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## Special Committee on Cooperatives

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EVIDENCE

**Tuesday, July 24, 2012**

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**Chair**

**Mr. Blake Richards**



## Special Committee on Cooperatives

Tuesday, July 24, 2012

• (0935)

[English]

**The Chair (Mr. Blake Richards (Wild Rose, CPC)):** I call the meeting to order.

Welcome, everybody. Today we have a couple of panels, and it looks like we have some very knowledgeable individuals here, from academia, from the industry itself, and from some umbrella groups as well. It should be an informative and interesting day.

We'll move right to our first panel. We have with us, from the Acadian Fishermen's Co-operative Association, Mr. Jeff Malloy; and from Co-op Atlantic, the agriculture division, Mr. Bryan Inglis. We also have, by video conference, Mr. Tom Webb, a professor with the master of management program, cooperatives and credit unions, at Sobey School of Business, Saint Mary's University.

We'll start with you, Mr. Malloy, if you're ready. You have the floor for up to ten minutes to make your opening remarks.

Go ahead. The floor is yours.

**Mr. Jeff Malloy (Chief Executive Officer and General Manager, Acadian Fishermen's Co-operative Association Ltd.):** Good morning, everyone. Thank you for the opportunity to appear before the committee.

I'm the CEO of the Acadian Fishermen's Co-operative. The Acadian Fishermen's Co-operative Association was formed in 1955 in Abrams Village, a small fishing community on the south shore of Prince Edward Island. This area of P.E.I. is well known for cooperative movements, and the creation of AFC followed the rural trend of farmers, fishers, and other groups banding together for economic reasons.

We owe our success to those pioneers who plowed the waves before us, namely Jean Gallant in Mont-Carmel and Phillippe Arsenault in Egmont Bay. Jean and Phillippe had two cooperatives, both in existence since 1944. They amalgamated in 1955 to form what we know today as the Acadian Fishermen's Co-operative Association.

We've been successful for the past 57 years, with our business growing exponentially, and AFC is now one of the largest processors of seafood on Prince Edward Island.

Here are a few facts, just to give you an idea of what we do.

AFC is a seafood processing company specializing in lobster and crab, but it also produces several other species, such as scallops, herring, mackerel, etc.

AFC is 100% owned by 99 shareholder member fishermen. All member fishermen are from several ports in area 25. These fishermen have been hit very hard by the decline in the shore prices over the last several years. Figures from the Department of Fisheries and Oceans indicate that the average net income of fishermen from area 25 is 87% lower than that of north-side fishermen in area 24.

Sales for our co-op for 2011 were close to \$24 million. Plant payroll for 2011 was \$3 million, and an additional \$1 million was paid out to fishermen's helpers, for a total of \$4 million.

The total number of T4 slips issued to plant workers and fishermen helpers totalled over 400. We have had fishermen retire lately with over \$40,000 in share capital that they've invested in our co-op. Fishermen investment stands at close to a million dollars.

Some of the challenges that not only we as a co-op but the seafood industry in general face right now.... The main things we've faced over the last three or four years, and many of you have probably heard it in the media...we've had a very difficult time, especially in the processing sector, with the many challenges that every exporter has, I guess, the obvious ones being the exchange rates and the world economy.

Another issue we face is with tariffs on processed products. That's something we've been trying to push for as much as possible. We'd really like to have more markets opened up to more products, especially in Europe, where some of the tariffs are as high as 17%, 18%, and 20%, especially on certain forms of processed lobster. That cuts off a lot of trade for us at a time when the landings are really high in the lobster industry in general. The more areas we can open up to get into, the better, obviously.

In terms of the landings in both Southwest Nova and the U.S., but especially this year in the U.S., they're having a very difficult time. Lobster is down to a low of around \$2. I could probably buy lobsters today delivered into Prince Edward Island for \$2.50 or \$2.60 a pound. That's putting a real downward pressure on the industry in general. Obviously when the price goes down that low, the price for a finished product follows it. So it's pushed down the value of the product, obviously, and caught within Canadian waters as well.

In terms of some of the issues for our co-op, the owner-operator issue in the new fishery reform is certainly something my members are looking at. Obviously if bigger companies down the road can buy up lobster licences especially, it certainly goes against the whole co-op movement and what we stand for.

We also have other issues as far as having an uneven playing field. Certain provinces pay subsidies to their processors, and that allows those companies to sell product cheaper into the marketplace and it drives the price down for the finished product in general. We would like to see the provincial governments stay out of the subsidy business altogether.

As far as being a co-op ourselves, we would like to make it more beneficial for members to keep more money in the company, even though they are struggling themselves. We have fishermen who probably only stock \$70,000 to \$80,000 per year. Out of that comes their boat payments, their hired men, which is generally \$750 a week during the season, their bait, their fuel expenses—all of that. So we have people who only clear in the area of \$20,000 to \$25,000 a year.

When it comes time to get every penny they can out of the product, from the co-op itself, unless they are very good members, it's very difficult to try to convince them to leave money in the co-op where it can grow the business. That's certainly a challenge, especially in our business.

We pay out huge amounts of money to buy the product for the payrolls, and it's in a short period of time—within a four- to six-month period—yet that product takes a whole year to sell. When you're putting out at any given time.... Our company, for instance, would probably borrow anywhere from \$11 million to \$12 million just to service the cost of being in business.

Certainly we've had tremendous help from our credit union system in general. We certainly would not be in business today if it wasn't for the support of our credit unions on P.E.I. They've done a tremendous job keeping us in business. To be perfectly honest with you, with the margins that we've made and the difficulties that the industry in general has had over the last three or four years, if we were dealing with a regular bank, our 57 years would probably have ended within the last few years.

It's very important that the credit union system stay strong for the co-ops because it's very difficult to get the interest with the low margins that we have in this industry. The interest from the commercial banks is very difficult to achieve.

As for co-ops in general, processing co-ops have had a very difficult time in the last few years. At one time there were probably eight to ten processing co-ops between P.E.I. and New Brunswick. There have been several of them closed over the last three to five years. So we are getting down there, as far as the number of co-ops that are still actually processing lobster.

• (0940)

I don't think that's a very good thing. We have a situation right now, for instance, with the two co-ops on Prince Edward Island. When the season opens this fall, on August 9, if it wasn't for the co-ops, there would be a lot of fishermen who would not have a home for their product. There are a lot of companies that are not even going to buy the product out of the season that starts August 9. We, ourselves, will take a fair amount of that product, along with—

• (0945)

**The Chair:** Mr. Malloy, sorry to interrupt, but 10 minutes has expired. I will give you 20 to 30 seconds to just wrap up with any final thoughts.

**Mr. Jeff Malloy:** Okay.

It's very important that the co-ops remain in existence.

I want to thank all of you very much for the opportunity to speak to you today and to give you a brief insight into the business of a fishermen's co-op.

Thank you.

**The Chair:** Thank you very much.

We'll move now to Mr. Inglis from Co-op Atlantic.

**Mr. Bryan Inglis (Vice-President, Agriculture Division, Co-op Atlantic):** Thank you, Mr. Chairman.

Mr. Chairman, committee members, my name is Bryan Inglis, and I am vice-president of the agricultural division of Co-op Atlantic. I'm very pleased to be here today to represent my organization in front of the House of Commons Special Committee on Cooperatives.

This year, Co-op Atlantic celebrates its 85th year of operation. Our roots date back to 1927, a period of economic hardship when farmers needed a better and more profitable way to market their livestock. Federal and provincial agricultural fieldmen, as they were called, provided guidance and support from the beginning to lift farmers out of poverty by using the co-op model. Very early on, our founders' vision was one of an interprovincial cooperative organization that would meet the needs of both producers and consumers. Co-op Atlantic focused on understanding the needs of its members and acting proactively to find solutions.

Today Co-op Atlantic continues to partner with growers, producers, processors, and suppliers by developing reciprocal business arrangements whereby all functions of the supply chain remain local and strengthen our local economy.

Co-op Atlantic operates in five provinces in Atlantic Canada and is engaged in four business sectors: agriculture, food, energy, and social housing. Last year our sales were over \$600 million, and as a combined system with retail and wholesale, we were over \$2 billion. Our agricultural sector operates four feed mills, a poultry processing plant, and a commodity brokerage service for eastern and western Canadian farmers. We have 15 country farm stores, a wholesale farm supply business, and we're a member of Cooperative Research Farms, which is an international agricultural research group for feed.

The food sector, which we are very much involved in, provides procurement and marketing services to our retail member co-ops, as well as to small, independent retail business owners in Atlantic Canada. We're also a member of one of the largest food-buying groups: UGI.

Our energy sector operates 41 gas bars, 13 co-op energy stores, and bulk fuel storage and delivery operations.

Our fourth sector, which we don't talk enough about, is our housing sector. Co-op Atlantic manages 1,700 housing units, and these include housing cooperatives, non-profit housing, and housing for the elderly, the disadvantaged, and low-income families. We also provide management services for other housing groups in Atlantic Canada.

In the Atlantic Canada region, cooperative organizations number more than 750 in total, and together they provide 12,000 direct jobs. To give you a sense of the current realities of the Atlantic Canadian economy, which I'm sure you're aware of, I'd like to share the following.

Public spending reduction is a reality in all of our provinces. Federal government spending cuts will lead to employment reductions in Atlantic Canada, and this could represent as many as 2,300 jobs. The unemployment rate varies between 9.5% and 13%. More regulations will create new challenges for workers to qualify for EI.

Agriculture is facing international competition and deregulation, which will continue to put pressure on the economic viability of our farms. Young and educated workers are continually seeking opportunities outside our region. The aging population fosters the need for specialized health and housing services. Depopulation of rural communities in Atlantic Canada is taking place in favour of urban centres. Aging rural communities in Atlantic Canada are struggling to maintain essential services. Finally, urban centres are straining to meet ever-increasing infrastructure and social needs.

Due to these economic realities, we believe that cooperatives can play an important and strategic role. Given that cooperatives are enterprises that seek to meet member and community needs, which can be both economic and social, they're ideally positioned to meet the needs of both rural and urban communities. When conditions worsen, citizens look for opportunities to work together to come up with workable solutions.

Cooperatives can appropriately address the following emerging needs: employment, through the formation of worker co-ops where private businesses are pulling out or business succession and ownership transition is difficult; stability for the agricultural sector; continued provision of retail and banking services left behind by large corporations in an increasing number of communities; home care for the elderly who wish to remain in their own home as long as possible and not be a burden to the public health system; social housing solutions for the elderly, the low-income, the disadvantaged, and those with special needs; and solutions for energy generation to complement the services of major public utilities and to assist individuals in reducing their energy consumption.

Co-op Atlantic supports the Canadian Co-operative Association's recommendation to forge a new government-cooperative sector partnership. In our Atlantic region, the federal government agency responsible for creating opportunities for economic growth is ACOA. We recommend that ACOA be given an expanded role to support cooperatives.

- (0950)

Citizens prefer solutions that are locally owned and controlled. Co-ops are the ideal form of business enterprise for these initiatives,

and as such, they deserve the same level of consideration, attention, advice, and support as conventional businesses.

We recommend that the federal government establish support for co-op business initiatives. The federal government could follow the Quebec example, where they have established a funded cooperative regional network called CDR, which provides expert advice to individuals forming and developing cooperative businesses. It also provides assistance to start-up and expanding cooperatives in order to access government and private funding.

Another example is in Newfoundland and Labrador. They provide training to economic development agency personnel in support of business initiatives emanating from cooperatives and equal status for access to funding programs. Economic development officers must come to view cooperatives as a legitimate form of business in today's changing business environment.

Co-op Atlantic supports the Canadian Co-operative Association's recommendations regarding access to federal funding programs. We recommend that the federal government provide the same access to capitalization programs for cooperatives as for private and shareholder cooperatives.

Some provinces have introduced legislation to provide incentives for citizens to invest in community development projects through the creation of community economic development investment funds, commonly known as CEDIFs, in some provinces. We recommend that the Canadian government look into this financial instrument to stimulate community investment.

While on the subject of capitalization, one cannot overlook the fact that during the recent market financial crisis, cooperative shares did not lose any value, since they are owned locally by the people who use their products and services and have a long-term commitment to ensuring the success of the business endeavours.

The federal government should encourage the development of a cooperative curriculum for schools and educational institutions in recognition of this valuable form of business and social enterprise.

I will conclude my presentation by reminding the committee that cooperatives have played a significant role in growing the economy of Atlantic Canada. Now is not the time to take your foot off the gas pedal. We must find ways to grow the cooperative sector to strengthen the Atlantic economy.

I would like to leave you with a reflection from Joseph Stiglitz, former chief economist for the World Bank and Nobel Prize recipient in economics. Mr. Stiglitz clearly stated that to achieve a more equitable distribution of wealth and to experience sustainable growth, nations need to find a balance between markets, government, and the social economy—that is to say, cooperatives.

I want to thank you for your attention.

I'll be very happy to answer any questions as we go along.

**The Chair:** Thank you, Mr. Inglis.

We'll now move to our witness who is joining us via video conference.

Dr. Tom Webb, I'll give you the floor for 10 minutes.

**Mr. J. Tom Webb (Adjunct Professor, Sobey School of Business, Master of Management in Co-operatives and Credit Unions, Saint Mary's University):** Good morning, and thank you for the opportunity to appear before the committee.

I'll give you just a very quick background. I have worked as a senior manager in a cooperative, I have sat on co-op and credit union boards, and I have worked as a consultant to cooperatives in Canada, the U.S., the U.K., Australia, and New Zealand. So I'm not just an academic. I have some mud on my boots.

Since 2000 I have been involved in creating a master of management in cooperatives and credit unions degree in the Sobey School of Business at Saint Mary's University. We created that special degree because managing a cooperative business is significantly different from managing an investor-owned company.

I would say that the key difference, first of all, is the business purpose. The purpose of a co-op is to meet member and community need. By contrast, the purpose of an investor-owned company is to provide maximum returns to the shareholders or investors. That, of course, creates a very different dynamic in terms of running the business, how it operates, and the kinds of pressures it feels and the kinds of pressures it responds to. We created the master of management program in co-ops and credit unions to apply the cooperative values and principles and business purpose to every aspect of cooperative business, and to assist cooperative managers in doing that.

At Saint Mary's we also created the Centre of Excellence in Accounting and Reporting for Co-operatives, which is funded by the Canadian Institute of Chartered Accountants. This fall we will be holding an international conference, in conjunction with the international cooperative summit, on cooperative economics. In other words, what would happen if we rethink economics, if we stop thinking of it just narrowly in terms of wealth creation and think of it instead as meeting human need? We might not turn to the economy and look at it simply in terms of its health being indicated by growth and the gross national product; rather, it's a healthy economy if it is providing its citizens with a decent income, with health care, with education, with the necessities of life. How well is an economy doing that as opposed to our simply having economic growth?

These are questions that are particularly germane for cooperatives, because unlike publicly traded investor-owned companies, cooperatives can do quite well, reasonably well, in an economy that is not

growing, as we saw in 2008. Cooperatives did not produce any of the toxic paper that brought the global economy down. Cooperatives and credit unions, the financial institutions, continued to lend through the 2008-09 recession without having massive government subsidies and inflows of cash to encourage them to lend. They lent because their members needed loans, and they continued to grow. Cooperatives and credit unions around the world continued to grow in the face of the 2008 great recession. Again, they did that without the massive infusions of government funding that the global banking community needed.

So we have set up these programs, and we are looking at the global economy. Cooperatives have strong implications for public policy.

● (0955)

Often people will say that cooperatives need a level playing field, but too often what happens is that the playing field is defined as the playing field of investor-owned companies. In other words, let's give everybody the same playing field. What policy-makers need to ask themselves is what is needed for the encouragement of healthy cooperative development, which is a very different question.

If you think of the level playing field argument, you might think of it this way. Let's say I had a classroom of 100 students, and half of them were blind and half of them were deaf. If I said, "I'm going to treat you all equally; I'm going to write everything on the board and I'm not going to say another word", it might be equal, but it sure as heck wouldn't be fair.

It is the same with cooperatives. They are a different kind of business. It's a different business model. It has some very positive public policy implications, such as its stability through the economic crisis. Cooperatives don't easily up and leave communities. Their failure rates are lower than private business failure rates, as studies in Quebec and across the country have shown.

So there are very strong public policy benefits from cooperatives. What we don't have is appropriate public policy support for cooperatives across the country. For example, if I were to look at my self-directed registered retirement savings plan, it is very difficult for me to put any of that in cooperatives and follow the rules of Revenue Canada. The government has lots to do in terms of coming up with a regulatory and policy framework for cooperatives that encourages them, and that is different but appropriate.

There are also regulatory issues concerning cooperatives. For example, in the recent couple of decades we've seen the need for harsher and harsher regulation around accounting standards. But cooperatives have not had the same problems with accounting. We haven't had the Enrons and the WorldComs and the Arthur Andersen. Cooperatives haven't had those kinds of business experiences. They haven't produced those kinds of business manipulations. Yet every time we tighten up, we ask cooperatives to jump through the same hoops as if they were Arthur Andersen.

So cooperatives need appropriate policy, appropriate legislation, and appropriate regulation. That will be a continuing challenge.

I'm open for any questions you might have, but I guess the thing I would end with is that the cooperative business model is the sleeping giant in the world. There are 100 million people working in cooperatives around the world. That is more than all the multinationals in the world put together. This is clearly a business model that works. It's clearly a business model, if we look at post-2008, that works very well in crises, that works very well in times of difficulty. In fact, one can argue that it even works better. This is an area where government needs to do some serious thinking in terms of how they create...

As a last point, we take our students to visit the co-ops in the Mondragón region of the Basque Country each year, and it's very interesting. When we were there in 2011, we asked officials what the gap was between the lowest paid and the highest paid. The gap was one to nine, as opposed to one to several hundred in the investor-owned companies in Spain.

We asked them how many people they have laid off as a result of the 2008 recession...in which Spain is not faring well. They have laid off none of their members. They haven't laid off anybody. As a result, in the three valleys where the co-ops are concentrated, the unemployment rate would be close to a structural unemployment rate of zero. In addition to that, in the Basque Country the unemployment rate as a result of the co-op presence is around 12%. In Spain it's 23%.

• (1000)

So in the midst of a staggering economy, the industrial cooperative base, with about 80,000 jobs in the Basque Country, is doing very well and is very strong. We could only wish that we had a similar cooperative industrial base in Atlantic Canada.

I'll leave it at that for now. If there are any questions, I'm sure all of us would be pleased.

I'm delighted to see you, Bryan and Jeff. It's very good to hear from you.

**The Chair:** Good. Thank you very much, Dr. Webb.

We'll move to our opening round of questions.

First up, from the NDP, is Madame LeBlanc.

You have the floor for the next five minutes.

[*Translation*]

**Ms. Hélène LeBlanc (LaSalle—Émard, NDP):** Thank you, Mr. Chair.

I want to thank the witnesses for agreeing to speak to us about the cooperative movement.

I will start with Mr. Webb.

You just told us how the right public policies could encourage cooperatives. Could you elaborate on that, especially the fact that if the federal government were to adopt such policies, it would grow and encourage the cooperative movement, which is a worthy business model.

