.coop/CDI.

2. Encourage more Canadians to invest in co-operative development through a Co-operative Investment Plan.

For over twenty years in Quebec, members and staff of employee or producer-owned co-operatives, such as forestry and agricultural co-operatives, have received tax credits for investing in their co-ops. We are proposing that a federal Co-op Investment Plan (CIP) be established for all of Canada. The Canadian Federation of Agriculture has endorsed the CIP as its number one priority in its 2008 Budget proposal.

In Quebec, from 1985 to 2006, some \$393 million in total were invested by members in eligible co-operatives. The cost of such a plan on the federal level is estimated to be \$17-20 million per year and it would generate some \$120 million per year of new investment across Canada.

3. Make new investments in affordable housing

Four million Canadians do not have a safe, affordable place to live. We need a national affordable housing strategy which will work with the provinces to develop a comprehensive plan to end the housing crisis. When in the recession more spending on infrastructure is needed spending on affordable housing is an excellent investment. In the short term, the federal government can provide immediate stimulus through three important measures:

- Provide repayable federal loans for affordable housing repair and renovation through CMHC's direct lending capacity
- Create a \$30 million loan fund for energy-saving building retrofits for federal housing co-ops located in Quebec, Ontario, British Columbia, Alberta and Prince Edward Island
- Enrich the funding for the Affordable Housing Initiative announced in September 2008, specifically allocating \$250 million a year for five years targeted towards new affordable housing development

For more information on these issues please visit the Co-operative Housing Federation of Canada web site at <http://www.chfc.ca>.

4. Launch a Canada-wide poverty reduction strategy

At its 2007 Annual General Meeting, the Canadian Co-operative Association adopted a unanimous resolution calling on the federal government to develop a national anti-poverty strategy in conjunction with provincial and territorial governments. A national anti-poverty strategy would commit governments to setting timetables and targets for poverty reduction and would co-ordinate a number of different policies and mechanisms to reach the goals. At that time, two provinces—Quebec and Newfoundland and Labrador—had already adopted poverty reduction strategies and, just last month, Ontario committed to adopting one as well.

In a period of economic recession, with provinces with two thirds of Canada's population on board, it is now an ideal time for the federal government to also adopt an anti poverty strategy which would use such tools as the Social Transfer to the provinces, the Child Tax Benefit, Employment Insurance as well as the Old Age Security and Guaranteed Income Supplement to co-ordinate goals and timetables with the provinces.

The co-operative model can be an effective tool as part of an anti-poverty strategy. We need to foster the development of co-ops within low-income communities and neighbourhoods. CCA has provided its view on how co-ops can help deal with poverty and low income in recent presentations to two Senate Committees:

- *Co-operatives and the Fight Against Poverty*
- *Co-operatives: A tool for rural development and poverty elimination*

As well as in our policy document, *Building Assets in low-income communities through co-operatives*.

5. Increase Canada's international development aid to .7 per cent of Gross National Income to help make poverty history

Some 1.2 billion people live in extreme poverty, most of them women. More than 800 million people go to bed hungry and 50,000 people die every day from poverty-related causes. As a founding member of *Make Poverty History*, CCA believes that Canada should expand our international development assistance to 0.7 per cent of Gross National Income by 2017 through increasing our aid budget by 17 per cent each year.

We know that in a period of recession there will be increased domestic pressures for Canada to pull back and reduce its international aid spending. But the recession is world-wide and the people of developing countries have been even harder hit with recent developments, and the need remains great.

We also believe that the federal government should ensure that increased development funds go to civil society organizations and that partnerships between civil society organizations in Canada and developing countries are funded and encouraged. Civil society organizations in the co-operative sector which conduct international development activities, including the CCA, have been particularly effective in generating self-sufficient economic growth, fostering democracy and ensuring accountability and transparency.

