



**CANADIAN  
CO-OPERATIVE  
ASSOCIATION**



# Budget 2008

**PRE-BUDGET SUBMISSION**

**FOR THE STANDING COMMITTEE ON FINANCE**



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## SUMMARY OF RECOMMENDATIONS

The **Canadian Co-operative Association (CCA)** is a national association for co-operatives, representing more than seven million co-operative and credit union members from over 3,000 organizations. Our members come from many sectors of the economy, including finance, insurance, agri-food and supply, wholesale and retail, housing, health and the service sector.

**The Tax System.** In order to ensure the prosperity of its citizens and productivity of its businesses in an increasingly global world, the Federal Government must balance the need to:

- 1) Ensure the availability of funds to all levels of government in order to provide the public goods and services (programs and transfers) which are necessary for Canada's economy to operate effectively and assure a society based on social inclusion of all its citizens, as well as contributing to the Millennium goals of the United Nations. Part of this objective means that combined levels of government provide the programs, services, infrastructure and regulatory framework for business, including programs related to labour force development.
- 2) Ensure a fair tax system where there is a just proportion between taxes paid by individuals and corporations as well as ensuring rates of tax which allow Canada to compete with other jurisdictions and that there are tax policy instruments such as tax credits and expenditures to stimulate sectors of the economy.

**Recommendations.** As the co-op sector's contribution to possible budget measures that will meet these goals, seven national co-operative organizations have devised three recommendations. The organizations are the Canadian Co-operative Association, Conseil Canadien de la Coopération, The Co-operators Group, Co-operative Housing Federation of Canada, Canadian Worker Co-operative Federation, Credit Union Central of Canada, and the Desjardins Group.

**1. Renew and expand the Co-operative Development Initiative beginning in April 2008.** The Canadian Co-operative Association and the Conseil Canadien de la Coopération are proposing a new five year Co-operative Development Initiative (CDI) partnership agreement with the federal government beginning April 2008. The new CDI will support the development of new and emerging co-operatives. While the new CDI builds on the success of the old CDI, which helped over 1,000 co-ops and created over 135 new co-ops, it will be a substantially different and improved program.

**2. Establish a new Co-operative Investment Plan.** A Co-operative Investment Plan (CIP) will encourage investment in co-operatives by providing a tax credit to those who invest in shares in agricultural co-ops and co-ops owned by employees. A CIP will significantly assist co-ops in raising capital for their businesses. The CIP, which exists in Quebec, has raised over \$200 million from the co-operative sector in new investments.

**3. Increase international development assistance and augment the role of co-operatives and other non-governmental organizations in its delivery.** We propose that spending on international development be increased to the OECD average of 0.44% of GNI by 2010, in keeping with the Federal Government's stated objectives. We also propose that the government strengthen the role of Canadian co-operative organizations in the delivery of Canadian aid by channelling more money through the Canadian Partnership Branch of the Canadian International Development Agency and by ensuring more opportunities for co-operative organizations to execute CIDA bi-lateral programs.

As well as these major recommendations, CCA also has developed a series of recommendations on other key issues including agriculture, environment, housing, poverty, child care and food sustainability.

## CCA RECOMMENDATIONS BUDGET 2008

The Canadian Co-operative Association (CCA) is a national association for co-operatives, representing more than seven million co-operative and credit union members. Our members come from many sectors of the economy, including finance, insurance, agri-food and supply, wholesale and retail, housing, health and the service sector. We are part of a co-operative sector composed of 13 million co-operative members in more than 9,000 co-ops. Co-operatives are democratic organizations which are Canadian-owned and controlled by their members. There are both for-profit co-operatives, such as in the retail, agricultural, and financial (credit unions and insurance) sectors and non-profit co-operatives in sectors such as housing, health care and child care.

From this sector's perspective, in order to ensure the prosperity of its citizens and productivity of its businesses, Canada requires a tax system which is able to balance two needs:

1. Ensure the availability of funds for all levels of government in order to provide the public goods and services (programs and transfers) which are necessary for Canada's economy to operate effectively and assure a society based on social inclusion of all its citizens, as well as contributing at the international level to the Millennium goals of the United Nations. This means providing sufficient funds for programs such as health care, education, economic development, environment, social services and social security (pensions, welfare and employment insurance), transportation, defence, justice, affordable housing, child care, Aboriginal programs, agriculture and the regulation of food security, and programs which deal with reducing poverty both domestically and internationally. It also means enabling the provision of government programs which provide the physical, technological, economic infrastructure and regulatory framework which allows business to flourish and develops an educated and healthy citizenry which can fully participate in today's modern job market.
2. Ensure that there is a just division point between what individuals and corporations are asked to pay in taxes. Corporate taxes must be set at rates which allow Canadian businesses to compete both domestically and internationally, and, at the same time, allow for tax policy instruments such as tax credits and expenditures that will stimulate sectors of the economy.