• (1005)

[*English*]

**Mr. J. Tom Webb:** I think there are a number of ways. The one that is an obvious good starting point would be capital formation. Cooperatives need capital in order to survive and to do well. But in a cooperative business, the capital is not rewarded in the same way. It is not "capital take all", in terms of the profits or the output of the business.

The profit from the business—if I can call it that—is distributed to the workers, to consumers, and in the community, and it's invested in the cooperative. What we lack is an appropriate investment strategy, and I think the federal government could play a very strong role in creating that, in fostering the creation of cooperative development funds, for example.

If I take a typical registered retirement savings plan, it's very difficult to invest in cooperatives within it because they don't often qualify. I think there's been a recent change in the regulations that makes it even more difficult, especially with regard to start-ups of new cooperatives, where you can't have eligibility for an investment—even through a CEDIF—if it is more than a certain percentage of the capital share of the cooperative. So starting a worker cooperative becomes more difficult under those arrangements.

Cooperative capital can be a very attractive investment for people. For me, for example, I would very much like to have all of my retirement savings plan available for investment in housing cooperatives, in day care cooperatives, in worker-owned cooperatives, as opposed to having it go out and end up funding an investment in the arms industry to build land mines to blow people up somewhere. If I had my druthers, I would rather have all of my investment capacity devoted to building society, and yet it's very hard to do that.

The returns, interestingly enough, if you go back.... Cooperatives aren't a natural place for people to look for high returns. You're not going to get a 20% return. You're not going to get 16% or 15%, but you can get a reasonable rate of return. When I look back over the last decade or decade and a half, one of the things that's clear is that if I had a modest rate of return from a cooperative investment fund, I would be better off than I would have been in the mutual funds market. I would have made more money in the long run.

Cooperatives have to compete against that lure of windfall profits. They have to compete against that. What government needs to do is to create the incentives for people to put their money in stable, sound, cooperative investment funds that will produce returns for the whole community, and not just for some investors far off somewhere. I think that's very doable.

[*Translation*]

**Ms. Hélène LeBlanc:** Thank you very much.

Saint Mary's University is one of the main organizers of the Imagine 2012 conference, part of the International Summit of Cooperatives that will be held in Quebec City.

What are your expectations for the international summit? How will cooperatives benefit, more specifically Canadian cooperatives?

• (1010)

[*English*]

**The Chair:** I will note that the time has expired. I've allowed you an extra 20 seconds, but I will allow our witness to answer very briefly.

**Mr. J. Tom Webb:** Have a number of members of Parliament come and attend the Imagine 2012 conference and have an opportunity to look at the economy from a different perspective, from the perspective of meeting human need. Certainly, we would be delighted to see them there.

What will the cooperatives get and what do cooperatives hope for? It's clear that our economy is failing in significant ways to meet human need. We have a looming energy crisis. We have a looming food crisis. We have ongoing financial turbulence in international markets. There's a whole series of problems, and I won't go into them all. But it's clear that the old neoclassical economics needs to be seriously rethought. It is not providing solutions to the problems that are facing us. We are in the midst of a jobless recovery after a series of recessions, including the great recession of 2008, so we clearly need to rethink what the economy is about and how we grow it in a stable, sensible way that meets human need. This is an enormous challenge.

**The Chair:** I'm very sorry, Dr. Webb. I'll give you five seconds just to wrap up very briefly. I've already allowed an extra two minutes.

Thank you.

**Mr. J. Tom Webb:** Sure. Let me just wrap up by saying that having another look at the economy for co-ops will give a different perspective on the enormous value of what it is they're doing to the global economy, and what it is they're doing to the Canadian economy and the Nova Scotian economy.

**The Chair:** Thank you very much.

Now we'll move to Ms. Gallant for five minutes.

**Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC):** Thank you, Mr. Chairman. All my questions will be through you to the witnesses.

First of all, before I engage in questioning, there was a comment about the government's purchasing land mines and then blowing

them all up. For the record, it's my understanding that Canada does not purchase or use land mines.

We'll get on with the questioning.

Mr. Malloy, you mentioned that your cooperative has been successful for 57 years. How do you measure that success?

**Mr. Jeff Malloy:** To begin with, we've been growing. We've been allowing the fishermen in our area to actually have a home to sell their product, which is sometimes a little more difficult than it would appear. We've created one of the best plans in terms of quality—we're BRC-approved. We're one of the most modern plants. So along with everything, we've gained a really good reputation in the marketplace.

Obviously, when the fishermen are happy... We've been able to return during the good years, when we had an exchange rate of \$1.56. They were great years, and we had really good profits. A lot of money was pumped back into the economy. We have a really high unemployment rate in the area, and the 175 or 180 seasonally based jobs are very important to the area.

I guess that's how we measure our success.

**Mrs. Cheryl Gallant:** Now, you mentioned also that you borrowed \$10 million to \$11 million. How long does it take you to repay that? I assume it's to the credit unions.

• (1015)

**Mr. Jeff Malloy:** It's generally a combination. We have a broker that we work through. A little bit of the money is borrowed through them, but the majority of it is through the credit union. To be honest with you, we put that money out in a four- to five-month period and it takes us 12 months to pay it back. At any given time, as I said, we borrow a high of probably \$11 million, and that gradually gets down by next May to \$1 million or \$2 million, and then we start over again.

**Mrs. Cheryl Gallant:** So it's more or less for operating costs?

**Mr. Jeff Malloy:** It's more for operating costs. We've done a lot of work to the plant and stuff, so we have whatever you want to call it, a mortgage or whatever, a long-term debt on the plant of around \$3.5 million, and the remainder is working capital.

**Mrs. Cheryl Gallant:** How do the interest rates that you pay compare to those of the banks and their commercial lending, if you were able to obtain the capital through the bank?

**Mr. Jeff Malloy:** It's probably better. I know the broker we work through...we actually get a better rate than what we do through the broker and what the broker pays. It's generally a very good rate that we're able to achieve through the credit union.

**Mrs. Cheryl Gallant:** In terms of decreasing input costs for the fishermen, how willing are they to embrace new technology?



**Mr. Jeff Malloy:** Our members—and that is all I can speak to—are very interested. We've spent a lot of money.... As I said, we're the only lobster processing plant now left in eastern Canada that is BRC-approved—British Retail Consortium approved—which allows us to sell into the U.K. retail business. It also allows us into the retail of a lot of Asian countries. It's a lot higher standard than our CFIA, for instance. We probably spend \$50,000 a year on that alone, just to keep upgrading our plant year over year to keep ahead of it.

Our members are very interested in getting ahead of it, because we could never play with the big boys as far as the volume game is concerned. We can't do 100,000 pounds a day. Our plant isn't that size, so we do a lot of specialty packs and try to get into the markets that create a better margin for our product.

Our fishermen have recognized that and have spent a tremendous amount of their money, at the end of the day, in order to achieve that.

**The Chair:** Thank you. The time has expired for this round.

I will move next to Mr. Bélanger for five minutes.

**Hon. Mauril Bélanger (Ottawa—Vanier, Lib.):** Thank you, Mr. Chairman.

Mr. Chairman, you didn't need to do this, but I want to thank you for having moved the committee into the riding of Ottawa—Vanier, which I have the honour of representing.

Welcome, folks, to Ottawa—Vanier. It starts at the canal, as you know.

Mr. Inglis, you said that you operate in five provinces. I presume that's P.E.I., Nova Scotia, New Brunswick, and Newfoundland. Which is the—

**Mr. Bryan Inglis:** The Magdalen Islands, Quebec.

**Hon. Mauril Bélanger:** Quebec, thank you. That's what I wanted to know.

You also gave us an example of Newfoundland and Labrador, where the government provides training so that co-op businesses can have equal access to funding programs.

**Mr. Bryan Inglis:** Yes.

**Hon. Mauril Bélanger:** Does that mean there is not equal access to federal funding programs or to provincial funding programs in the other provinces?

**Mr. Bryan Inglis:** Yes. In our experience, we find it very difficult, as cooperatives, to access the federal and provincial programs. It's very similar to the capitalization that Tom talked about. Governments have a real difficulty understanding how co-ops are capitalized, and they are basically very uncomfortable with allowing us to have access to their programs.

**Hon. Mauril Bélanger:** I want to make sure I'm not headed the wrong way here. I would imagine—and please confirm if I'm right or tell me if I'm wrong—that the capital needs of large co-ops such as yours and such as the ones we've heard from, The Co-operators or Gay Lea or others, are somewhat different from start-ups.

**Mr. Bryan Inglis:** Yes, exactly.

**Hon. Mauril Bélanger:** Okay. Are you talking about large co-ops or start-ups?

**Mr. Bryan Inglis:** I'm talking about a little bit of both. I'm talking mainly about start-ups, but I know that in our particular case, Co-op Atlantic just finished an \$8 million investment in a feed mill in Atlantic Canada. We didn't get any support from the province or the federal government on that project.

• (1020)

**Hon. Mauril Bélanger:** Where would you have had support, or where would you have expected to get support from the federal government?

**Mr. Bryan Inglis:** On the going-forward projects, there are a number of what I call subagreements—I don't think they're called that anymore—where they encourage investment in new technology in agriculture. They encourage moving-forward modernizations, and we could not get any support.

**Hon. Mauril Bélanger:** I have limited time, so I will try to go a little more quickly.

I've said this to others, and I hope you won't mind, but may I ask you to do a bit of homework and send to the clerk, so that all members will get it, some examples and specifics, either for large co-ops or for start-ups, where the access to capital on the federal side—because that's our bailiwick—is not equal. That would be very useful.

**Mr. Bryan Inglis:** I'd be happy to do that.

**Hon. Mauril Bélanger:** For Mr. Webb, I have to agree with you about the return on capital. I was just meeting with the Alberta farmers' union last week, and they had a program of return of 5%, 6%, and 7% for investors. I asked what it took to become a member. It was a very minimal amount of money but you have to be in Alberta, so I'm excluded from that, and I'm not a farmer. But 5%, 6%, or 7% these days is not a bad return at all. I have to agree.

I want to go to the same kind of question in terms of capital needs. I presume you're in agreement that the capital needs for large, established business co-ops are not the same as for start-ups.

**Mr. J. Tom Webb:** That's right, but I think it's equally difficult for both of them.

I'd like to just clarify one thing. I realize the government is not in the business of purchasing land mines, and that's not what I was trying to suggest. What I was trying to suggest is that I can invest with my self-directed RRSPs in land mines but I cannot invest in co-ops nearly as easily, and that's really the problem.

In terms of start-ups and existing co-ops—

**Hon. Mauril Bélanger:** I'll just cut you off, sir, because you're in the habit of giving homework to students, I presume, so I would like to turn that around and ask you the same. I would like to ask if you could supply the committee with some examples of where the access to capital is difficult or unequal for large, established business co-ops or for start-ups. I'm aware of one, the workers' co-ops, and I'm hoping we will get to hear from them. Let's say they start up with 20 members and there's a 10% restriction or limit on RRSP investments. At 20 members, then, they're limited, and they're excluded therefore; there is a definite unequal access to capitalization by virtue of that 10% rule. I'm aware of it, and I'm hoping we'll have a chance to deal with it as a committee. Are there examples of that nature you're aware of?

**Mr. J. Tom Webb:** I chair the board of a start-up co-op called Knowledge Atlas—

**The Chair:** Pardon me, Mr. Webb, your time has expired. I will allow you briefly to answer the question, but I will ask you to keep it brief, please.

**Mr. J. Tom Webb:** Sure.

I sit on the board of a start-up co-op. It is called a “solidarity co-op”, where there are investor members, individual members, worker members, consumer members. It's a very interesting co-op. It's very high tech, and I can't invest in it because of the rule that you referred to. So it gets very difficult to finance that co-op from its worker members and its board members and its other members.

So you're right, and we can provide you with some examples.

**The Chair:** Thank you very much.

We'll now move to our second round of questioning. Up first we have Mr. Payne.

You have the floor for up to five minutes.

**Mr. LaVar Payne (Medicine Hat, CPC):** Thank you, Chair, and thank you to all the witnesses for coming. Thank you, Dr. Webb, for being on video camera with us. It is important to get all the information from you folks that we can.

First of all, I would like to start off by asking Mr. Malloy some questions in terms of the cooperative.

Mr. Malloy, has your cooperative ever received any federal funding?

**Mr. Jeff Malloy:** I have been there since 1997, 16 years, and six years ago we spent \$5.5 million completely redoing the plant. At that time we borrowed most of the money. The province contributed somewhere in the area of \$900,000. We did get an ACOA loan for \$500,000, which is obviously still on the books and we're still paying it off. All the rest was paid for by the co-op itself. A lot of that money we received from the province was through special projects for equipment that we bought within the province and so on. But that's the only help we've received.

• (1025)

**Mr. LaVar Payne:** So there is an outstanding amount on the ACOA loan?

**Mr. Jeff Malloy:** Yes, to ACOA.

**Mr. LaVar Payne:** You did talk a bit about the recession, and that has obviously hurt your industry and your cooperative.

If we go back a bit further, I think you did talk about some successes, and I'm wondering about a couple of things. First of all, I believe you mentioned something about the investment of \$40,000, and I didn't quite catch what that was. Could you just clarify that for me?

**Mr. Jeff Malloy:** Our member shareholders—because of the last three years—can't take their shares out, even if they sell their gear or whatever, until they become 65. At that time they retire and we release the shares.

We've had a great deal of investment. Over the last several months we've had members who've retired and have had as much as \$40,000 worth of shares. To be honest with you, that's all some of them have as a retirement package from the industry, so it makes it very difficult for them.

For somebody who's maybe clearing \$25,000 a year, \$40,000 is a lot of money, but our struggle is to try to keep that money, from somebody who's only making \$25,000 a year, there and growing.

**Mr. LaVar Payne:** Obviously you've had some better times, and you did talk a bit about those. In terms of investment and dividends, what did that look like for investment back into your industry and potential dividends to the shareholders?

**Mr. Jeff Malloy:** During our good times...probably seven years back, for instance, we had a year that we had profits of \$1.3 million. What we did at that time—because of the regulations that exist within P.E.I.—is we paid 9% interest on their shares. If somebody had \$10,000 in shares, we paid 9% interest on that.

At the time I think we kept \$400,000 or \$500,000 within the company and the remainder was divided amongst the fishermen. It was divided up depending on what they sold or what they bought from us. They got a share of it, so each member might have received 1.5% of the remaining money. If that amount of money was, say, \$10,000, our members voted that half of that would go out in the form of a cheque, as a dividend to the fishermen, and the other half would go into their shares.

During the good times it's obviously a lot easier for them to keep their money in the co-op. Now that things are tough, they're sort of forced to keep it in there to keep the plant going.

**The Chair:** I'm sorry, Mr. Payne, your time has expired.

**Mr. LaVar Payne:** Oh, I had one more question to go.

**The Chair:** You'll have to get another round.

**Mr. LaVar Payne:** Thank you.

Thank you, Chair.

**The Chair:** We'll move next to Madam Brosseau.

**Ms. Ruth Ellen Brosseau (Berthier—Maskinongé, NDP):** Thank you.

I'd like to thank you all for being with us. It's very informative. I always find that we're just scratching the surface on the issues in committee and we don't seem to have enough time.

I'd like to ask Mr. Webb a few questions.

Recently we had cuts of nearly \$4 million from the CDI and the rural secretariat. How do you see these cuts hurting the co-op sector?

•(1030)

**Mr. J. Tom Webb:** The two main cuts are to the CDI, which I think is just a tremendous loss. We were seeing the start-up of lots of new co-ops through the CDI initiative. I think it was solid cooperative development and job creation.

With regard to the other cuts to the co-op secretariat, it will take some time to see whether we will be able to have access to the kind of information about cooperatives that we have had in the past. There are all kinds of sources of information about business and the economy, but this was one of the main sources, and perhaps the most reliable source, of information about cooperatives: how many people work in them; their sales; their surpluses; and their losses, if they had losses. This could be a tremendous loss to cooperatives generally because it will give us less and less ability to understand the role that cooperatives play in the Canadian economy.

I'm hoping we will see a refocusing, perhaps in the Department of Industry, which may have been in some ways a more appropriate home, but there needs to be a home somewhere for a focus on cooperatives in the federal government.

**Ms. Ruth Ellen Brosseau:** I really like that you say we need to find a new home for it. I do think we need to foster and nurture cooperatives, because we know how good this is for the economy and how much they give back to communities. We know how important co-ops are for job creation for young people, who currently face an unemployment rate of 15% across the country. How does your program prepare young people to work on job placement opportunities for co-ops?

**Mr. J. Tom Webb:** Basically, we take into the program managers who are already working in cooperatives. It's very useful to do that, first of all, because most of them have come through standard business schools, where for the most part we don't even teach cooperatives as a business model. In business schools in Canada it's absent, and only 30% of the text books used in business schools talk about cooperatives as a form of business. And fully half of those references refer to co-ops as...well, if you are kind of out of your mind, you might look at this cooperative model. This is not very productive. So we have many, many managers in cooperatives whom we have hired from outside the co-ops, who have standard business degrees, standard training in economics, and what they don't have is a good understanding of the dynamics of the cooperative business model.

What our program does is give them an understanding of how the cooperative business model is significantly different and how the dynamics of that model are significantly different, and how they, as managers, have a much more difficult job. They don't have just one bottom line; they have multiple bottom lines. People in the

community have strong expectations about how their credit unions and cooperatives will function, much stronger expectations than they have about how the banks will function. They're different expectations. The purpose of the business is significantly different. What our program does is prepare them to run successful cooperative businesses, which is, as I said, a much more difficult job.

**Ms. Ruth Ellen Brosseau:** Do you find it very important to have the federal government work in a partnership, supporting cooperatives? It has a role. Can you explain your opinion on federal government, what role it should have?

**The Chair:** Sorry, time has expired on this one as well. I'll allow you to respond, but again, I'll ask you to keep it very brief.

Thank you.

•(1035)

**Mr. J. Tom Webb:** It would be very interesting for the federal government to look at how cooperatives are treated in other countries where they're much more successful than in Canada. Our cooperatives are successful, but not to the degree they are in, for example, northern Italy and in the Basque Country in Spain. It would be very, very instructive to look at how those countries deal with cooperatives and cooperative development, because we really don't have a supportive relationship with the federal government for cooperatives in Canada, and I don't think we've ever had one.

**The Chair:** Thank you.

We'll now move to Mr. Boughen for five minutes.

**Mr. Ray Boughen (Palliser, CPC):** Thank you, Chair.

Let me extend a welcome to our panellists here this morning.

We talked about public benefits that support co-ops and that the government should come up with a regulatory framework. I guess I'm wondering what our panel members think of that. Certainly Bryan's operation is highly successful, with big dollars in play in supporting projects, and Jeff's operation is smaller. How do you see the government's role in this? Right now, we have a diversity of success stories, some dependent upon things we can't control—for example, if the cod dries up, you're not going to fish any cod. You have that to deal with.

Which of the panel members would like to start that off?

**Mr. Bryan Inglis:** Co-op Atlantic is successful. We've been around for 85 years. I've been working there for more than 25 now, dealing a lot with agriculture and development. I've dealt a lot with agricultural producer cooperatives.

It's not the big ones that are the concern, although they do have their own issues. It's the small cooperatives. It's the blueberry cooperative. It's the hay cooperative. It's the carrot cooperatives. It's the farmers who are trying to get together to create cooperatives to find niche markets in Atlantic Canada. I believe that's the opportunity for the federal government to work with these groups, through the CEDIFs, through the economic development, through ACOA. It's not the big guys. It's trying to put some seed money into these small cooperatives to strengthen rural communities in Atlantic Canada.