6. Use the co-operative model as a method of sustaining agriculture and rural communities

Agriculture is important to thousands of co-operative and credit union members, including those who are members of agricultural co-ops, credit unions, co-op retail stores distributing food and agricultural supplies, rural energy co-ops, and the emerging bioenergy co-op groups. In a recession, falling commodity prices as well as reduced spending by consumers and importers can dramatically affect our farmers. This also affects rural communities, rural businesses, industries that use agricultural products, and consumers of food.

The ***Growing Forward*** policy framework, which was recently approved by federal, provincial and territorial governments, contains fitting goals and principles, but is short on specifics to help groups of farmers improve their incomes and become more sustainable. Specific measures that can be taken by the federal government are to:

- Ensure dedicated funds for agricultural co-operative development through the Agricultural Co-op Development Program (Ag-CDI) program and other co-op business programs
- Provide access to capital for the development of agricultural co-ops through a new tax credit program similar to Quebec's Co-op Investment Plan and a new Co-op Development Fund to be part of the expanded CDI
- Pass legislation to modernize the FIMCLA (*Farm Improvement and Marketing Cooperatives Loans Act*) program to include non-marketing co-ops that support the agriculture industry such as energy co-ops, supply co-ops, machinery co-ops, labour co-ops, and seed co-ops.
- Support funding for increasing local food initiatives such as farmers' markets and support the building of more Canadian, regional, and local value added food supply and food processing to serve local and regional needs.

7. Implement policies to promote community economic development (CED)

With our economy under stress from the growing downturn, Canada needs stronger policies for community economic development (CED). This involves people and organizations working together at the community level to develop solutions to common economic and social problems.

Five major Canadian organizations – CCA, CCC, CCEDNET (Canadian Community Economic Development Network), CQCM (Conseil québécois de la coopération et de la mutualité) and le Chantier de l'économie sociale – representing thousands of co-operatives, community-based organizations, and non-profit enterprises across the country have proposed a new partnership between communities and the federal government. The recommendations include:

- A greater role for non-profit organizations, social enterprises and co-operatives in economic revitalization (such as expanding the Communities component of the Building Canada plan)
- Access to all federal small and medium enterprise programs by co-operative and non-profit enterprises
- Extending the loan guarantee program at the Business Development Bank of Canada to co-operative and non-profit organizations
- Coordinated approaches among federal government departments to ensure sustained government funding for CED organizations to deliver training and development services.
- Support for technical resources and expertise for enterprising non-profits access to capital

8. Make major investments in First Nations, Métis and Inuit communities in both, Southern and Northern, Canada to allow these communities to participate equally in Canadian society

Poverty rates in First Nations, Métis and Inuit communities are two to three times higher than average rates in Canadian society. A new government must include a major plan to end poverty and move towards economic and social equality for Aboriginal peoples. More co-operatives are one effective means of developing the full economic participation of Aboriginal Canadians.

Canada needs to develop its North where Aboriginal peoples form the majority of the population. In Nunavut and the NWT, the 31 co-operatives that are part of CCA member Arctic Co-operatives Limited are major non-governmental providers of jobs and services from food to cable to tourism and art distribution.

9. Increase the role of child care co-operatives as part of the federal government's child care strategy.

Across Canada, there are over 500 co-operatives which provide parent- controlled child care services to over 34,000 families. These child care co-ops are a form of child care delivery which allows a real participatory role for parents and staff in managing children's care and education. We need funding to create more child care co-ops in Canada. Immediate increased federal funding for child care can result very quickly in a boost in jobs, particularly for women, and in increased community services and help to working families who need child care.

10. Initiate a dedicated Community Environmental Fund to help fund projects in renewable energy and other activities aimed at protecting the environment.

In the last few years, we have seen a wave of new co-operatives in the environmental field including car share, wind energy, and bioenergy co-ops. We need a dedicated **Community Environmental Fund** to fund these kinds of initiatives led by co-operatives or non-profits through grants and loans. Helping these initiatives get started can play an important role in a comprehensive federal environmental strategy. They can also create jobs and foster economic development at the local level.

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