As our contribution to possible budget items which could achieve these goals, seven national co-operative organizations in our sector - the Canadian Co-operative Association, Conseil Canadien de la Coopération, The Co-operators Group, the Co-operative Housing Federation of Canada, the Canadian Worker Co-operative Federation, the Credit Union Central of Canada, and the Desjardins Group- propose the following **three common recommendations**.

The **first recommendation** is the sector's most significant issue at this time. Using tax funds to help co-operative development contributes to creating enterprises and jobs that do not require continued government funding. The **second recommendation** directly addresses the theme of "The Tax System the Country Needs" through a tax credit, already in place in Quebec. A Co-operative Investment Plan will unleash the agricultural and employee-owned co-op sectors to expand their economic activity. The **third recommendation** addresses the issue of using more tax revenues to fund international development.

## **1. Renew and expand the Co-operative Development Initiative beginning in April 2008**

The Canadian Co-operative Association (CCA) and the Conseil Canadien de la Coopération (CCC) are proposing a new Co-operative Development Initiative partnership agreement, which will last for five years and begin April 1 2008. The existing main partnership agreement between the Federal Government and the co-operative sector expires on March 31<sup>st</sup> 2008. The new CDI will support the development of new and emerging co-operatives. The new CDI builds on the co-operatives' proven potential for cost-effectively creating and preserving jobs, for increasing productivity, and for securing economic and social development using a model controlled by local communities in both rural and urban Canada. While this agreement builds on the success of the old CDI, which helped over 1,000 co-ops and created over 135 new co-ops, it will be a substantially different and improved program.

- 1) The new CDI will be a larger integrated program where assistance is provided for all stages of co-operative development — from feasibility to start-up to capitalization. It will contain three components: Advisory Services, a Project Assistance Program and, for the first time, a Co-operative Development Fund.
- 2) The new CDI will be managed entirely by the co-op sector, which will result in more funds being available. CCC and CCA have shown their ability to successfully manage the current CDI as well as the 2006-07 Agricultural Co-operative Development Initiative.
- 3) The new CDI will have both regional and a new national advisory services component to support development across provincial boundaries and in emerging sectors such as energy, environment, health, Aboriginal co-ops, and co-ops whose purpose is to create employment in regions and circumstances where needed.
- 4) The new Co-operative Development Fund will be an investment fund to support long-term patient capital loans for co-operatives.
- 5) Target levels for co-op creation and assistance will be double those of the existing CDI.

## **2. Establish a Co-operative Investment Plan**

A Co-operative Investment Plan (CIP) will encourage investment in co-operatives by providing a tax credit to those who invest in shares in agricultural co-ops and co-ops owned by employees. A CIP will significantly assist co-ops in raising capital for their businesses. The resulting influx of capital will be used by co-operatives to expand employment, increase economic activity, and branch out into value-added areas of business. The CIP already exists in Quebec and has proven its worth in that province by leveraging some \$200 million in new investment. In 2005, Prime Minister Stephen Harper indicated his support for a CIP. He stated that: "... [it] has the potential to give co-ops and their members a much greater opportunity to strengthen and expand their operations....and provide millions of dollars of strategic investment...in Canada's regional economies." Mr. Harper added that this proposal will have "significant paybacks in the future."

The CIP has been endorsed by the Finance Committee last year, by a report of the Finance Committee in and most recently by the Canadian Federation of Agriculture. In December 2004, the House of Commons Standing Committee on Finance also issued a report entitled, *Study on Small Business Tax Measures: Canada's Agricultural Co-operatives* which recommended that the Federal Government create a Co-operative Investment Plan that would encourage agricultural co-operative members and employees to invest in their agricultural co-operatives through allowing them to deduct their investment up to a fixed percentage of their gross income.

### **3. Increase international development assistance and augment the role of co-operatives and other non-governmental organizations in its delivery.**

We propose that spending on international development be increased to the OECD average of 0.44% of Gross National Income (GNI) by 2010, in keeping with the Federal Government's stated objectives. We also propose that the government strengthen the role of Canadian co-operative organizations and non-government organizations in the delivery of Canadian aid. Major co-operative organizations, CCA (the Canadian Co-operative Association), DID (Développement international Desjardins), SOCODEVI (Société de coopération pour le développement international), and Rooftops Canada work on international development issues.

The Canadian public has clearly indicated its support for increasing Canada's commitment of resources for international development. The Conservative Party has pledged to "move toward the OECD average level" of development spending by the year 2010. In June 2005, the Conservative Party supported a unanimous, non-binding resolution in the House of Commons that would increase Canada's Official Development Assistance spending to 0.7% of Canadian GNI by 2015. Canada's proven niche in international development has been the mobilization of Canadian skills and resources through co-operatives and non-governmental organizations. Such people-to-people initiatives are effective, efficient, sustainable, inexpensive, and accountable. Co-operative development also aids in building civil society. Co-operatives are among the most effective tools for helping people work their own way out of poverty. For more than 50 years, co-operatives from the developed world have used their resources and experience to assist co-operatives in the developing world in their fight against poverty. Canadian co-operatives and credit unions have been in the forefront of this work. Increased government funding will help us to deepen and expand this work.