I deal a lot with developing new membership in Co-op Atlantic, so we can grow our total business, because we're a supplier to the small cooperatives. Around Atlantic Canada, in these rural communities, everybody is pulling out, so communities or members are getting together. They're forming cooperatives to provide senior housing, to provide a grocery store, or to provide maybe a small farm supply business within their community. It's a great opportunity to stimulate the rural economy of Atlantic Canada, by developing policies to capitalize those co-ops.

**Mr. Ray Boughen:** What are other members' thoughts on that?

**Mr. Jeff Malloy:** I can't speak on the co-ops in general, the co-op movement. Other than the co-op I'm working at, I haven't had a whole lot of experience. I'm probably the prime example of what Mr. Webb mentioned. I came from larger companies within the corporate structure. So it was a complete shock to the system when I arrived the first time at the co-op to take over. It certainly takes a lot of learning to get your head around the whole concept of it.

But in general, for the fishery itself, the co-op model is very important for a number of fisheries. A lot of the fisheries are controlled by bigger companies. A lot of the smaller ones, though, that are individual fish, like lobster, like crab, could be very well served by pushing more towards a co-op model, giving some power to the individual fishermen so they would have some control.

What I found most impressive is that... For instance, I have 12 members who make up my board. I hear all kinds of arguing and complaining and all that, until I put them on the board. As soon as I put them on the board and they see behind the scenes of the actual business, because I bring them in once a month to get approvals for everything I'm doing... Once they get to see that and get the understanding of the business itself, it's much easier. I even find it makes discussions with government agencies, such as DFO, run much smoother, because they have a better understanding of the whole business and not just what happens on the boat or on the wharf. So whatever we can do to foster that would be a good thing.

• (1040)

**Mr. Ray Boughen:** How are we doing for time, Mr. Chair?

**The Chair:** Your time is about to expire.

**Mr. Ray Boughen:** Time has expired—damn, I shouldn't have asked.

**The Chair:** Your time now is officially up.

We will move to Mr. Harris for five minutes.

**Mr. Dan Harris (Scarborough Southwest, NDP):** Thank you very much, Mr. Chair.

Thank you to all for the exceptional testimony you've given already this morning.

Mr. Inglis, in your opening remarks you said, as part of your conclusion, that now is not the time to take the foot off the gas pedal. With the cuts to the CDI, it would seem that not only have we taken the foot off the gas pedal, but we've actually slammed on the brakes. This is the case of a successful program that's been bearing fruit. We believe that it should continue to be allowed to bear fruit and to grow new cooperatives.

You've mentioned several of the challenges new co-ops face. Dr. Webb, you also mentioned those.

You mentioned also a misunderstanding about the funding of co-ops. Is this something that exists primarily in the financial sector? Is there even a misunderstanding among the credit unions from time to time? Could you elaborate on that a little bit?

**Mr. Bryan Inglis:** Yes.

It's mostly the financial side and the capitalization side of the funding of co-ops. And it is in the credit unions as well as on the traditional banking side. To give Farm Credit their due, Farm Credit is probably one of the stronger ones. Certainly in Atlantic Canada, in my experience, they've been very good at recognizing cooperative lending, and they understand it. I think it's fair to say that Farm Credit probably has been very good if you fit into their agricultural model. If you're into housing cooperatives or into consumer cooperatives, then of course Farm Credit doesn't lend to them, so there is a gap there.

Yes, I think we have taken our foot off the gas pedal. I appreciate that maybe things need to be modernized. Maybe there needs to be an adjustment, but to cancel it 100% I think is just wrong. We should have looked at an opportunity to maybe have it evolve and find a way to strengthen it so that we can grow our rural economy in Atlantic Canada.

I keep saying "rural economy", because I think there's a huge need for that. We have urban co-ops. We have some real needs and opportunities to develop some urban cooperatives around Atlantic Canada. But I truly believe that through cooperatives we can strengthen our rural economy. Now is the time to not take our foot off the gas pedal, so to speak.

**Mr. Dan Harris:** No, we certainly agree with rural cooperatives, especially in the area of food, for instance. We heard from Gay Lea Foods, the last time we were seeing witnesses, about the investments they've helped to make in local communities to keep grocery stores so that people can continue to buy food. It's the same situation in rural communities all over the country—if one business pulls out, the community has to come together or the community won't exist any more.

Now, you mentioned housing co-ops during your opening remarks and that you don't spend much time talking about that sector. That one's of particular importance to me, being in an urban riding. We have several housing cooperatives in my riding and hundreds of units, some of which are subsidized. You mentioned housing for the elderly and for people with disabilities. What kinds of programs have you been offering?

**Mr. Bryan Inglis:** Well, I'm very excited about this. Again, it's something we don't talk a lot about. It's something we started back in the seventies when one of our senior management went over to Europe and brought back the fact that we should develop co-op seniors homes. Working with CMHC back at that time, we managed to put some models together in Atlantic Canada, where we have some very strong seniors cooperatives.

However, we've moved beyond that. We have two projects on the go. One of the latest projects we call Tannery Court. We've recognized that there is a need for what we call the working poor: single people who work but barely make enough money to provide proper housing for themselves. So we've put up five models in New Brunswick where these people can live. There's a 400-square-foot apartment. It is tiny, but it's safe, and it's clean. They're cooperatives. It's a great opportunity to grow that model.

Another one is that we're finding that there are a number of elderly people in rural communities who have money. They have retired back to their rural communities, and they want to take their money and invest it in a group whereby maybe ten elderly couples come together and form their own cooperative. We have one in St. Andrews, Nova Scotia.

• (1045)

**Mr. Dan Harris:** Sorry, but I have to cut you off so that I can get in one last question. As a follow-up on the rural, if you want to share that information with the committee, please do so.

Now, you mentioned CMHC. We've heard from cooperatives already that they're having trouble with lending and extending through CMHC and with the interest rates they're being asked to pay. Have you experienced the same kinds of problems?

**Mr. Bryan Inglis:** Yes. Our program has been diluted significantly compared to back when we really had a strong relationship with them. We have done some fabulous projects with them over the last probably 30 or 40 years, but those programs have pretty well dried up.

**The Chair:** Sorry, the time has expired on your questioning.

We'll now move to Mr. Lemieux for the next five minutes.

**Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC):** Thank you very much, Chair.

Thank you to our witnesses for being here.

I'm really glad that we're focusing on co-ops. I think there's important testimony that's coming out that Canadians need to be aware of, and this is a good forum for them to learn about the strength of co-ops and how well they're doing across Canada. Certainly some of the witnesses we've heard from have indicated that co-ops are in a strong position. They're more than twice as likely to survive an economic downturn as a regular business. Asset values are high, revenues are high. We had a witness from a financial co-op at our last meeting saying their balance sheet has never been better.

This leads me to want to correct something that Madame Brosseau said. She said the government has cut funding. I think it's fair to point out that funding wasn't cut. There was a program that reached its natural conclusion, its natural end. It had been in place for ten years, and I think it's fair and reasonable that Canadians expect governments to review their programs to determine if those programs have achieved their aims and goals. So the funding wasn't cut. The program just came to a natural conclusion, and it wasn't launched again for another five years. It's important to point that out, because there is a difference between the two.

I think it's important that the testimonies we're hearing, which is where I started my comments, actually substantiate that co-ops are doing very well. They've been doing very well over these past five to ten years.

I want to follow up on something Mr. Webb was saying. Mr. Webb, you and other witnesses, like Mr. Inglis, were talking about some of the credit challenges that face co-ops—for example, when you seek loans or financing to expand operations and that type of thing. I know you're doing a research program on accounting within co-ops, so I wonder if you could explain what the challenge is here. Does it have to do with the members owning the assets, and not necessarily the co-op?

I have a second question I'd like to ask quickly. Do financial co-ops—people who are co-ops themselves and who are in the business of lending money—have the same challenge when they look at loaning money to co-ops, or do they see co-ops completely differently? Do co-ops have better access to funding through a financial co-op because they are a co-op and they understand exactly what the challenge is?

Thank you.

**Mr. J. Tom Webb:** Let me respond briefly to that. The biggest part of the challenge is that many people in financial institutions do not understand what a cooperative is or how it operates or how it could be successful, because it doesn't fit the business model with which they are familiar. So you have that lack of understanding. That also extends to many people who work in government departments. Many of our people in government departments have no idea what a cooperative is or how it works or how it could be a successful business model. That's part of the challenge.

The second challenge is the one I referred to earlier, where Revenue Canada rules around RSPs make it very difficult to invest in cooperatives. So I may have money I would like to invest in cooperatives, but it's not very easy to do so.

When we get to financial cooperatives, you're absolutely correct, the financial cooperatives do understand the cooperative business model much better. But you need to remember that the financial cooperatives in Canada started out not as financiers of cooperative businesses, but rather as consumer finance organizations. Credit unions were created because farmers and ordinary people couldn't get a loan from the bank for a home or for a small business or for a car, or whatever; they didn't qualify. So they formed credit unions in order to solve a market problem they were facing, which was that the banks didn't want to respond to them.

• (1050)

**Mr. Pierre Lemieux:** Credit unions have moved far beyond that now. Today they're large, they have lots of assets. The question I'm asking is, because they're co-ops and because they find themselves where they are today with strong balance sheets, and because they do lend money now to businesses and other co-ops, will they more easily lend large capital amounts to other co-ops? Or is this a more fundamental problem in understanding the balance sheets within co-ops themselves?

**Mr. J. Tom Webb:** No. I think they do lend far more easily to other cooperatives. You do have a regulatory problem. In Spain, for example, the Bank of Spain moved in to tell the Caja Laboral Popular Coop de Crédito, which is a very strong and very highly rated financial institution, that they felt they had too much of their money invested in co-ops, and that they really shouldn't be investing in co-ops nearly so much. So they persuaded them to invest in nice triple-A-rated stuff like some Lehman's stock, which they held when Lehman's went under.

Regulatory pressure is a problem, because the regulators are not particularly good at understanding the cooperative business model and how it works and why it works. So they put pressure on cooperative financial institutions, whether they're in insurance or credit unions, to be very careful about why they were loaning to these co-ops. But they don't go and put pressure on the banks to say how come you're not making 10% of your loans to co-ops. There is an imbalance in terms of the situation.

I have a final comment. I think that co-ops also have failed to define what I would call a cooperative capital model. In other words, I think cooperatives offer a very viable breed of capital people can invest in, which I would call cooperative capital. They haven't done a very good job of defining that model or marketing that model, but I think there's a lot of potential in it. Again, there is also a government

regulatory role in making it easier for them to do that, and making it possible for them to do that.

**The Chair:** Thank you, Dr. Webb. Time has well expired, but I did want to let you have a chance to answer that.

We'll move now to Mr. Allen for the next five minutes.

**Mr. Malcolm Allen (Welland, NDP):** Thank you, Mr. Chair.

Thank you to all.

Mr. Malloy, if I could start with you, I want to ask you about something I believe I heard during your presentation earlier, and you can help me if I misheard. When you talked about your seafood cooperative you said that if fishers in P.E.I. didn't have the cooperative they basically would have no place to sell their catch. I know specifically you're talking about shellfish, primarily lobster and crab. Is my understanding correct on that?

**Mr. Jeff Malloy:** Yes—this year in particular. Most years it's obviously not an issue. In terms of the upcoming season starting August 9, because of the situation in the U.S., with their season starting a month earlier than it really has ever started before, there's a glut in the market. There were several meetings last week in New Brunswick, for instance, with a lot of the bigger processors, and they're not even going to buy from that season this year. That's certainly going to put a downward pressure on the price to the fishermen, but it will also affect the ability of some fishermen to even have a home for that product. Right now there are only two processors, both of us co-ops, on P.E.I. that even process from that season. If it weren't for us there certainly wouldn't be a home outside of P.E.I. for that product. This year in particular it's good. We're probably fielding a lot of questions right now about joining this type of deal. It will be interesting in the next few months, for sure.

•(1055)

**Mr. Malcolm Allen:** I think what your story contrasts is two business models. One business model, which is investor-oriented, would say there's a glut in the market and the prices are down, so I don't need to buy any this year, so you're on your own, folks; tie your boat up, do whatever you need to do, we don't really care. But in your particular case, they are basically owner-operators and they operate their own boat and they're owners through shareholders of the seafood company that made a collective decision that somehow we have to balance the risk in the management among all of us and we're going to take that catch and work through that particular problem, rather than just simply somebody offloading a problem to somebody else and say see you later.

I want to get to you, Mr. Inglis, because you talked earlier about not taking your foot off the pedal. With the greatest regard to my friend Mr. Lemieux, who says the program came to an end.... He's right, and I don't dispute that when he talks about whether funding has been taken away or not; it was a program that ended. In Mr. Lemieux's words it was "successful". I don't think people doubt it. And he referred to some success stories. But it seems to me you were saying, sir, and help me with this if you can, that we could continue to be even more successful if we were to revise the program, enhance the program, change the program, innovate with the program, not just say the program is over and we have nothing else to offer. Is that what you're helping us understand?

**Mr. Bryan Inglis:** Yes. I believe now is a great time to enhance, to modernize. There is nothing wrong with the program ending. We have this happen all the time. The federal government has had lots of subagreements over the years that have evolved, right?

I think we should learn from the past. We've seen that the cooperative has had a very strong presence in Canada. There's an opportunity to modernize it, to evolve it into something new, and to learn from the past. Let's jump-start to the next level. There's a local food movement. The values and principles of younger children are very cooperative-based. This is a great opportunity to enhance what was already there.

So yes, I respect the fact that they ended it; I think actually, probably.... Once it's ended, that's great, but let's put together a nice, modern, enhanced program that fits today's world.

**Mr. Malcolm Allen:** I was really interested earlier when you talked about rural communities. I know that in the agriculture committee we talk about rural communities because they tend to be farmer-based. In a lot of cases, that tends to be the piece of the economy that is central to rural communities in a lot of provinces—not all, obviously, but in a lot of them. Sometimes it's mining, sometimes it's forestry, sometimes it's fishing. In a lot of places, though, it is farming.

You articulated earlier the need to do certain things. You talked about a feed mill in your presentation. In view of that...

I know that my time is going to run out. Mr. Richards will tell me pretty soon that my time is almost done.

**The Chair:** You're correct.

**Mr. Malcolm Allen:** Can you lay out for us what you'd like to see when it comes to the Canada Cooperatives Act and what kind of

changes we'd need that would enhance the ability of rural communities to not only sustain themselves but indeed perhaps even grow a bit and not continue to shrink the way we see them across the country?

**Mr. Bryan Inglis:** The opportunity is to allow programs to help capitalize cooperatives in rural communities. We're seeing a lot of people who want to go back to the land. We can see the local food movement, and we can see it's not just farming. People who are retiring in rural communities want access and want to create their own seniors housing cooperative for small groups. They want to be able to....

I call them "back-to-the-landers" almost. They're not just farmers. They're growing their own food. There are opportunities for cooperatives all across rural Canada. Actually, there are opportunities even in urban areas of the country. These people are getting together community gardens and they evolve into farmers' markets on that side. So there is a huge opportunity for this niche.

Again, that's why I think we should put our foot on the gas pedal and not take it off.

**The Chair:** Thank you very much.

Seeing that the clock shows it as almost 11 o'clock, we will now suspend for lunch and reconvene at one o'clock.

**Hon. Mauril Bélanger:** Hold on, Mr. Chair. We are supposed to go until 11:30, if you look at the schedule.

**The Chair:** Oh, I am terribly sorry. We had originally scheduled it that way. I do apologize. You are absolutely correct.

We will continue with the meeting.

Next we have Monsieur Gourde, for five minutes.

•(1100)

[*Translation*]

**Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC):** Thank you, Mr. Chair.

I want to thank the witnesses for being here this morning.

My question is for all three witnesses.

The cooperative system is extremely beneficial, particularly in terms of the relationship between members and the cooperative. There is also the relationship with the board of directors. As Mr. Malloy mentioned earlier, at the end of the day, it's the board of directors that decides what direction the cooperative will take.

As you said, there are years when cooperatives do well and other years when they don't do so well. As regards profit distribution, the board of directors can divvy up all or part of the profits in a given year among members. That is a legitimate decision the board of directors makes. Some boards, however, keep a portion of the profits for recapitalization, whether to fund projects or bolster their balance sheet. There are also years when the board decides to pay out a little more.

In those years when cooperatives make a bigger profit, what would you say is the best strategy? Is it preferable to allocate a portion, say a third or half, to long-term recapitalization, or just redistribute the money to members? The second option could in fact weaken the cooperative's financial standing.

A number of strategies are possible. As I see it, every cooperative can decide for itself, but I would like to hear what you would recommend.

Mr. Malloy.

[English]

**Mr. Jeff Malloy:** A balance obviously works best.

Because of the type of co-op we are, and because of the history of it.... It was formed by a group of fishermen who had a tough time selling their products, had a tough time getting a decent return. They have, over the past number of years, tried to use the co-op for that purpose, to get more money out of their product and back into their pockets. Whenever we can we obviously try to do that.

A co-op is always a balancing act. There are times we would probably have liked to have kept more money within the company, but in order to encourage new members—because we always have people retiring—and because the margins are so low for the fishermen themselves, we try, when we can, to give them some back so that there is an obvious advantage to being a member of the co-op. But again, you don't do the types of projects and stay ahead of the game as far as the marketplace goes without putting a lot of money back into capital investment.

Thankfully, our membership has seen that and have always struck that balance. The more informed your membership and board of directors are and the more they know about the business in general, the better off they are. When you run into trouble is if you have a board of directors who aren't well informed and a membership who aren't well informed. That's when you have a problem with their wanting to take out every cent they can. But once they know the business and where it's going, it's pretty easy for them to make those decisions to reinvest in their company.

**Mr. Bryan Inglis:** Jeff is right on.

In my experience, when the co-op boards are educated and they understand their cooperative strategic plan.... There are a hundred co-ops that are member-owners of Co-op Atlantic, and almost all of them have strategic plans that are very focused on the future, and it's a blend of the savings. In the consumer cooperatives we deal with, the consumers are buying the product at market, so everything beyond that on a rebate or a dividend is actually a premium. And there are not big expectations of that premium; they would rather see money stay within the cooperative to reinvest in and grow their cooperative.

That's why I think you're seeing that cooperatives that are older and traditional and have been around for a while are quite strong. It's the young ones that have the problems. The young ones are having trouble trying to find capitalization to get going and/or getting enough money up ahead to be able to grow their business.

• (1105)

**The Chair:** Thank you very much. Time has expired.

We now move to Mr. Butt for the next five minutes.

**Mr. Brad Butt (Mississauga—Streetsville, CPC):** Thank you very much, Mr. Chair.

Thank you to all the witnesses for appearing in front of the committee today.

I will start with Dr. Webb, because I was interested in this issue you mentioned, that it's either virtually impossible or very difficult to invest in a co-op. I wonder if you could give me an example of a co-op the general public can invest in. That's the first part of the question.

Second, what would you see as positive changes this committee could look at or consider that would make it easier or more acceptable, or whatever, for the general public to invest in cooperatives? I was always under the impression that in cooperatives, really the investors are the members. I think you're suggesting that people who may not have any direct day-to-day involvement in whatever the cooperative is doing should also be able to invest and make a rate of return through RRSPs or whatever other investments they're making.

Can you give me an example of a co-op the general public can invest in and get a return on right now? And then can you clarify what you think we could be looking at to encourage more people from the general public to potentially invest in cooperatives?

**Mr. J. Tom Webb:** Let me start at the end of the question.

One of the models we should be looking at very carefully is the one in Italy, where cooperatives are taxed at a different rate. They're taxed at a different rate in recognition that the objective of the business is not to maximize return to shareholders, but to meet community and member need.

They also, then, have a different expectation. The expectation is that a percentage of the surplus or the profit they produce in a year will go into a cooperative development fund. There is also an expectation that a percentage of their surplus or profit each year will go into reinvestment in the cooperative.

Cooperatives in many ways are no different from investor-owned companies, except with regard to where the return or that surplus is going. If you think about it, you can have the situation—we very often do have the situation—where you have an investor-owned company that is not reinvesting in its company; it is simply sucking the money out, paying it to shareholders, and allowing the company to collapse and wither and die.

You had that, for example, in the case of the coal mines and the steel mills in Sydney, Nova Scotia, where Hawker Siddeley just sucked money out for years and years. You had mines and steel mills that were inoperable, really, and the government moved to take them over.



So the problem of where the surplus goes, whether it gets reinvested in a way that's sustainable, is the same for all business. The advantage of cooperatives is that because the business is locally owned, people have a greater tendency to look at it and ask the question, "What do we need to do?"

That's part of the essential question for our Centre of Excellence in Accounting and Reporting for Co-operatives. It's to have cooperatives develop a systematic way of saying "What is it that we need to invest in the co-op to have it viable for our community for the future?" That's an important question.

In terms of outside investment, where I think we have many co-op members, people like me, who would like to invest in cooperatives.... We have the UFA, for example. If I lived in Alberta—and I'm not sure exactly what the conditions would be—I could become a member of UFA and I could buy UFA preferred shares. But I don't live in Alberta. If I did that, I'm not sure whether they would be eligible to be part of an RRSP investment. I wouldn't likely be able to take my RRSP and invest it in UFA preferred shares. I would get a tax break for investing it in something else, but not in the co-op in which I had an interest.

Those are the kinds of issues that need to be looked at, and there's no question in my mind....

Securities legislation is another example. Bryan will remember that Co-op Atlantic used to offer preferred shares for sale. It got out of the business of doing that. It got out of the business because they didn't want to raise \$100 million; they wanted to raise \$1 million. To raise \$1 million, they had to spend \$100,000 in preparing a prospectus, the same as if they were Enron. Well, this doesn't make any sense. This is just not appropriate. This is not appropriate regulation and it's not useful, and what it meant was that they got out.

**Mr. Brad Butt:** [*Inaudible—Editor*]

**Mr. J. Tom Webb:** Yes, I agree.

• (1110)

**Mr. Brad Butt:** I said that, indicating my time is out, or that your time of my time is out.

Anyway, thank you.

**The Chair:** That is actually correct, in both instances. Thank you very much.

Before we move on, I have to note that both Dr. Webb and Monsieur Bélanger have mentioned their desire to be able to invest in UFA. As a proud Albertan, I have to say it's just one more of the many reasons why everyone should want to be in Alberta.

Anyway, we will move on now to the third round of questioning, as the second round has closed.

First up in the third round of questioning, we have Ms. Gallant, for the next five minutes.

**Mrs. Cheryl Gallant:** Thank you, Mr. Chairman.

Mr. Inglis, you started to touch on co-ops for seniors housing. In your models, do any of them include assisted living, people who

don't need to be in a nursing home but do need somebody to ensure they're being fed?

**Mr. Bryan Inglis:** In our existing models, yes. In the model we're developing now and the new model coming down the pipe, the answer is yes as well. What is happening is that we have, for example, ten elderly couples who want to get together. They have money. They've retired back to the communities they've grown up in. What they want to do is get together, form a cooperative, build themselves a small seniors home, and hire someone within the community and have that person work with them and look after them as needed. Then, as they move beyond that, the equity they've built in that small cooperative they can sell to another couple who comes along.

This is not social housing. This is creative cooperative housing for seniors couples who have money. It's just a new model.

**Mrs. Cheryl Gallant:** Do any of these cooperative housing projects for seniors have an affiliation with the local municipal or county governments?

**Mr. Bryan Inglis:** We only have this one model. There's only one happening right now. This is the model we believe has growth opportunity. So no, at this point, there is not.

**Mrs. Cheryl Gallant:** Since this committee started up, I've been paying more attention travelling around through the riding and am looking at where co-ops actually exist. I asked some business owners why it was that they joined a co-op to set up their business. They said that it has tax advantages.

Mr. Malloy, could you explain what tax advantages there would be for a selection of businesses in an industry, along the same lines, that would benefit from having a co-op model?

**Mr. Jeff Malloy:** To be perfectly honest with you, I don't know. Perhaps Mr. Webb would be a better person to answer.

To my knowledge, there's no real tax advantage to it, in our case.

**Mrs. Cheryl Gallant:** Your having been in business is why I asked.

Dr. Webb, are you aware of it? I was of the understanding that they're taxed the same way, but they said that there's a tax advantage. What would that be?

**Mr. J. Tom Webb:** I have to say that I'm not sure. I'd love to talk to the person you talked to.

First of all, taxes are different across the country. You have federal and provincial taxes. I don't know what the tax advantages for that particular business might have been. There may have been one in that particular area, but generally speaking, there are no huge tax advantages for cooperatives. That's the way it is.

• (1115)

**Mr. Bryan Inglis:** I think if a cooperative has a surplus, and they issue the surplus as member shares, and the member shares stay in the cooperative, then at that particular time, they don't pay tax on their member shares, because they haven't actually taken the cash out. It could be that. But as Tom Webb mentioned, I don't understand who the business people are or how their business works or how they were members of a cooperative or what benefit they got for being members.

**Mrs. Cheryl Gallant:** It's a matter of shares, then.

There is also the 10% rule that was referred to. In an RRSP, investing in an RRSP reduces your income for that year. So if we compound that reduction in the taxes one has to pay with the reduction in the taxes due to the company through the shareholders, as you just explained, it would almost result, or will likely result, in even further tax avoidance. Perhaps that has something to do with that 10% rule.

Mr. Inglis, You gave the example of a smaller start-up or less successful co-ops that would benefit from government funding. I'm just trying to understand how I could explain it to a blueberry farmer in my riding, for example, who is successful and pays taxes into the system and is having his taxes used to subsidize a blueberry organization, a group of businesses, who are, in turn, in competition with him. How would I explain that this is what we're doing?

**The Chair:** The time has expired, but I will allow a brief response.

**Mr. Bryan Inglis:** I guess it's not about explaining it specifically to him. It would be about explaining it to a group of blueberry farmers in northwest Nova Scotia who do not have a way to market their products, because they decided that the big guy didn't want to take their blueberry products that year, because he had too many. What we're talking about is that small group of farmers getting together and forming a cooperative so that they can have enough volume to actually sell their products. So it's not about the big guy. He has his market. It's about establishing a group of farmers who can grow their business in rural Canada.

[Translation]

**The Chair:** Thank you.

Ms. Leblanc, you have five minutes.

**Ms. H  l  ne LeBlanc:** Thank you, Mr. Chair.

Once again, I want to thank each of the witnesses for their very informative answers and comments. You are confirming the fact that the cooperative movement allows the economy to serve members and communities, and you've done a good job of articulating that.

I would like to pick up on a few things: how important the ability to start up new cooperatives is, what role the federal government should play in terms of helping them set up shop and how that could in turn address youth or regional employment problems.

Mr. Inglis, could you comment on the importance of having new cooperatives enter the market and the ways in which that could address certain challenges?

[English]

**Mr. Bryan Inglis:** When we look at our cooperative members— and when I say “members”, I mean we're a second-tier cooperative, a wholesale cooperative, so our members are actually cooperatives as well, farm co-ops, supply co-ops, grain co-ops, grocery co-ops— we're finding we're not getting new members. We've been around for 85 years, and we have 100 members. Some of our co-ops have closed for a number of reasons—for example, there wasn't a need any more. We really are finding that there are no new cooperatives, either producer or consumer cooperatives, being developed or growing. We have opened one or two cooperatives in the last five or

six years, and we've seen a significant number of private businesses open in Atlantic Canada. So I do believe, and I mentioned earlier in my briefing, that now is not the time to take our foot off the gas pedal. We need to find a way to help cooperatives start up and grow so we can continue to fuel the system.

• (1120)

[Translation]

**Ms. H  l  ne LeBlanc:** A few people have mentioned that, I believe.

In my riding, a small service cooperative operates during the summer and introduces young people to the cooperative movement. One of you—Mr. Webb, I believe—said that right now in our teaching institutions, our universities, no one, except maybe Saint Mary's, seemed to be teaching this model as part of any curriculum.

What role do you think the provincial and federal governments should have in bringing about programs that introduce the cooperative model to young people?

Mr. Webb.

[English]

**Mr. J. Tom Webb:** I think this is a very important thing, this whole idea of cooperative development and how you make it happen, especially given the fact that the model is not well understood in business schools and by economists. If we look at Canadian history, we see there are two really good examples. One is the co-op housing model where you had co-op housing resource groups across the country developing very successful housing cooperatives, and that model worked very, very well. And in Quebec you have the regional cooperative development organizations that specialize in developing cooperative businesses. That works very, very well, and that's why the cooperative movement is stronger in Quebec than it is in the rest of the country.

You see that as well when you go to Italy or Spain. Again, you see these cooperative development organizations that are specialized and understand the dynamics of cooperative business, understand how to make them work, and operate with collaboration from agricultural co-ops if the project is an agricultural one, or industrial co-ops if it's an industrial one. I think we need to look at how we create a network like that right across the country, not just in Quebec. I salute Quebec for what it's done. It's an excellent example.

[Translation]

**Ms. H  l  ne LeBlanc:** Mr. Inglis, you touched on the Canada Cooperatives Act. How do you think the act should be amended?

[English]

**The Chair:** Time has expired. I will of course allow a brief response.

**Mr. Bryan Inglis:** I'm not a strong expert on this, and I really can't speak to the specifics of the act, but I do believe there's an opportunity to look at the act to modernize it and to enhance it with the understanding of what needs to be done on the capitalization, understanding that the curriculum is not there, and understanding that the economic development agencies do not understand the roles co-ops play. I believe now is the time to look at the act and modernize it and bring it in to fit our needs of the future.

**The Chair:** Thank you.

Mr. Payne, for five minutes.

**Mr. LaVar Payne:** Thank you, Chair.

I'm actually going to be able to get back and ask that question now. But first of all, I have to say that my wife and I are members of a credit union, and certainly from that standpoint we do participate in the credit unions. My wife is also a member of the Medicine Hat Co-op, which supplies gasoline, medications, and food. I can tell you that with her membership we quite often celebrate when we get our substantial dividend cheque. Of course, part of that is reinvested.

The other thing I wanted to mention is that there are different types of co-ops. For example, in my riding we have an organization called the Red Hat Co-operative Ltd. I don't know if you're aware of it, but there are a number of greenhouses that come together and sell their product to the Red Hat Co-op, which in turn distributes it across western Canada to all the major food stores. That's another great success story from our riding.

However, I just wanted to get back to Mr. Malloy. I know you talked about the high dollar, and my colleague Ms. Gallant talked about some investment in terms of high-technology. I'm just wondering, has your organization invested in new equipment, and has it been able to increase productivity? Has that helped you to compete?

• (1125)

**Mr. Jeff Malloy:** We certainly have. When we did the major project five or six years ago we modernized the plant. It certainly helped streamline things.

Again, we find it difficult, because we're seasonal. A lot of our employees are aging, so we find it very necessary now to try to streamline things as much as possible through modernizing the systems that we have, because we find it very difficult to attract young workers to the industry. It is certainly a seasonal industry, and in our case it is dealing with live products, so it's a lot of hours during the summer months, when a lot of young people would rather be scooping ice cream on the beach in Cavendish.

So these are some of the problems we have. As an industry we've certainly undertaken a number of initiatives with the help of ACOA and the Province of Prince Edward Island—and I know there are other programs through New Brunswick and Quebec as well—especially over the last two years, doing a lot of work on opening up new markets. We've also worked on two major projects with equipment that will not so much cut jobs out, but in our case it will probably establish four new products that we could put out in the marketplace with very good success. This is something that as an industry in general we are sharing and trying to do a lot more of, because I think there's a place for it.

I celebrate when other companies establish a new product or a new process or whatever. If it opens up a new marketplace it takes product away from maybe something I'm doing, or whatever. So I think a lot more investment has to be made in those areas to try to expand the marketplace from the traditional products we currently have.

**Mr. LaVar Payne:** Will the new equipment help in terms of your productivity, to reduce your costs on the products you are developing?

**Mr. Jeff Malloy:** Yes, the two that we have developed have cut back somewhat on our need for workers. It allows us to put more product through. But more important, it's the new markets and the new products that have been established by it that have helped the most.

**Mr. LaVar Payne:** Okay, thank you.

Do I have any time left, Mr. Chair?

**The Chair:** You have about ten seconds.

**Mr. LaVar Payne:** All right, well thank you very much, and I thank all the witnesses for coming today.

**The Chair:** You saved five seconds for us. That gives Mr. Harris two minutes and five seconds remaining to get the final word in.

Mr. Harris.

**Mr. Dan Harris:** Thank you, Mr. Chair.

In the spirit of cooperation—because as things are set up in this third round, Mr. Bélanger does not get another opportunity to speak—I'd like to pass my time along to him so he can continue his questioning.

**The Chair:** I have about one minute and 45 seconds for you there.

**Hon. Mauril Bélanger:** Thank you very much, Mr. Harris.

I find it rather untoward that most people get to speak.... Anyway, we'll deal with that some other way, perhaps in camera today.

We won't have time for an answer, so perhaps in writing, to all the witnesses, if you don't mind, I'd like to know your opinion on what the role of large, long-established business co-ops is in either helping or creating start-ups—in terms of expertise and knowledge, and in terms of capital or financing.

I've been involved in one situation where a caisse populaire would not lend to a co-op. I had to personally guarantee the loan for the co-op to get their money in order to keep growing—and they paid back the loan. So I hope they have a bit of egg on their face. However, I found that it was rather awkward for a co-op not to be willing to finance another co-op.

So I want to know if you believe the large, established co-ops have a role, and what it is. If you could send that in, I would very much appreciate it, as I suspect my colleagues would as well.

If I have a few more seconds, Ms. Gallant, if you could find out from that gentleman what the tax advantage is, I think that would be useful for us as well.

Thanks.

• (1130)

**The Chair:** Thank you.

As it is almost 11:30, and this time we are going to suspend in the appropriate timeframe, the meeting is suspended until one o'clock.

• \_\_\_\_\_ (Pause) \_\_\_\_\_

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• (1305)

**The Chair:** I call the meeting to order.

We have another panel with us this afternoon, and we look forward to hearing from them. From the Prince Edward Island Co-operative Council, we have Mr. Dave Whiting. From the Nova Scotia Co-operative Council, we have Ms. Dianne Kelderman. And from SNB Wood Co-operative Ltd., we have Pamela Folkins, the general manager, and Christina Keating, who is the supervisor of accounting and purchasing.

We'll get right into it. We have two hours. We won't stop at 2:30. We'll stop at 3 o'clock and move to our committee business, of course, at that time.

First, in order, we have Mr. Whiting. I'll allow you up to ten minutes for your opening remarks. The floor is yours.

**Mr. Dave Whiting (Executive Director, Prince Edward Island Co-operative Council):** Thank you, Mr. Chair and committee members.

I appear before you today on behalf of the Prince Edward Island Co-operative Council, representing 108 island cooperatives and their 80,000 members. Fully 60% of the population of Prince Edward Island belongs to a cooperative.

On Prince Edward Island, the beginning of the cooperative movement can be traced to 1864 and the Farmers' Bank in Rustico. The bank was started by the poorest of the poor, the Acadian farmers of South Rustico, people who had too little land, too little money, and very little education, but ended up running what was probably the first people's bank in North America, a precursor to today's credit union.

For the next 150 years, the cooperative movement continued to gain ground on the island, strengthening communities and the people who lived in them.

Over the past few years there has been change taking place in Canada. We have entered a new era, an era characterized by fundamental reassessment of government spending at all levels. People who over many years have learned to look to government for assistance in many areas of their lives must now learn to look to each other.

In his book *Cradled in the Waves*, John Croteau, an American economist who had worked on Prince Edward Island in the 1930s and 1940s, described the community of North Rustico as a hamlet sunken in misery. Families existed on one small meal a day, two if they were very lucky. Tuberculosis was rampant. Buildings consisted of a collection of unpainted homes. There was an ancient cold school and a very small church. When he returned to the island in the early 1950s he found a community transformed. It had a paved road and electric lights; there was an up-to-date school with an auditorium, a library, and a radio in every classroom. There was now a credit union, a cooperative lobster factory, and a co-op store.

The cooperative movement had infused new life and new hope into that community.

In the early 1900s, very few fishermen in the Tignish area of Prince Edward Island owned their own boats or gear. They were forced to rely on boats owned by a private company and to give that company one half of their catch in return for the boat rental. The fishermen rarely saw cash, because the company, which also owned the local store, used currency refundable only at the store. In 1920 the fishermen of Tignish got together to form the very first fishermen's cooperative, which today operates under the Royal Star Foods brand and employs 300 people.

In Tignish today, an Acadian fishing community of 800 with an area market of approximately 4,000 people, there is a co-op store selling groceries, hardware, lumber, and clothing. The only financial institution is a credit union. The health centre is a cooperative. The seniors home is a cooperative, as is the local transportation provider. The Tignish Fisheries Co-op Association sells its Royal Star seafood worldwide.

What is notable about Tignish is that it persists, at this point in time when the global financial crisis has resulted in downsizing by government and private sector, with the resulting financial and emotional pain for so many communities of this great land. Its cooperatives are looking after its people, and its people are looking after their cooperatives.

Ten years ago, a national bank in Mount Stewart, Prince Edward Island, closed its only financial outlet in that tiny hamlet. The branch was not making a profit. It was nothing personal; it was just business.

The credit union moved in, and continues to serve the people of Mount Stewart today. Like the bank, it does not make a profit, has not made a profit, but profit is not the reason cooperatives such as the credit union exist. They are there to help the community. They are there to help the people.

In Tyne Valley, Prince Edward Island, with a population of 226 and an area market of approximately 2,000 people, the very same thing happened 15 years ago. It was a different bank, the same reason, and the same result. The credit union, the people's bank, moved in. Today the Tyne Valley credit union sponsors minor hockey, the school breakfast program, and scholarships for the high school, and most recently contributed \$10,000 for a new rescue truck for the volunteer fire department.

• (1310)

Over the years, Prince Edward Island agriculture and fishing cooperatives have worked with governments to abolish poaching, increase inspections, develop regulations, and provide expertise to produce quality products. The relationship between governments and cooperatives on the island has resulted in tremendous successes in agriculture and fishing and has helped put Prince Edward Island on the global map.