As well as these common sector recommendations we also have the following additional recommendations:

### **4. Help secure the future of agriculture through co-operative development**

The agriculture sector needs the implementation of the recently-adopted new Agriculture Policy Framework, Growing Forward, in which, co-ops were specifically mentioned as a form of enterprise that could enable the agricultural sector to be competitive and innovative. It calls for governments to enable the sector to "make full use" of this potential. To accomplish this goal, co-ops need full access to all applicable business development programs, loan guarantees, and the revision of tools such as the FIMCLA loan program and EcoABC, as well as specific programs such as the recently renewed Agricultural Co-operative Development Initiative.

### **5. Develop a program for community-based environmental programs to reduce green house gas emissions**

While the Federal government needs to develop and impose standards and regulations for Canada's large emitters, community-based programs to cut green house gas are also important. In the last few years, we have seen a wave of new co-operatives in the environmental field including car co-ops, wind energy, and bio fuels. Helping these kinds of community based initiatives get started can play an important role in a comprehensive federal environmental strategy.

## **6. Develop a national anti poverty strategy**

At our June 2007 Annual General Meeting, the Canadian Co-operative Association passed a unanimous resolution which called on the federal government to develop a national anti-poverty strategy in conjunction with the provincial and territorial governments. A national anti-poverty strategy would commit governments to setting timetables and targets for poverty reduction and co-ordinate a number of different policies and mechanisms to reach its goals. An important tool available to implement such a strategy is the co-operative model which needs to be promoted and fostered in low income communities. This strategy needs to be particularly targeted at First Nations, Inuit and Métis Aboriginal peoples, as well as women, people with disabilities and recent immigrants, all of which are groups which are particularly affected by poverty. Poverty rates for Aboriginal Canadians for example are double or triple the Canadian average.

## **7. Help create new child care spaces through co-operatives**

Canada needs a national system of non-profit child care, including co-operative day care and nursery centres, in order to better develop and implement a QUAD (Quality, Universal, Affordable and Developmental) child care strategy. One important way to do this is to build on the successful experience of the 500 child care co-operatives in Canada to create new child care spaces that are controlled by parents and local communities.

## **8. Make investments to reduce core housing need**

The Co-operative Housing Federation of Canada notes that almost 1.5 million Canadian households are in “core housing need”, that is living in housing that is substandard, overcrowded or unaffordable. The Federal Government needs to take a leadership role in working to eliminate this figure. Targeted federal funding with delivery by province and territories is needed and more co-op housing can be a part of the solution.

**9. Develop a policy on domestic food sustainability that ensures we grow, process, and distribute more of our domestic food needs from Canadian sources.** A growing priority for Canadians is the issue of food sustainability. In Canada, 50% of the products on our grocery shelves are not from this country and increasingly, people and organizations at the community level are devising new ways to access and distribute food from their region. Community level innovation is manifesting in food co-ops, farmers’ markets, delivery systems, food processing incubators, small-scale food businesses, and branding or promotional programs. The Federal Government needs to recognize and assist these locally developed food system infrastructures as important ways to ensure a sustainable domestic food supply and reduce environmental impacts.

## CCA Members

Alberta Community & Co-operative Association  
Arctic Co-operatives Limited  
British Columbia Co-operative Association  
Canadian Worker Co-operative Federation  
Community Health Co-operative Federation Limited  
Concentra Financial Services Association  
Co-op Atlantic  
Co-operative Housing Federation of Canada  
The Co-operators Group Limited  
Credit Union Central Alberta Limited  
Credit Union Central of British Columbia  
Credit Union Central of Manitoba  
Credit Union Central of New Brunswick  
Credit Union Central of Nova Scotia  
Credit Union Central of Ontario  
Credit Union Central of PEI  
The CUMIS Group Limited  
Federated Co-operatives Limited  
Gay Lea Foods Co-operative Limited  
GROWMARK, Inc.  
Manitoba Co-operative Association Inc.  
Mountain Equipment Co-op  
Newfoundland/Labrador Federation of Co-operatives  
Northumberland Co-operative Ltd.  
Nova Scotia Co-op Council  
Ontario Co-operative Association  
Saskatchewan Co-operative Association  
SaskCentral  
Scotsburn Co-operative Services Limited  
UFA Co-operative Limited

## Associate Members

Arctic Co-operative Development Fund  
Calgary Co-operative Association  
Credit Union Central of Canada