In the modern sense of the word, a cooperative is a business or a service owned and operated by the people who buy its products or use its service. It is truly a democratic organization open to all. Each member has an equal say in how the organization is run. Cooperatives are essential to our country's smaller rural communities, communities like Tignish, Tyne Valley, Mount Stewart, and North Rustico, communities that survive because of the cooperative business model.

The Prince Edward Island Co-operative Council fully supports the Canadian Co-operative Association and the six points for a government and cooperative sector partnership put forward by Denyse Guy in her appearance before this committee. We encourage you to incorporate her presentation into your report, not just for the good of Canadian cooperatives but for the good of the people they serve.

Thank you for your time and attention.

**The Chair:** Thank you, Mr. Whiting. You are well under time. We appreciate that.

Next we'll have Ms. Kelderman, for up to ten minutes. Thank you.

**Ms. Dianne Kelderman (President and Chief Executive Officer, Nova Scotia Co-operative Council):** Thank you, Mr. Chair and committee members.

My name is Dianne Kelderman. I am the president and CEO of the Nova Scotia Co-operative Council.

I thank you for the opportunity to come before this very important committee during this historic year, the International Year of Cooperatives.

I understand that you have already heard from many of our national cooperative and credit union partners, and you have no doubt heard, and they have shared with you, our impressive Canadian story.

I am pleased to share with you today the results of the economic impact of the Nova Scotia cooperative system. I am also pleased to share with you the impact we have had on the lives of ordinary Nova Scotians and on the cultural and social fabric of our communities.

If you extrapolate the Nova Scotia results you're going to hear across every region, every province, and every territory, with some give and take, you will get a national picture of why the cooperative sector is fundamental to the economy of Canada and, equally important, is fundamental to who we are as a nation. I will refer back to this point later in my comments.

The Nova Scotia Co-operative Council is the provincial economic development arm of the cooperative and credit union sector of Nova Scotia. We are owned, governed, and financed by the 431 cooperatives and credit unions that do business in our province. In other words, we are owned by the people of Nova Scotia.

We are a very significant economic player, with 431 businesses and \$5.3 billion in assets. We employ 7,361 Nova Scotians. We provide housing for over 6,000 Nova Scotians. In 34 Nova Scotia communities, a credit union is the only financial institution. In 27 Nova Scotia communities, a cooperative is the main economic driver. Take those two out of those communities and think about the economic impact.

Sixty-five percent of all agriculture done in Atlantic Canada is done through cooperative enterprises.

We are strong and we are stable.

One out of every five cooperative enterprises fails. One out of three private sector businesses fails.

We have a strong, historic, and proud commitment to rural communities.

To be exact, 309,012 individual Nova Scotians are member-owners of our cooperatives and credit unions. That is one out of every three people, or 33% of the population. We are bigger than any political party, any religious denomination, and any special interest group.

We are leaders in innovation, in building communities, in growing the economy, and in supporting people.

Our small-business support and lending programs over the past seven years have financed 1,158 small businesses, with loan losses of less than 3.5%. These are businesses, by the way, for which we have done financing at high-risk levels.

We have created over 7,500 jobs, as a partnership with these businesses, at a cost of \$238 per job to the Province of Nova Scotia. Our motto is "Great Jobs Close to Home".

Connecting People for Health Co-operative is Canada's first and only online health care clinic. It connects patients and doctors via the web. It is an enhanced health care service, but an uninsured health care service, and it is in total compliance with the Canada Health Act. It is a system that can change and have an impact on wait times. It is a patient portal. It is patient-centric, not government- and big-system-centric. It is a Nova Scotia innovation. It has export potential. And it is financed by the cooperative and credit union sector; it is not financed with taxpayer dollars.

Next is youth, our future.

Our partnerships in Nova Scotia are touching approximately 14,000 young people a year with cooperative leadership, business development, training, and leadership opportunities.

Nova Scotia's first social enterprise fund is our innovation and our capital. We are providing financing, term loans, working capital, and lines of credit for not-for-profits, for-profits, and cooperative societies that operate business enterprises that have a common social and economic goal.

We are a growing sector. On average, 18 new cooperative enterprises are incorporated on a yearly basis in Nova Scotia. In 2011, we had a record year, with 29 new incorporations across all industries and across all sectors.

• (1315)

We have a mentoring program, where cooperative leaders continue to give. It is a network of retired business professionals, cooperative credit union professionals, who mentor existing businesses and new start-ups in our province.

Cooperatives introduce corporate social responsibility to Canada, now widely emulated by the private sector. Credit unions were the first to introduce ATMs, automated teller machines. In fact, the first ATM in Canada was in Petit-de-Grat, Nova Scotia. Cooperatives are business enterprises, democratically owned, governed for the people by the people.

Cooperatives grew by 1.8% last year in Nova Scotia, despite the economic crisis. Our membership grew by 2%. Our top ten cooperatives paid a patronage dividend equal to 11% return on investment. I would suggest that's a good place to put your money.

The cooperative sector is often the first to respond to important economic and social challenges: financing for the forestry program; financing for immigrants, including an immigrant welcoming program; business interventions; governance training for boards; worker buyouts and business succession; and health care and education solutions. We are in the forefront.

There are many opportunities ahead. Cooperatives are putting people first. Cooperatives are creating sustainable jobs. Cooperatives are investing in communities. Cooperatives are on the forefront of innovation. I think the results speak for themselves.

Cooperatives, across all party lines, represent and embody so many of the greatest attributes that define Canada: democratic, fiscally responsible, socially responsible and caring, self-help, self-responsibility, equity and equality, global concern, and commitment.

We believe that actions, choices, and decisions matter. We also believe that people must come first. And we believe that we have a responsibility to be part of the solution and not part of the problem.

In that context, the Nova Scotia context, what do we need or hope for from our federal government?

First, we request recognition, understanding, and respect as a key economic player. We ask that this respect, understanding, and recognition be shown by placing the responsibility for cooperatives inside Industry Canada, where we belong. We are much more than agriculture. Ensure cooperative enterprises are eligible for and are included in all government programs. There is currently a big gap

across federal government programs as it applies to cooperative enterprises. Ensure that the public service, the people who work for the federal government, know that cooperatives exist, first of all, and then, secondly, understand that they are unique and important business enterprises. Perhaps this could be achieved through an interdepartmental committee on cooperatives.

Secondly, introduce financial support mechanisms for the cooperative sector that are consistent with those currently available for the private sector—investments, partnerships, and tax credits, as an example.

Thirdly, cease the government practice of using our tax dollars to establish government-funded entities to compete with our businesses. If it can be done and provided by the private sector, then governments should not be competing with us.

Fourthly, consider cooperatives as an exemplary model for Canadian-owned business opportunities. Consumer-owned utilities and public services are just some examples.

The future is ours to invent. Alan Kay, a Nobel Prize winner, really said it well when he said, "The best way to predict the future is to invent it."

That's what we're about. Successful economics, successful results, successful people engagement should be ramped up; it should not be disengaged at a time when the country needs us so much.

Thank you very much.

• (1320)

**The Chair:** Good. Thank you very much.

We'll move now to the SNB Wood Co-operative. I believe, Ms. Folkins, you'll be giving the presentation. You have up to ten minutes, and the floor is now yours.

**Ms. Pamela Folkins (General Manager, SNB Wood Co-operative Ltd):** Mr. Chair, committee members, thank you for the opportunity to appear before you today.

I am Pamela Folkins, general manager of SNB Wood Co-operative Ltd. Attending with me is Christina Keating, supervisor of finance and wood purchase.

SNB is an organization of private woodlot owners that was incorporated in 1974 with 19 charter members. In 2012 we're at approximately 2,000 members. Prior to the cooperative, private woodlot owners were organized and formed an association in 1964. Their objectives were to help wood producers receive a fair price for the forest products, to promote good forest management, and to encourage the production of quality forest products from private woodlots.

SNB's vision statement is as follows: Woodlot owners managing individually and collectively to provide the maximum sustainable ecological, economic, employment, social, and cultural opportunities for the benefit of themselves and future generations.

SNB's mission statement is that we are an organization that strives to provide the best possible services for private woodlot owners in order to help them realize the maximum sustainable value from their woodlot resources.

We also have guiding principles operating under the New Brunswick woodlot owners' code of practice.

In New Brunswick there are over 40,000 private woodlot owners. They own 4.5 million acres of forest land. That represents 30% of the forest land base in New Brunswick. There are seven woodlot owner groups in New Brunswick. At our organization we have approximately 8,000 owners who own approximately one million acres of forest land.

SNB has a sister organization called SNB Forest Products Marketing Board Ltd., which operates under legislation in New Brunswick. The co-op acts as the business arm, and the marketing board provides representation under New Brunswick's Natural Products Act.

At our co-op we employ 12 full-time employees, and depending on activities for the year, we employ 25 to 50 seasonal staff. Our full-time staff are long-time employees and provide 150 years of experience in providing services to private woodlot owners in southern New Brunswick.

Needless to say, SNB is a grassroots organization. The co-op evolved from a few concerned individuals trying to earn a living from their woodlots. They held many kitchen meetings and volunteered many hours working to establish an organization to provide a fair system for woodlot owners to gain a reasonable return for their products.

Most private woodlot owners are also farmers. They are the backbone of the rural economy. The co-op structure provides a very important role. It enhances the opportunity for working together, for lobbying government, marketing our forest products, and sustainably managing our woodlots.

At our first annual general meeting in 1975 we had 500 members, assets of \$7,000, members' equity of \$2,500, and in the first year a loss of \$63. At this past AGM, we're at about 2,000 members, assets of \$1.3 million, members' equity of \$700,000, and we had a bit of a gain of \$65,000 this year. The majority of our years have experienced positive financial bottom lines, and profits were distributed back to the membership based on the business transacted through their organizations.

The mandate of SNB has never been to charge exorbitant service fees, but to provide services to its members at a reasonable level, which of course, in turn, provides a return. The members are very supportive of reinvesting their profits back into their organization, which allows for good cash flow and minimal requirements for borrowing moneys to operate.

SNB members are tremendous supporters of working together and great stewards of their forest land. Wood sales and forest management programs are a very large part of operations at SNB.

● (1325)

Wood sales have contributed as much as \$27 million in a year, directly back to the local and rural economy, not including the additional spinoffs.

Forest management programs are administered by our co-op, employing the 25 to 50 seasonal people per year, just directly within our group. As well, there are contractors employing a number of local people who also carry out work on these private woodlots.

With the downturn in the forest industry over the past five to seven years, SNB members and their staff have had to look outside of the traditional box to ensure the survival of their organization. New services and revenue-generating activities over and above selling wood—thinning and planting trees—have been initiated, and research is ongoing.

In the early 1980s SNB transitioned to a new financial institution, Bayview Credit Union. SNB was instrumental in assisting it to establish a branch office in Sussex, New Brunswick, where we are based. We remain with them to this day, and they with us of course.

Looking back once again to the strength of SNB and how we've evolved over the years, we see it's not unique. Co-ops play an extremely important part toward the success and survival of rural communities and their people. Our co-op did not evolve from a large, corporate community. It evolved from the commitment of rural people to improve conditions for each other.

As shared earlier, SNB started out from discussions around people's kitchen tables over many cups of tea. It was incorporated in 1974, because woodlot owners had a vision and a common goal. The co-op started operations in a feed warehouse with a part-time employee, moved a couple of times, hired a full-time manager, obtained contracts with industry as a group to sell its products, established crews to work on people's woodlots, and moved to a new office, working with Bayview Credit Union. Eventually we purchased a demonstration woodlot, developed a Christmas tree operation, purchased another woodlot, and then built our very own office facilities.

The commitment and support of our members was even more evident in obtaining our new office. We could have borrowed the money for the construction, but to continue on the principle of working together, in 1986 members personally invested \$88,000 for a five-year period and covered off the cost of building their own facility. We continued to grow, and in 1999 we expanded our office, with members again investing \$101,000 in their own co-op.

Over the years we have experienced our share of successes, but not without our share of hurdles. The co-op is not unlike any business. There are ups and downs that require a true commitment, and it will only be sustainable with our members' support.

Co-ops must be respected by our governments and recognized for their contribution to the economy as well as, in our case with a private woodlot forestry, the contribution to the sustainability of our environment—air quality, water quality, etc.—and of course jobs.

We truly believe there is strength in numbers. Working together for the betterment of all is not a new concept. We as a whole must strive to not lose sight of what works well and continuously improve upon it. We are concerned with the state of our industry, the aging workforce, the lack of training, and the sustainability of our economy.

In closing, we wish to stress the importance of maintaining initiatives and strategies for the co-op movement. We strongly urge you at the federal level to provide the framework—work with us—and support for the cooperatives, which are an integral part of the Canadian economy within rural communities as well as the urban centres. Cooperatives deserve to be recognized for their contributions to Canada—no different from big business—and have the same opportunities and avenues.

Thank you again for the opportunity to share with you how we have evolved as a co-op. We wish to continue to sustain and improve conditions for the betterment of all Canadians.

Thank you.

• (1330)

**The Chair:** You must have practised that a few times for length, because you were bang on ten minutes. So good job on that.

I thank all of you very much for your presentations—excellent, and very helpful for the committee.

We'll move now to our first round of questioning. First up is Madame LeBlanc, for five minutes.

[*Translation*]

**Ms. Hélène LeBlanc:** Thank you, Mr. Chair.

I want to thank all of you for showing us that the cooperative system is thriving in your respective regions and that its economic contribution is tremendous.

Mr. Whiting, I quite enjoyed your presentation and the history you gave us.

Would you say there are enough programs to help cooperative start-ups? Why are new cooperatives so important to the movement going forward?

[*English*]

**Mr. Dave Whiting:** Thank you.

I can speak only of the island right now, but I can tell you from the experience of our most recent start-up, which is a farmers' market—which are becoming popular today because of the local produce and the healthier eating—it was a little difficult getting it going, because the forms for registration are not online, and the department looking after the registration is basically one person, and when she took holidays for three weeks she was not available to assist us or for us to ask questions of her. We've moved that now into our office so that we now have the forms and we have the regulations they would need

so they can move ahead and get started up a lot faster. That's just one instance.

The smaller cooperatives don't have the resources of credit unions or co-op stores, yet they perform a very valid function. I'm talking about the seniors cooperatives that have maybe 15 to 20 residents. I'm talking about cooperative funeral homes that provide an essential service to people who don't have that high an income, and these funerals are generally 30% to 40% less expensive than in a privately owned funeral home. Cooperatives like that do not have the resources to manage themselves. They do not have an understanding of governance, of board duties, or of what due diligence they have to perform. They don't have an understanding that they should have directors' and officers' liability insurance.

What we're trying to do through the council now is provide that to them, to go out and instruct them in their responsibility as directors, to give them guidance in how to set up a board and do governance, and to show them how to do their filing so that from one year to the next the resolutions they pass are there for them, because we had an incident recently where they couldn't find some of the older resolutions.

I've only been in this position since February, but what I've understood very quickly is that there is a dividing line. There are the large successful cooperatives that are doing very well, but there are so many other small ones, every bit as essential, especially in a rural community. But the smaller ones don't have the resources, so they need something like our council to provide that to them, yet we don't have the resources.

It was the cooperative development initiative funding that allowed us to proceed with this. With it being discontinued, it's going to put us in a very difficult position, and we're scrambling to try to come to terms with that.

• (1335)

[*Translation*]

**Ms. Hélène LeBlanc:** Basically, you see the federal government as a partner that should support small cooperative start-ups. The government already does that for small and medium-size businesses in the private sector. There are indeed start-up programs, investments and tax credits. Do any federal programs offer new cooperatives anything along those lines?

I would like to hear your opinion on that, Mr. Whiting, and then Ms. Kelderman's.

[*English*]

**Mr. Dave Whiting:** There aren't the same programs there, and Dianne will have a better understanding and can explain that better. But for us on the island, you have to appreciate that in the smaller communities it's not young people who are living there. Young people are no longer living in the small rural communities. It's people who were perhaps born there or want to retire there. So you have an older population. When you're talking about funeral homes and seniors homes, this is what will allow those people to live in these smaller rural communities to keep them going and yet continue the quality of life they're used to. Those operate well under a cooperative, but they need the assistance.



Dianne, I'll let you address the—

**The Chair:** Time has expired. I will allow a very brief response, because I know the question was asked of both. Just be very brief, please.

**Ms. Dianne Kelderman:** Thank you.

Yes, I agree that support for new start-ups, for growing cooperatives, is important. We're asking for the same kind of support and treatment, respect, and understanding as the other economic players in the country. That's simply what we're asking for.

**The Chair:** Okay, thank you very much.

We'll move now to the government side.

We have Mr. Butt, for five minutes.

**Mr. Brad Butt:** Thank you very much, Mr. Chair.

Thanks to all three of you for excellent presentations. It's actually good to hear that cooperatives in all parts of the country, in many respects, are doing extremely well. Not being as familiar with the maritime provinces as I obviously am with my riding just outside of Toronto, it's good to hear about the great things that you're doing.

I wonder, Ms. Kelderman, if you could expand a little bit. Of course health care is a huge concern to Canadians. The federal government doesn't have a lot of direct role in what provinces do or how things operate, but I was quite interested in your HealthConnex program. I just wondered if you wanted to spend a little bit more time and tell us about how that program is exactly running, how it's different from traditional health care delivery, from a provincial delivery system, and why, through the co-op system, you're of the view that this is working well and perhaps is providing even superior service to the people of Nova Scotia. So maybe take a bit of time and expand on the HealthConnex program for me.

**Ms. Dianne Kelderman:** Terrific. Thank you. I'm very happy to do that.

HealthConnex—Connecting People for Health Cooperative is our business name—is a cooperative owned by cooperatives and credit unions in Nova Scotia. We're owned by the people of Nova Scotia, and we are, as I indicated in my presentation, Canada's first and only online health care clinic. We have created the technology, the functionality, the capacity, the ability for doctors and their patients to connect via the web—so our consumers, our subscribers, our patients in Nova Scotia, who are members of our clinic.

Now, you have to understand this is not a Nova Scotia-wide innovation; this is within our sector. So for doctors and patients who are in our clinic, patients can connect with their doctor, they can ask a question, they can get information, they can get an answer, they can get an online prescription renewal, they can go into their doctor's appointment book and book their own appointment, rather than calling six times to make an appointment and then cancel an appointment. It's a frequently asked question and answer site. There is a pre-approved Canadian medical library. So it's a way for physicians to communicate and to provide enhanced health care services to their patients.

We consulted quite heavily with the medical community in Nova Scotia, obviously, before we launched this venture three years ago,

and we were told by the medical community that 70% of patients sitting in their waiting room are well patients. They're people who don't need to be in the waiting room. They need a prescription renewal, they need to have their blood pressure checked, things that a physician could do in a different kind of way.

So our technology, the service we're providing, is an enhanced health care service. It's an uninsured health care service; it doesn't compete or contravene the Canada Health Act in any way. We believe that it's a way for patients to be a part of the solution for health care, for doctors to be a part of the solution for health care. We believe that over time, as we start to track the trends of what we're doing, it's going to impact waiting times, which I know is a really important federal government issue. We believe it's going to impact the number of patients who are using emergency rooms for non-acute issues.

So it's an enhanced health care service that puts the responsibility or some ownership for health care back into the hands of the patients. It lets them be a part of their own health care, their own solutions, and connect with their doctor in a different kind of way. The beauty of this is it can happen in your own office, in your own living room, in your basement on the weekend. It's not draining on public resources. In fact, we don't have government money; it's cooperative and credit union funded. And we have every intention to replicate this across Atlantic Canada, and hopefully Canada-wide with our partners like The Co-operators, and then potentially internationally.

● (1340)

**Mr. Brad Butt:** That's great.

I just had one quick question for Ms. Folkins. I'm certainly no expert in the forest industry either, but I was fascinated with what you were talking about, and the growth that you've had and the number of cooperative members you have now in the organization.

Can you give me a more specific example of the benefit to someone who owns a woodlot, maybe it's a small forester in New Brunswick, and what the main benefit to them is of being a member of a co-op versus doing their own thing? And could you respond fairly quickly, if the chair doesn't cut me off.

He's a kind chair, so he'll be okay.

**The Chair:** I'm pretty generous, but there are only a few seconds.

I'll allow you to respond. Try to do it as briefly as you can.

**Ms. Pamela Folkins:** Through SNB Wood Co-op, you have the opportunity to access experienced staff to help you to manage your property. We provide services based on your needs. If your woodlot needs to be analyzed as to the value, what treatment should take place on it for the sustainability of it and the best return financially to you, we will prepare management plans and financial operating plans.

**The Chair:** Thank you.

Next we go to Monsieur Bélanger for five minutes.

**Hon. Mauril Bélanger:** Thank you, Mr. Chairman.

I want to start by dealing with some of the matters coming up later that the committee will have to deal with. I put forward a motion that I hoped would be debated in public, but if it's not, I want the people to make sure of what that is.

That is, subsequent to what we've heard and the letters we've received, I'm hoping the report this committee will prepare at the end of August, to be tabled in early September, would be an interim report. That would leave the door open to perhaps adjust it, if indeed the Quebec summit and the information that will be made available to us then is of significance and perhaps should be reflected in our report.

If we do go in camera, then of course we can't talk about it unless it gets approved, but I want people to know that as the mover I certainly will be supporting that motion, if we end up debating it in camera. Others might want to do the same.

Anyhow, with regard to annual reports, are they available online for each of your organizations?

**Voices:** Yes.

**Hon. Mauril Bélanger:** Thank you.

• (1345)

**Ms. Pamela Folkins:** Ours are available for our members.

**Hon. Mauril Bélanger:** Only for membership?

**Ms. Pamela Folkins:** And our provincial agency we have to register with.

**Hon. Mauril Bélanger:** So I couldn't access your annual report?

**Ms. Pamela Folkins:** Not online.

**Hon. Mauril Bélanger:** But I could get a copy of it?

**Ms. Pamela Folkins:** I'm sure you could.

**Hon. Mauril Bélanger:** If we can't get it online, would you mind sending us a copy so we can take a look at it?

**Ms. Pamela Folkins:** Certainly.

**Hon. Mauril Bélanger:** And the other reports we can access.

**A voice:** Absolutely.

**Hon. Mauril Bélanger:** Thanks.

Can you tell me if you've had difficulties dealing with ACOA?

**Mr. Dave Whiting:** I can tell you that I've had some conversations with them that have not led to anything substantial. I think they're going through some changes right now that have created some internal problems for them.

We wanted to get a project going with our Chinese immigrant community, a newspaper that started up in Charlottetown that's distributed to them and to China. There's quite a significant community of immigrants from China.

There's growing agricultural nutritional product types of stuff we've been working on. UPEI has developed an extraction process and we're moving ahead like that.

We run the community economic initiative funds and we wanted to promote that through the Chinese community. We didn't get a response back from ACOA on that.

The other one is that we've started up a cooperative movement in the high school, much like Junior Achievement, only it's on a co-op basis. We've had one successful pilot program and we're going to be approaching ACOA on that.

**Hon. Mauril Bélanger:** I'm sorry to cut you off. I want to give some time to the others.

**Ms. Dianne Kelderman:** ACOA is no different from many of the other federal programs. If you look at the definitions, the components, the boxes of the programs—which we have—you will very rarely, if ever, see a reference to a cooperative. When a cooperative walks into an ACOA office or another federal program office, generally the first response is, “You don't quite fit the box.” We have to go back to demonstrate why we fit the box.

It's not very often that you see “cooperative” language, “cooperative” understanding, in government programs, including ACOA.

**Ms. Pamela Folkins:** We've had limited experience with ACOA. We like to be fairly self-sufficient.

However, our co-op has been able to obtain moneys over the years. Most recently, a couple of years ago, it was for forest management program assistance. In the last year it was turned down. With the downturn in the forest industry and it being a rural economic impact, we were quite disappointed. There was really no reason given, other than “got no money”.

**Hon. Mauril Bélanger:** The federal government runs an executive exchange or interchange program where people from the private sector come to work in the federal government, and vice versa. Would you know if anybody has ever come from the co-op milieu to participate in this executive interchange program?

**Mr. Dave Whiting:** I have no knowledge.

**Ms. Dianne Kelderman:** Do you mean staff exchange?

**Mr. Mauril Bélanger:** Yes.

**Ms. Dianne Kelderman:** Staff exchange, no, but we a few years ago actually very deliberately took a couple of ACOA executives to Quebec with us to look at the Quebec model and meet with the Quebec government and other successful cooperatives in Quebec.

That was our initiative to get them to understand that we actually exist and we're a part of the economic environment. It was not from an executive internship perspective.

**The Chair:** Thank you.

Time has expired on that round. We'll move to the second round of questioning now—

**Hon. Mauril Bélanger:** Can I get a response from New Brunswick?

**The Chair:** Okay, I'll allow it, but very, very briefly—

**Hon. Mauril Bélanger:** You've done it for everyone else.

**The Chair:** —if the witness has a response to that question.

**Ms. Pamela Folkins:** We did not have any participation in that, and I'm not aware of it, so....

**Hon. Mauril Bélanger:** Thanks.

**The Chair:** Thank you.

We'll move to the second round of questioning now.

First, Mr. Preston, you have five minutes.

**Mr. Joe Preston (Elgin—Middlesex—London, CPC):** Thank you very much.

Thank you all for being here, and thank you for sharing some of the great stories.

Mr. Whiting, I think you had a great way of putting it about how things were, and then co-ops developed, and how things have worked out or have gotten better because of it.

You each shared little bits of how successful people working together with each other, and with each other's success in mind, perhaps, other than their own, have made co-ops and credit unions and mutual insurance companies and the like all more successful from a statistical point of view in that they're more likely to succeed over a period of time when private business may have failed. Co-ops tend to succeed at a rate of almost two to one. Certainly we're seeing now, across Canada, 100-year anniversaries on many things, such as mutual insurances and credit unions and stuff that has been around.

Can you tell me what you think the answer is for that? Why are co-ops more successful? Give me a very short answer, if you could, because I'd like to get a couple more questions in. As well, what causes a cooperative enterprise to be more successful on that scale than a private enterprise?

Go ahead, Ms. Kelderman.

• (1350)

**Ms. Dianne Kelderman:** I'm happy to answer that.

There are a couple of reasons. I think they're rooted in reality. I think they're rooted in communities. And I think the people who are member-owners of cooperatives are passionate about the business, passionate about the cause of the business, and they are not willing to let it fail no matter what.

**Mr. Joe Preston:** I think that's exactly the answer I had hoped I'd hear. It's what I hear when I go out and talk to people in credit unions and cooperatives about why they are members and why they think the success is there. In some cases they probably, if they were private enterprise, should have failed at some point along the way, and just chose not to.

**Ms. Dianne Kelderman:** They gave up. We don't give up.

**Mr. Joe Preston:** Right. Agreed. Some of your stories really touched exactly that. You want to be part of the solution, not part of the problem, as someone said.

Mr. Whiting, you just talked about a high school program like junior achievement for cooperatives. What a great way to teach that piece there. That's really getting the message out about how strong a cooperative can be through the hard times.

Let's assume that in great times businesses succeed. I'd like to think that they are always great times. My businesses have been through some hard times and some good times, but because we won't let them fail sometimes that's exactly what happens.

You want to improve the conditions for each other, and you know, that's not something you would hear in a private business. I think it was Ms. Folkins who said the members want to improve conditions not just for themselves but for a group of people. That's what a cooperative does.

Monsieur Bélanger asked some questions about ACOA and your dealings with it. Each of you had maybe a little bit of...kind of negative to say about your dealings with the governments, even in your day-to-day, and how maybe they don't understand cooperatives.

As cooperative organizations, as organizations that represent numbers of cooperatives, what role are you playing in that education? What role are you playing in making, in this case ACOA, or in...? Across the country I'll keep asking other people from other federal development agencies: what role are you playing?

What role do you play on the provincial level, too, to teach the provincial economic development agencies, and what role do you play to teach just plain banks? We recognize now how superior credit unions are, but what do you do to teach them about the lending practices, the debt-to-equity ratios of cooperatives and those types of things? Can you tell me what role your umbrella organizations play in that?

That's to Ms. Kelderman, and then each of you, if I could, before the chair cuts me off.

**Ms. Dianne Kelderman:** Thank you. That's a terrific question, and I'm very happy to answer it.

We are on the doorsteps, literally, of ACOA and other federal agencies all the time, raising the flag for cooperatives—not in a confrontational way, but simply asking why we are not included and why this program is prohibiting access by this particular sector in our province.

I should tell you that the relationship with the cooperative credit union sector in Nova Scotia, and the Nova Scotia government—and not only this particular government, but also governments in the past—has been unparalleled across the country—very positive, very productive, and very progressive, if I can use that word, in terms of the kinds of results we've been able to achieve collectively for the economy of Nova Scotia.

So a very important role that we play is to be an advocate. To be an advocate you have to be in partnership, you have to be talking, you have to be educating, you have to be informing, and you have to be bringing both the government side and the sector side together to talk, to collaborate, to explore opportunities. We're doing that on a daily basis, and I think the results, as I said, speak for themselves. It's been a very productive relationship in Nova Scotia.

**Mr. Joe Preston:** Mr. Whiting, very quickly, before the chair cuts you off.

**The Chair:** I'll allow a brief response.

•(1355)

**Mr. Dave Whiting:** What we've found is that it's not just government. When we were doing the community economic initiative funding, we had to go out and basically teach the program or explain it all to the accountants, who were advising the businesses, which were a little skeptical about it. So it's not just governments, there are other sectors as well. Any time it's new information, it's hard to get it through. So we've found we had to be aggressive and actually go out on their doorstep to get the point across.

**The Chair:** Thank you very much.

Mr. Harris, the floor is yours for the next five minutes.

**Mr. Dan Harris:** Thank you, Chair, and thank you to the witnesses.

Before I continue, I'm going to speak on Mr. Bélanger's point to say that we are also very supportive of having that interim report so that we can then go to visit the international summit and learn what there is to be learned there and include that in the future report that will be tabled to Parliament. We think it would be a valuable addition and that we'd be missing an opportunity by not doing that.

There were some excellent statements made. I'm going to start with Ms. Kelderman. You were speaking about...and I love the motto, "great jobs close to home", because of the community aspect that's fostered. In P.E.I., the example is that it has really kept close-knit communities together by having so many sectors of their local economies be part of co-ops.

You mentioned that there were 29 new incorporations. I'm sorry, was that 2009 or 2011?

**Ms. Dianne Kelderman:** 2011.

**Mr. Dan Harris:** Why do you think it was such a bumper year for new incorporations?

**Ms. Dianne Kelderman:** I suspect it had something to do with the economy and the crisis we were in, because cooperative businesses tend to do really well during times that are tough, for the reasons I gave when I responded to Mr. Preston. We tend to be rooted, we tend to look for solutions, we tend to get together and come up with solutions. So I expect it was that kind of reaction to what was going on in the economy. And cooperatives tend to grow during those periods. I would expect it had something to do with that, as well as something to do with the innovation that we've been nurturing in the province. We saw a record number. I expect 2012 will be equally good.

**Mr. Dan Harris:** Do you think the CDI had any impact on why there might have been more growth, whether it be mentorship or assistance in starting up? Do you know how many groups participated in that program?

**Ms. Dianne Kelderman:** There were certainly a lot of groups in Nova Scotia that were contemplating cooperative business enterprises, solutions to community challenges or community opportunities, and did choose the co-op route and were able to move that forward based on the CDI. So absolutely, I think that would have had some impact as well.

**Mr. Dan Harris:** Do you think the CDI program, rather than having been just taken away, should have been extended, reviewed,

changed, or modified to include beyond start-up, that it should have continued in some form?

**Ms. Dianne Kelderman:** The decision around the CDI was a very interesting one. As we understand it, the reason for the CDI's being cancelled was because it was successful, because it was doing well. That's contrary to what normally happens inside of government, and inside of the private sector, really. When things are doing well, you ramp it up, particularly during an economic crisis. To cancel it because it was doing well doesn't make a lot of sense. We would have hoped that we would tweak it, enhance it, that it would be a collaboration, a partnership, and taken to the next level, which I think would have had some really important benefits for the country.

**Mr. Dan Harris:** Thank you.

One of our witnesses this morning said that we have to keep our foot on the gas. And we think that this has been slamming on the brakes.

You mentioned that there are many housing cooperatives involved. I'm in an urban riding myself, with many local cooperatives, and they're all in housing. They're facing some particular issues with respect to funding and lending and extending their mortgages. As well, of course, bridge funding that's existed will be expiring in the next few years.

What kinds of challenges are your housing co-ops facing? And have they experienced this when trying to get financing to repair roofs, say, or make infrastructure improvements in the buildings?

•(1400)

**Ms. Dianne Kelderman:** I'm not here, obviously, to speak on behalf of the housing sector, because the Co-operative Housing Federation of Canada has made a presentation and is well equipped to do that and to answer those questions.

I can tell you that the housing cooperatives are members of our organizations as well. Their issues in Nova Scotia are no different from what they are across the country.

But I can tell you what is unique, I think, in Nova Scotia, and that is that we're looking at the future. We're looking at where the opportunity is in the future. We're interested in equity-based housing. We're interested in home ownership. We're interested in working with the co-op housing sector to not only meet the needs they have and to mitigate the risk they have but to look at what the next version of community housing ownership is. That's where we are.

**Mr. Dan Harris:** Thank you.

**The Chair:** Thank you.

Next we have Mr. Payne, for five minutes.

**Mr. LaVar Payne:** Thank you, Chair.

I thank all the witnesses for coming.

I believe, Ms. Kelderman, that you talked about an 11% dividend returned to your co-op members, which is a pretty nice dividend, I would suggest. I wouldn't mind having some of that myself.

This question is basically for all three groups here.

What about re-investment within the co-op itself? Is there a model you're using? Is there so much in terms of funding percentages? Maybe you could just sort of tell us what has been re-invested over the last couple of years.

**Ms. Dianne Kelderman:** I'm happy to respond to that, as well.

Our members, the co-ops and credit unions, generally have three pieces they look at. When we're fortunate to have a surplus or profit in our business entities, we look at three things. First, and most important, we look at re-investment. How do we grow and expand our business enterprises? We're only able to meet the needs of our community or the needs of our members if we're growing and expanding. So investment is critically important.

Second is the return on investment to our members, who are the people who are putting in the money and are willing to risk their investment in our enterprises. Patronage dividends and returns are important.

Third is investment in community in the other kinds of things we support, whether it's a housing initiative or a health care initiative, such as Connecting People for Health, which is wholly financed by the cooperative and credit union sector. What kinds of things do we want to support and advance that meet our principles and values?

Re-investment, return on investment, and commitment to community are three things all of our boards look at when making decisions about surpluses and profit.

**Mr. LaVar Payne:** Do you have a number?

**Ms. Dianne Kelderman:** I'm not sure. It's different in every co-op or credit union. The board sets the parameters. In some co-ops, it's set in the by-laws in their constitution that 20% must go for re-investment or those kinds of things. It's different, based on by-laws and constitutions, but it's consistent as a priority in every one.

**Mr. LaVar Payne:** Mr. Whiting.

**Mr. Dave Whiting:** I can tell you, because I just met with them yesterday, that one funeral co-op is not giving a dividend. It's going back into the business, because they've just invested in a \$300,000 addition. If you've been involved with a funeral, as I have, in the last couple of years, you would know that they've done just a tremendous job in looking after the families and in setting it up for the families. Now they're looking at putting in a crematorium, because there's only one provincial crematorium on Prince Edward Island and one private one. There isn't one in Summerside, for instance, so they're looking at doing that. So there won't be a return there.

A housing co-op, a small one, in Summerside again, needs new windows. The roofs need repairing now. Again, it depends on the individual co-op's circumstances. These houses are getting to be 25 to 30 years old, and I think we all know where you're at with a house that old. You need to replace things.

**Mr. LaVar Payne:** Yes.

Ms. Folkins.

**Ms. Pamela Folkins:** Under our organization, we operate within the bylaws where you have opportunity for share capital and loan capital. We've grown from \$2,500 in 1975 up to \$700,000, and I mean, that's members' equity. That's from profits made from doing business through their organization. They make a decision every

year as to whether they wish to reinvest it or leave it with the organization and receive a small interest rate to reduce operating costs.

So it's the membership-based concept and working together to maintain their organization.

• (1405)

**Mr. LaVar Payne:** Just to follow up on the logging piece there, was any of that reinvested in new machinery and equipment to make things more—

**Ms. Pamela Folkins:** Those moneys are members' equity. That does not include the general reserves or anything like that. For any outside-the-box activity, you can access the general reserve moneys but it must be approved by the membership at their AGM.

**Mr. LaVar Payne:** What other kinds of things does the logging organization do to help their members besides marketing their goods?

**Ms. Pamela Folkins:** The majority is marketing, and secondly it's the management of their properties. That's the main focus.

So it's looking outside the box. It's marketing outside of the local area to survive. I mean, marketing is the main factor.

**Mr. LaVar Payne:** Okay.

Thank you.

**The Chair:** Thank you. Time has expired.

Mr. Allen, you have the floor for the next five minutes.

**Mr. Malcolm Allen:** I thank you very much for including me, Mr. Chair, but actually we should go to Madame Brosseau. We haven't actually gotten to Madame Brosseau yet; we seem to have jumped by her.

**The Chair:** Okay. I had you next on our list, but if you'd like to share with...

**Mr. Malcolm Allen:** It's been switched around?

**Ms. Hélène LeBlanc:** Yes. Sorry, Mr. Allen.

**Mr. Malcolm Allen:** It's okay. I'm used to one, two, three, four.

That's fine. We'll go this way.

**The Chair:** Are you going to take this, then?

**Mr. Malcolm Allen:** Sure. I'd be happy to.

We're very cooperative on this side. We like to share.

Ms. Kelderman, earlier on you were talking about your ATM that was down there. The credit union that I've belonged to since I was about 12 actually came up with the first debit card. You could use it in ten different locations in the city of St. Catharines, primarily around the GM plant, because they were auto workers' credit unions at the time. You could actually go and use what eventually became the debit card. They actually had one of those going back some 28 years ago, or almost 30 now, I think.

When we look at cooperatives, it seems that across the country credit unions are successful, and they are fairly plentiful across the country. But if we look at Ontario, especially when we start to look at large urban areas, we see fewer co-ops beyond the financial pieces. We see it in the insurance business. We certainly see it in the credit union business. We don't necessarily see it in other businesses.

We certainly won't find any trees in Mr. Butt's Mississauga area for forestry, and you won't find them in my end, Ms. Folkins; certainly I have a woodlot, but we don't have someone like you in terms in being able to have a cooperative. I live in the Niagara Peninsula, and we don't actually have any of those.

If you take an area like the Hamilton-Niagara area, which used to be a heavy manufacturing area, do you see opportunities for co-ops? We talked this morning about industrial co-ops in other places across the world, in the Basque region in northern Italy, for instance, where there might be opportunities for cooperatives to actually do things in very urban settings, where we see private enterprise as the primary player versus co-ops, which tend to be, in certain parts of this country, more rural players. Do you see any opportunities to come into places like Niagara, where jobs have been lost in the tens of thousands, and for co-ops to play a major role beyond the credit union, mutual fund, mutual insurance piece?

**Ms. Dianne Kelderman:** The co-op model is not something that's "up here", beyond the residents of the community. If the residents of the community want to come together to respond to an economic challenge, to deal with an economic opportunity or a social challenge or opportunity, then the co-op model can be a perfect fit for that.

So I would say yes, the opportunities exist in every region, in every community across the country. For example, we're working heavily right now in the forestry sectors of Nova Scotia with Bowater and NewPage, two very significant issues for us right now. We are working with the communities to see if there is a community response.

Really, the co-op response is simply another name for a community response. If the residents, the constituents of a community, want to come together and be a part of the solution, are willing to invest in that, are willing to give their time, their energy, their treasure to be a part of it, then I think it can fit any and all opportunities in any region.

• (1410)

**Mr. Malcolm Allen:** You're right. I agree, in the sense that we certainly have cooperative housing. We have the basic sorts of pieces that we see, but we don't have a history of cooperative enterprises, in the sense of actual industry jobs, etc., beyond the finance.

How will we inculcate that? How will we help communities understand that there are opportunities? All of you are here telling us about the disconnect between the government and you as enterprises, but how do citizens who have lived in a certain area, who are disconnected from co-ops, in a very...? They don't learn it in school, although Mr. Whiting was talking about a kind of JA program for co-ops, which I think is an absolutely marvellous thing.

Young folks going through school today, whether they are going to college or university or coming out of high school, don't know anything about a co-op. They don't even understand that the credit

union is a co-op in a lot of ways. They don't quite connect that it's a credit union. They can get a better chequing deal than in the bank. It's not a co-op to them. It's much later in life that they maybe understand that.

How do we find a way to make the connection for communities?

**Mr. Dave Whiting:** When co-ops first got going, people didn't know anything about them. When the movement started in Antigonish with Moses Coady, people didn't know anything about it. He went out and taught them. He brought it over to the island even.

You've just got to know your history. If you want to know where you're going, look at where you've been. It can be done. It's been done. Co-ops didn't appear out of the air. People created them. Once you learn about them, then you can create them, and they can cover anything.

**The Chair:** Okay. Thank you very much. Time has expired.

We will now move to Mr. Lemieux, for five minutes.

**Mr. Pierre Lemieux:** Thank you very much, Chair.

Thank you very much for your testimony today. I think it's been excellent.

There are a couple of points I want to touch on.

Pamela and Dianne, you both did a really good job of highlighting the success of cooperatives in your respective domains.

Dan, I think you made the comment, "That's why the government should keep funding them." But we're in difficult economic times. The government is operating in a deficit.

I was thinking about cooperatives, and you mentioned about the decision-making, the good, strong decision-making processes they have, the good decisions they make. I'm almost convinced that if you had a strong and healthy cooperative that was operating in a deficit, they too would have to make very difficult decisions on getting themselves out of deficit. I think that's really all we're seeing here. I just wanted to make that comment.

I think what's more important than the CDI program is the fact that cooperatives communicate to Canadians the successes you were talking about, Pamela and Dave were talking about, and other witnesses have been talking about. Even though Canadians may be members of cooperatives, they don't necessarily know about the strength, the resilience, the growth of cooperatives throughout Canada, and the important role they play.

I also wanted to address one other point, and that is about government programming. I think you were talking about wanting to be treated fairly with businesses and to have that kind of respect shown to you. I want to ask a few questions about some other government benefits, to see if you benefit from them.

Pamela, you were talking about, for example, the wood industry. When we, as the government, lowered the corporate tax rate to where it is now, did co-ops benefit from that? Do your co-ops benefit from a lower corporate tax rate?

**Ms. Pamela Folkins:** In an ideal world, that should have happened. In New Brunswick, dealing with large pulp and paper companies and sawmills, I think that a lot of support for the corporates has helped them to survive. A lot have not.

The unfortunate thing is that it didn't filter down through, so—

**Mr. Pierre Lemieux:** It would have. If the province raised taxes or—

**Ms. Pamela Folkins:** No, no. Big business ends up being helped. For the small guy—and I'm saying we're the small guy—it didn't filter down through. So the corporates get richer—

**Mr. Pierre Lemieux:** It's for anyone who's not a small business. Anyone who's not a small business would pay the corporate tax rate. Anyone that's below—is it the \$500,000 threshold now?—would pay the corporate tax rate. It would have to have filtered through.

The province is responsible for its own rate, but the federal corporate tax rate.... It's not just big banks; it's any business, cooperatives included. If they're above the \$500,000 threshold, they're paying corporate taxes.

• (1415)

**Ms. Pamela Folkins:** I'm sorry. I misunderstood.

**Mr. Pierre Lemieux:** That's okay.

I was going to ask the same question to Dianne.

In your experience with your members, would they benefit from that?

**Ms. Dianne Kelderman:** Certainly our larger cooperatives would benefit and would be in the loop of what the programs and the changes are.

There are, however—not this particular example—some programs that exist for which, when cooperatives actually apply, it comes as a surprise to the federal public service. I'll give you one example. We recently, in our health care venture, made an application under the SR&ED, the scientific research and experimental development tax incentive program. It's still in the system because it was the first time they actually ever had such an application because it was a foreign concept. We hadn't had a cooperative like this apply before because the program wasn't particularly designed for this. So yes, our larger cooperatives would be able to—

**Mr. Pierre Lemieux:** It would be the same, for example, as when one makes large capital acquisitions in the manufacturing sector and the accelerated depreciation of equipment applies to businesses. I'm certain it applies to co-ops, too, that make.... It's the same as when paying dividends. When you pay dividends to your members they probably benefit from the preferential dividend tax rate, just as other Canadians would if they weren't members of cooperatives.

**Ms. Dianne Kelderman:** We don't have special rules that we follow because we're cooperatives.

**Mr. Pierre Lemieux:** No, and that's my point. I do understand the point you're making that when you go to apply for programming the people who are receiving your application may not be knowledgeable about co-ops or on how they might fit the model, and there is a learning process there, and I get that.

**Ms. Dianne Kelderman:** That is the message.

**Mr. Pierre Lemieux:** But I'm just trying to highlight that there are other programs too. I just don't want people who might be watching this—because this is televised—to think that wow, there is a real disconnect here and that all government programs don't apply to co-ops. I think it's probably a mix of the two. There are probably a good number that do apply, and there are some that don't, and obviously that's where we have to focus effort and focus work.

**The Chair:** Thank you.

**Mr. Pierre Lemieux:** Thank you, Chair.

**The Chair:** Thank you very much.

We'll move next to Madame Brosseau, for five minutes.

**Ms. Ruth Ellen Brosseau:** Thank you.

I really appreciate the time you are spending with us this afternoon. I find that I'm learning so much every day, and it's just amazing. This is very valuable information.

I just want to say that we can all agree that co-ops are successful, but when it is said that co-ops are successful and do not need any more government support, I think that's wrong. The cuts to the CDI will really hurt the start-up of new co-ops and the potential future success of them, especially with these difficult economic times we're in.

It makes me really think about the future and the relationship the federal government has with the provinces. Do you think it's adequate? What do you see as the future relationship between the federal government and the provinces? Are we doing enough?

Dianne, could you comment on that?

**Ms. Dianne Kelderman:** Sure. I'm not sure I can comment on whether the federal government and the provinces should have a different kind of relationship, but they certainly should be connected and supporting what's going on from an economic and social perspective in the provinces. If I use our health care venture as an example, then health care is a provincial jurisdiction but there is a lot of federal impact and involvement in health care. There has to be commonality and understanding and support around that.

I think the more we can combine and understand what's going on at both levels, the better. If we have federal programs that are being implemented provincially, and if we use ACOA as just one example—not to pick on ACOA, because they've been a terrific resource for the Atlantic region—if the federal government is implementing those kinds of things in the provinces, then there has to be a lot of collaboration, and a lot of understanding.

It can't be—which I think it has been far too often—a “them” and an “us”. It has to be, to use the word, a collaborative, cooperative kind of venture. So it has to be the feds, the province, and the players, the stakeholders, whether it's cooperatives or private industry or social enterprise industry. It has to be a collaboration of all three, because otherwise we're not going to maximize the opportunity and we're going to be butting heads.

● (1420)

**Ms. Ruth Ellen Brosseau:** Exactly.

I was really interested by the HealthConnex. I really think it could have great benefits. There are great benefits already, but I think it's something that could maybe be emulated and used in other provinces. I wonder, do you think this model could be repeated, and should this model be repeated in other—

**Ms. Dianne Kelderman:** Absolutely. That's our goal; that's our intent. That's our business plan. It's to replicate first across Atlantic Canada with our cooperative and credit union partners, then to replicate nationally. We're already working with The Co-operators, as a matter of fact, on a pilot initiative. So it can be replicated. I think one of the beauties of our sector is that we're all about sharing best practice, sharing what works in one region and hoping it will take root and work in other regions.

This particular health care venture I think is a really unique opportunity for our sector, for communities, and for the country as a whole. Everybody is talking about health care, everybody's talking about the cost of health care, everybody's talking about the amount of the budget that goes to health care, but nobody's interested really in coming up with new out-of-the-box, community-owned solutions. We are. It's not going to be the panacea. It's not going to answer all the issues. But I think it should be supported and embraced as community and Canadians saying we want to be a part of the solution and here's an opportunity for us to do so.

Currently, the system, the thinking, and the policies are very much against that and don't engage or support that kind of thinking. If we want to make changes in health care or education and the other kinds of things, then this is absolutely where we need to go.

**Ms. Ruth Ellen Brosseau:** Pamela, could you elaborate maybe on some challenges you have in the forestry industry and what sets you apart or what helps, being a cooperative? Can you just explain some of the challenges you've had in being a cooperative and what sets you apart from a private company?

**Ms. Pamela Folkins:** Setting us apart, I think we draw on a larger pool of expertise. We're not scared to say we don't know. We're willing to work together towards improving things for each other; therefore, we're learning together. We truly believe we shouldn't reinvent the wheel if things are working. Continuous review and improvement are so, so important. Education and continuity have got to happen, or this country is going to suffer more.

[Translation]

**The Chair:** Thank you.

Mr. Gourde, you have five minutes.

**Mr. Jacques Gourde:** Thank you, Mr. Chair.

I want to thank the witnesses for being with us this afternoon. Their input is quite enlightening.

I am very familiar with the cooperative world in Quebec. I was glad to hear you talk about the history of cooperatives in the Atlantic provinces.

Over the past 25 years, Quebec has seen many cooperative mergers, whether it be savings and credit unions or farming cooperatives in the regions. Small cooperatives would join forces with two others, then four.

Have you seen a similar trend in the Atlantic provinces in recent years?

[English]

**Ms. Dianne Kelderman:** It's a trend more on the credit union side, where financial institutions are coming together for economies of scale. We see it more on that side than on other sides, whether it's agriculture or manufacturing or tourism or transportation, those kinds of things. Those are still fairly independent, locally owned industries. We probably haven't seen it to quite the extent that you have in Quebec.

Mergers in the co-op world are a little different, in that entities come together and merge for economies of scale, for the provision of better business services, for more cost efficiency, those kinds of things. But the enterprises are still owned by the individuals involved, by the local community members, by the constituents in the communities, so they're not big conglomerates, so to speak.

**Mr. Dave Whiting:** If I might add, there comes a time in some industries when you have to get bigger or you're going to be run out of the business. The dairy industry on the island was a prime example. ADL is a combination of co-ops that merged, if you will. It's a little bit of a modified co-op, in that you have to be an operating dairy farmer to belong, which only makes sense. But that's an example of what you're talking about. It became a necessity because of all the.... There was Neilson up in Ontario and its big new plant in Georgetown, and the American dairies. It becomes necessary to join something together just for the benefits of the operation.

● (1425)

[Translation]

**Mr. Jacques Gourde:** Ms. Folkins.

[English]

**Ms. Pamela Folkins:** I guess Dianne and her colleague have really expressed it. I can only concur with them.

As far as merging goes, everyone needs to maintain their own identity in their own organizations. In New Brunswick we have seven woodlot owner groups. We work in conjunction under one umbrella through our provincial organization. We all have our own boards of directors. We have regional differences, as much as anyone who is working in a sector.



So yes, we probably would not merge. It could be supported by government to do so on some occasions, but we maintain very strongly the importance of our own identity and continuing to work together for the same goal and objective.

**The Chair:** You have about a minute and 20 seconds.

[*Translation*]

**Mr. Jacques Gourde:** Do your respective provinces offer any specific programs, in terms of financing and other assistance, to support cooperatives?

[*English*]

**Ms. Dianne Kelderman:** Yes, we do, but regrettably not nearly as good as those of Quebec.

We have, as I indicated earlier, a very strong, positive, productive relationship with the Province of Nova Scotia. The loan programs I referred to—small-business high-risk financing programs, the social enterprise fund I referred to earlier—are all in partnership with the province. We use our capital from our sector to do the lending, but we have a loan guarantee from the province, and I indicated 3.5% loan losses, which are banking rates, so to speak. So we have that.

We have a community investment tax credit where we can invest in community projects, cooperatives, and private business projects and get tax credits, a 35% provincial tax credit. It's RRSP-eligible. So yes, we have support mechanisms in place with the province.

Our view, and I think part of the reason we've been particularly successful, is we don't go to the provincial government—or frankly, from Nova Scotia's perspective, to the federal government either—with our cap in hand and say “give us money”. We first come to the table with money and ask you to partner with us, to match us, to be fair and reasonable in terms of investments and tax credits and partnerships that you afford other industries across the country.

**The Chair:** Thank you very much.

Time has expired on the second round of questioning. We'll move into our third.... No, pardon me. Sorry. We have one remaining member in our second round of questioning, and that is Mr. Boughen.

You have the floor for the next five minutes.

**Mr. Ray Boughen:** Thank you, Mr. Chair.

Let me add my voice of welcome to my colleagues' in suggesting it was very good of you folks to come and share your thoughts with us on this very important topic.

I have a couple of questions for clarification. We've heard a lot of people say it's not the time to leave the program, so put the pedal to the metal and stay going flat out. When is it time to leave programs?

If we think of government in different philosophical phases, it's a reconstruction kind of operation where you say there's something happening here and we're going to help it. That happened with government and co-ops in the early going. Are co-ops now able to stand on their own and they don't need government help? This would complete the cycle of the reconstruction theory where business then is able to operate with its own resources, and government moves on to other issues—for example, health care, which is still a burning issue.

There are so many dollars to spend from the government side of the coin. The question is, as always, when is it time to not spend dollars for this, that, or the other thing? What are your thoughts on that?

• (1430)

**Mr. Dave Whiting:** If I might say, cooperative development is more than just starting up a new cooperative. There are some existing cooperatives, and as we get into the community economic initiatives, you have to form boards for them.

Today, ordinary people are reluctant to sit on a board of directors because of all the legal implications. There's a role out there for somebody to educate these people, to tell them what they should be doing. It's not rocket science.

**Mr. Ray Boughen:** Dave, pardon my interruption, but does it fall on government to follow on that mandate?

**Mr. Dave Whiting:** No, it doesn't fall on government, but government could help out. That's all I'm saying. We can deliver it.

Back in the early 1900s, you couldn't give away P.E.I. eggs. It was the government that came in and helped out with regulations and inspections, which turned that product around. It was the same with seed potatoes and lobster. There is a role for government.

**Mr. Ray Boughen:** Is the government still involved in it?

**Mr. Dave Whiting:** Yes, but it's not to the same extent.

**Mr. Ray Boughen:** Okay.

**Mr. Dave Whiting:** There is a role for government, but it doesn't necessarily mean that you just shovel in a bunch of cash. There are groups there that can do it very economically. They just need a little bit of assistance to impart this knowledge to these people.

I'll tell you quite frankly, because I heard it when I was in Nova Scotia, the problem with some boards saying that you shouldn't sit on a board unless you can understand a financial statement or can understand the legalities. Well, that's not the role of a board. A board of directors should have on it a wide variety of interests. Just because you can't read a financial statement, you shouldn't be prohibited from sitting on a board. Half our municipal councils wouldn't be able to sit.

It's not hard if somebody just lets them know what they should be doing and how to be careful about it. That's all it takes.

**Mr. Ray Boughen:** Are there any other comments from the other panel members?

**Ms. Dianne Kelderman:** Sure. I'm very happy to respond to that.

When is a good time for government to end programs? I'll tell you when is not a good time for government to end programs, and that is during an economically challenging time. I wouldn't say it's an economic crisis. But an economically challenging time is not a good time for the government to entrench, and it's particularly not a good time to disengage a sector that is really responding, is making moves, and is trying to be productive and be part of the solution.

I would also suggest that it's not a good time to do it when you do it without consultation and you just cut it: it was here yesterday, and it's going to be cut off tomorrow, and that kind of thing.

**Mr. Ray Boughen:** Were you consulted when the program started?

**Ms. Dianne Kelderman:** Absolutely.

**Mr. Ray Boughen:** People say that they stopped the program without consultation. I guess my first question is whether you were there when the program started. Was there some consultation when it started? Or did it just start, and then everyone thought it was pretty good, because the corporation or the company received resources?

**Ms. Dianne Kelderman:** As in all government programs, programs start, and they start for particular reasons. Whether they're economic reasons or social reasons or political reasons, they start, and then they end. But in this particular case, what I think would have been helpful and appropriate would have been to sit down with a sector and say that we're in a time of austerity, a time of financially challenging times. We can all understand and buy that. Asking how we are going to manage this, what you are giving, what we are giving, and what the end date of this is going to be I think would be appropriate.

**Mr. Ray Boughen:** My next question is how we get to a framework—

**The Chair:** I'm sorry, Mr. Boughen. Your next question will have to wait until you have the floor, because your time has expired.

**Mr. Ray Boughen:** Chair, you're keeping me down here.

Thanks, panel.

**The Chair:** That concludes our second round of questioning. We'll move to the third round.

Mr. Preston, the floor is yours, for five minutes.

**Mr. Joe Preston:** Thank you very much.

I think we should start timing the chair. I think he's cutting us all off.

I'll go a little further from where Mr. Boughen was going.

The real thought here, and we continue to hear it, is that there needs to be some sort of scope of awareness and education. That seems to be part of it, whether it's between any one of your project businesses or cooperative businesses and ACOA or another government department, or whether it is being recognized as a co-op and how lending or business incentives may work. We've discussed that with more than you, and we've heard that our federal development agencies need to know the differences between a stand-alone not-for-profit, a stand-alone for-profit, and a cooperative, which never stands alone; it's always with more than one person. That education needs to happen.

Dianne, I'm looking at you, because you've said some great things today. But this is for all of you, obviously.

You said that you have a great working relationship with your province on some of the economic development things they're doing. You don't go cap in hand. You say let's work together. It sounds like a cooperative to me.

How do we get the same level of education and awareness? What needs to happen for that to be the same at the federal level? I guess in our case it would be ACOA, but there certainly are other government ministries involved, in the Atlantic provinces, in Nova Scotia, P.E.I., and New Brunswick. How do we ramp up that education?

Dianne, you go first, and then I'll take it from anyone.

• (1435)

**Ms. Dianne Kelderman:** Sure.

Again, it's a good question. Just to make it clear, again, we're not talking exclusively about ACOA, because there are many other federal programs and federal agencies. Farm Credit Canada is another good example in Atlantic Canada.

We do need to ramp up the awareness and the education, and I think these kinds of meetings are really important. I'm willing to guess that if we were to do a survey of the elected officials in government and then of the top senior civil service in government, their understanding of the cooperative sector as an economic player would be minimal, at best.

It's education, awareness, getting in your door, and having some sort of willingness by the federal government to ensure that this kind of information, this kind of awareness and knowledge, is actually part of what you do. You're representing this country. You're representing every region, every industry, and every sector, so be informed. Be willing to be informed. Invite us in. Have the door open when we do come. All of those things I think will help move it forward.

**Mr. Joe Preston:** I'll accept that, and I'll accept that there's lots of homework we could all do. But you are asking us to be absolutely aware of everything that happens in the country, and sometimes we do have to get research from other places.

On that same thing, David, could you answer?

**Mr. Dave Whiting:** I think, on Dianne's point, the government agencies have to have the door open if we go to them. It's not just on this. When the security regulations came in in 2004, there was a complete disconnect between Transport Canada and the border service agencies. I know that there was a committee of all those agencies at the federal level in Ottawa, but it didn't get down to the ground troops.

That's what's happening here too. I noticed, coming from Nova Scotia over to P.E.I., a complete difference in the on-the-ground-knowledge and the willingness to work between the ACOA people in one part and.... That shouldn't be.

**Mr. Joe Preston:** I asked for your help. You are the experts. You have to help us teach ourselves, and them too. I certainly have been welcoming in speaking to all the different co-op groups we can. But we're learning something here pretty much every day, too.

Thank you for that piece.

Dianne, if you don't mind, I want to touch a bit on your health co-op piece, because it's really interesting. It's maybe a bit off, but I want to ask you a question. How does a provider get paid in this situation? Is it a health card situation? How does the doctor get...?

**Ms. Dianne Kelderman:** Unfortunately, it's not a health card provider situation, because in Nova Scotia, MSI is the billable engine. By the way, we provide billing services for MSI for 1,600 doctors in Nova Scotia. They are inside of our clinic also, on the billing side of things.

These are uninsured services, so our patients in our clinic either pay a subscription to be part of our clinic, or our members, the cooperatives and credit unions—

**Mr. Joe Preston:** It's a cooperative entity, but they are paying something above and beyond what their health—

**Ms. Dianne Kelderman:** The patient either pays.... It's kind of like—

**The Chair:** Okay, time has expired. I'll just let you slip that one in there.

**Mr. Joe Preston:** If you don't make eye contact with him, you get to finish.

**Ms. Dianne Kelderman:** It's kind of like having a membership at Costco. You can have a subscription in our clinic and have this menu of services, including an e-consult connection to your doctor. You can pay a nominal monthly fee to do that, or cooperatives and credit unions bulk purchase those services for their members, of whom there are 309,000 in Nova Scotia. That's sort of how it's working at the moment.

We hope the province will see the light and will see this as a way of reducing wait times and of reducing the use of emergency rooms and will make it billable time. What's interesting is that in Nova Scotia you can call a 1-811 number and talk to a foreign person—a foreign person being somebody you don't know—and the province will pay \$60 for that call, but they won't pay for you to talk to your own doctor in our clinic, somebody who knows you, has your file, and has your information. There is something fundamentally wrong with the system.

• (1440)

**The Chair:** Thank you. We'll definitely cut it off there.

That was pretty slick manoeuvring there, so I'll give you credit for that.

We'll move now to Mr. Harris, for five minutes.

**Mr. Dan Harris:** Thank you.

Again, there is some excellent information. And if anyone is feeling ignored, please don't, because there is just too much to cover all at once.

I'm going to follow up on something Monsieur Bélanger did this morning, which was to assign homework to some of the witnesses. In terms of what Mr. Boughen was talking about, what framework do you see and what are some of the solutions you might envision? Any time between now and August 7, you could include for the committee something you think would be of value in terms of the solutions of where we move forward. Please do so, and encourage your members to do so as well. That will give us more information in order to make better recommendations for cooperatives down the road.

One of your comments, Dianne, right from the very beginning was about understanding and respecting cooperatives. You mentioned a desire to have cooperatives move from the agriculture committee and from Agriculture Canada to Industry Canada. I want to ask why you think that change should be made and to elaborate on that a little bit.

Of course, here on this side of the committee you have our two agriculture critics and our two industry critics, ironically enough, so from our perspective they are the perfect folks to hear what you have to say on that.

**Ms. Dianne Kelderman:** The answer is really very simple. If you look at the cooperative sector across the country, and again even if you look at it on a provincial and territorial basis, we are first and foremost a business economic sector. That's our focus. And it's the business economic part of who we are that enables us to do all the rest: the social, the cultural, the environmental. All the other things we do are enabled by the fact that we are a business and an economic sector. So we belong in Industry Canada, and we belong there with the hope that we would have the same treatment, the same opportunities, the same programs, and the same supports that would be available for the traditional private sector economy outside of our industry.

**Mr. Dan Harris:** Thank you very much.

I have to deal with a little bit of committee housekeeping, because after you're all done at three o'clock we're supposed to be heading in camera for the business portion of the meeting. I think there is some disagreement on whether that should take place in public or in private.

On that note, Mr. Chair, I would like to move a motion to have the committee business take place in public, and for that vote to be recorded, please.

**The Chair:** I'm going to be ruling that motion out of order. It is a topic that fits in committee business. We can certainly have that motion entertained at that point in time. I'll ask that you hold the motion until that point in time, so I'll rule it out of order.

You do have two minutes remaining on your time for questioning.

**Mr. Malcolm Allen:** Point of order, Mr. Chair.

**The Chair:** Point of order, Mr. Allen.

**Mr. Malcolm Allen:** You're telling me that no committee member can move a motion during their time. Is that what you're suggesting to me?

• (1445)

**The Chair:** I'm suggesting it's a matter that should be intended for committee business, and I'm suggesting that would be the appropriate place for the motion to be entertained, so I'm ruling it out of order.

**Mr. Malcolm Allen:** You believe that a motion to stay out of in camera is only committee business. You actually want to get in camera so that you can't come out and that can only be done inside. Is that what you're saying?

**The Chair:** I am ruling that committee business items would be held during the committee business portion of the meeting, which is clearly on the agenda, and this is a motion that's appropriate for that point in time.

**Mr. Malcolm Allen:** Chair, you stretch credulity to the extreme here. Seriously, I haven't been around here since Noah, but I've been around for the last little while, and I've seen this done over and over, including by the other side when they were in government in a minority situation, where they would simply do that. So I think you're wrong, Chair.

**The Chair:** I appreciate that you disagree, but it's the ruling I've made.

We'll now move on. You have two minutes remaining on your time, Mr. Harris.

Are you on a point of order, Mr. Bélanger? Mr. Bélanger, on a point of order.

**Hon. Mauril Bélanger:** Mr. Chairman, I've been around here since Noah, so....

Who determines, as we've seen on the orders of the day sent to us, that the committee business must be dealt with in camera? Is that you, or is that the committee's decision?

**The Chair:** The committee has.... It has been the standard practice of the committee to do so.

Is there a point of order here?

**Hon. Mauril Bélanger:** The point of order, sir, is that I believe the decision to go in camera does not belong to the chair but to the committee. That's the point of order, and I'd like the clerk to give me a ruling on that.

**The Chair:** The committee obviously has that power to make the decision, and I have suggested that motion is appropriate at that point in time. Under the committee business, if the motion is made, at that point in time, of course, I'll entertain it. The motion will be entertained at committee business.

**Hon. Mauril Bélanger:** Not in camera.

**The Chair:** The motion will be entertained during committee business—

**Hon. Mauril Bélanger:** In camera or in public?

**The Chair:** —and the committee will make that decision during committee business.

You have two minutes remaining on your time.

**Mr. Malcolm Allen:** A point of order, Chair.

**The Chair:** A point of order, Mr. Allen.

**Mr. Malcolm Allen:** What you're telling us, Chair—and I'm sorry we're going to get into these conversations at the end, but this happens every now and again—is that you've decided the agenda. I know of no meeting between the parties that said how we would construct an agenda. We don't actually have a subcommittee to set the agenda up.

I've received now that all the way until Thursday, all committee business is in camera. I have no memory of consultations that said we've agreed to that.

Quite frankly, Chair, in reading the minutes of the last meeting, you simply gavelled the other meeting closed and went straight to in camera.

**Mr. Pierre Lemieux:** You weren't even here.

**Mr. Malcolm Allen:** No, but I read the minutes. It was pretty easy. I read the minutes—

**Mr. Pierre Lemieux:** You read that he gavelled it closed.

**Mr. Malcolm Allen:** —and he closed the meeting. It was simple. That's why we get printed minutes. It said "In camera", and it's actually got the time on it.

You should read it, Pierre.

**Mr. Pierre Lemieux:** I was there.

**Mr. Malcolm Allen:** It actually had the timeline. He gavelled it closed, and then said, "The in camera session now has started." That's what the last minutes say.

How did we get an agenda that says we must go in camera when we don't have an agreement that we were going to do that? If we don't have an agreement, Chair, I would suggest that the motion is absolutely in order, since the committee decides how it wants to conduct its business, not the chair of the committee unilaterally deciding how the committee conducts its business.

The committee decided on the question rotation, the amount of time. We did that by a vote. That's how we decided upon that.

We decided upon the witness list by the committee saying "Put your witness list in." We then saw selections, by the chair and the clerk helping put things together, which is normal practice.

What I'm saying to you now, Chair, is that we don't have agreement on an in camera session for committee business. We need to have that agreement or not. Since we have now asked for it not to be in camera, I think you're compelled, quite frankly, to have a vote.

Now, whichever way the vote goes will make that determination, because you don't have agreement for an in camera session.

**The Chair:** I'll allow Mr. Lemieux on the same point of order.

**Mr. Pierre Lemieux:** Sure, Chair.

It has been the precedent of this committee to do committee business in camera. Once you're in camera, you can raise that kind of motion to move us out of camera. That's the way it would normally be done. In a sense, whether or not a motion is allowed is actually the chair's jurisdiction. A motion was deposited. The chair decides whether it's allowable or not allowable. If you don't like it, you can challenge the chair. But it's not the committee that decides whether or not a motion is allowable or not allowable; it's the chair who decides that.

We have committee business at the end. Our method of operation has been to have committee business in camera. Oftentimes we're talking about all sorts of different things. We normally do that in camera, so there it is at the end of the meeting.

•(1450)

**The Chair:** Okay.

Mr. Harris, on that point as well?

**Mr. Dan Harris:** On that point of order, I'd like to challenge that assertion from Mr. Lemieux.

To go back to the minutes of our very first meeting, we started with committee business in public. It was started in public—

**Mr. Pierre Lemieux:** It moved in camera within ten seconds.

**Mr. Dan Harris:**—and then was moved in camera because that was the decision of the committee. That's how it's supposed to work. It not a decision of the chair. The committee decides whether to go in camera or not. Otherwise, by default, we're supposed to be in public.

Since I'm not going to get the vote on this, I'm going to have to challenge the chair on this issue and have a recorded vote on whether we should have a vote now about going in camera or not.

I apologize to the witnesses.

**The Chair:** Okay.

The chair has been challenged, so I will now turn it over to the clerk to conduct a vote on that.

**The Clerk of the Committee (Mr. Paul Cardegna):** The questions is, shall the ruling of the chair be sustained?

**Mr. Dan Harris:** Can you repeat the ruling of the chair before we vote on it, please?

**The Clerk:** My understanding is the ruling of the chair was that the motion of Mr. Harris be ruled out of order because the motion pertains to committee business and not to the subject at hand.

The question now is shall the ruling of the chair be sustained?

(Ruling of the chair sustained: yeas 6; nays 5)

**The Chair:** The ruling has been sustained. We'll move back to the questioning.

I believe, Mr. Harris, you still had one minute and 56 seconds remaining in your time.

**Mr. Dan Harris:** Thank you very much.

I think we see some foreshadowing of perhaps how a future vote in camera might go, as to whether this meeting will go back in public or not. We feel that in a democracy you want to shed light as much as

possible. It's incredibly important with many of the decisions committees make—particularly pertaining to motions like Monsieur Bélanger's, about when this committee is going to report back to Parliament—that those debates should take place in public, and that members of the committee and of all sides of the House should then be accountable for the actions they take.

We've seen a disturbing trend and pattern with this government, where time and time again members seek to throw a cloak over top of committee business. That's what we are doing here, frankly, to ensure that they save themselves some embarrassment for taking decisions that would be unpopular and that Canadians would view in a negative light. I mean things like ramming through a special committee on cooperatives that doesn't have to report back to Parliament until the end of November and that would have the opportunity to go to the international summit in Quebec City in October and to participate in that and to gain all manner of best practices, as has been mentioned.

Cooperatives are about sharing those best practices, about mentoring new cooperatives, and we should be looking across the world to get better co-ops and understandings so we can foster the cooperative industries and agriculture co-ops and all sectors of co-ops in Canada. I think it's absolutely disgraceful that we're not going to be in Quebec City as a committee. Certainly on this side of the House we'll be attending as MPs and as stakeholders and interested parties.

I'll have to leave it at that.

•(1455)

**The Chair:** Your time—

**Mr. Dan Harris:** Thank you so much for your time and for your patience this afternoon.

**The Chair:** I will give my thanks as well to the witnesses for your patience. Unfortunately, we did use up some of the time we could have been using for questioning you, but we'll use the time we do have remaining.

I will turn the floor now to Mr. Lemieux for five minutes.

**Mr. Pierre Lemieux:** Thank you very much, Chair.

I don't know if anyone has seen *The Incredibles*, but I think Mr. Harris was monologuing. I didn't hear a question in all of that.

I'll go back to the cooperatives, because I think that's why we're all here. It's for the cooperatives, for you to talk to the committee, and I think for Canadians to listen in, particularly because this meeting is televised.

I wanted to follow up on a question regarding the role of provinces, because I think provinces have an important role to play in terms of being able to add what I would call regional flexibility. I often look at it on the agricultural side, and the federal government is there to provide what I would call a level playing field. We shouldn't be favouring, for example, on the agricultural side, a farmer in Saskatchewan to the disadvantage of a farmer in Nova Scotia. We should be levelling the playing field.

But I know that farmers also seek what they call flexibility in programming, because programming doesn't fit well for everybody under every circumstance. I often say that's where the province comes in, because the Province of Nova Scotia or the Province of Prince Edward Island understands P.E.I. or Nova Scotia. They know how best to configure their programs to provide that flexibility for what's actually happening within their province.

So I'd just like to pursue that a little bit in terms of what you see as the role of your respective provinces in supporting co-ops that are actually imbedded within their provincial economy and that are playing an active role, as you mentioned, sort of in jobs, the provision of services, and the provision of financial strength, financial services. We've heard some comments that Quebec is very involved in that regard and other provinces less so. So I'm wondering if you could fill in the committee a bit more on how you would see provincial responsibility lending a hand to cooperatives within their jurisdiction.

I'll start with you, Mr. Whiting.

**Mr. Dave Whiting:** You're asking us to comment on an issue that's been around since Confederation started.

There is no equality between the provinces, and it's not for us to tell this committee or the federal government where you should be separating the two, or what one government should do more than the other. That's not for us. We work with both governments as best we can. It's been very successful in some areas over the years, less in others, but it's certainly not our place to comment on that.

**Mr. Pierre Lemieux:** So you don't want to comment on how you would see the provincial government perhaps talking to co-ops within the province?

**Mr. Dave Whiting:** There are definite divisions between the responsibilities of the provincial and federal governments. We address the provincial ones with our provincial government as best we can.

**Mr. Pierre Lemieux:** Canadians are watching, and they don't necessarily understand the difference between federal, provincial, and municipal responsibilities when it comes to co-ops.

**Mr. Dave Whiting:** You have to also understand the differences in the provinces. To try to compare Prince Edward Island and the resources the government of the day has to work with there with the province of Ontario, say, or British Columbia—

**Mr. Pierre Lemieux:** No, I'm not asking you to comment on Ontario. I was asking only in your area of competence—

**Mr. Dave Whiting:** It's more difficult for a rural economy, which Prince Edward Island has, to address some of the financial issues than it might be in other jurisdictions in the country. There are only 140,000 people on the island. There are more than that in some of the smaller cities in Ontario. So you have to appreciate they have less to work with.

**Mr. Pierre Lemieux:** In the few moments I have left, I'll go to Dianne.

**Ms. Dianne Kelderman:** I think if you are really interested in the role the provinces could be playing to support the cooperative sector, you should look at Nova Scotia as a model. I think we have a really interesting relationship with the province. We don't have any particular special programs or special incentives, but it is a relationship that is fair, inclusive, equal. It's a relationship that's based on delivering outcomes and results, and I think we've done that. So I think it is a model worth looking at and worth emulating. I think if you talk to our provincial associations across the country, they would say they're quite envious of the relationship the cooperative sector has in Nova Scotia with the provincial government.

If I may make what may sound like a political statement, it would seem to me that when the federal government implements programs and agencies and incentives in the provinces, it should be in partnership and consultation with the province, and not as stand-alone kinds of competitive programs and entities, because that makes it very difficult to do business, and we're interested in doing business and delivering results.

• (1500)

**Mr. Pierre Lemieux:** In my work certainly within agriculture, there is a tremendous amount of consultation that does go on through the regional offices, through MPs, of course, in particular ridings—

**The Chair:** Time has expired, but if you have a question I'll let you pose it quickly.

**Mr. Pierre Lemieux:** No, it was really just a comment. I'm not saying that there is consultation in all matters at all times, but I'm just saying I think there is a good flow of information back and forth.

I'll end it on that. Thank you, Chair.

**The Chair:** Thank you very much.

Point of order?

**Mr. Malcolm Allen:** Yes, thank you.

I just want to commend the clerk. I notice that he's now sent out day four, and I believe day five, when it comes to the next pieces of committee business and who the witnesses are. But I noticed there's not the last day, so I was wondering if the chair could confirm for us whether Minister Ritz will indeed be coming before the committee before the week is out. I don't see him tomorrow, and I don't see him on Thursday. Do you know if the minister will be coming on Friday?

**The Chair:** We had the officials here on the first day, and if you'd like to put in suggestions in terms of future witnesses, that would certainly be appropriate for committee business.

I note that it is three o'clock, so now the meeting is suspended.

**Mr. Malcolm Allen:** Is that a no? That was actually a question. Was that a no?

*[Proceedings continue in camera]*









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