

## PRE-BUDGET CONSULTATIONS IN ADVANCE OF THE 2018 FEDERAL BUDGET SUBMISSION PRESENTED TO THE HOUSE OF COMMONS STANDING COMMITTEE ON FINANCE

**Co-operatives and Mutuels Canada (CMC) formally requests that the Committee consider:**

1. Investing in the *Canadian Co-operative Investment Fund (CCIF)*
2. Allocating appropriate resources to Innovation, Science and Economic Development (ISED)'s *Framework on Canadian Co-operatives* and a *Canadian Co-operative Development Strategy*

### **Detailed Analysis of these Opportunities**

The 2018 Federal Budget seeks to improve the lives of Canadians by creating an economic environment that leverages Canada's strengths and generates more opportunity for economic growth and job creation. The Committee has rightly chosen to focus on individual productivity and the competitiveness of the businesses that serve people and their communities.

Co-operatives and Mutuels Canada (CMC) understands that competitiveness and productivity depend on people coming together to create innovative solutions which address needs that are well understood. This approach lies at the heart of our collective successes and is central to our members' mission in service to their millions of members. It should come as no surprise that 18 million Canadians are member owners of co-operative and mutual enterprises.

More than 270,000 Canadians are employed by co-operatives in every sector of the economy. Evidence compiled from the annual reports of Canada's non-financial co-ops indicate that over the last 5 years, co-operative businesses have grown on average five times the rate of the Canadian economy and have created jobs at three times the rate of other business types. With more than twice the survival rate of other business models, we also know that jobs in co-operative businesses are generally more stable and last longer than other types of enterprises. They also typically offer more formalized employment than contract work. Building an environment in which co-operatives and mutuels can continue to thrive will ensure Canada's increased competitiveness.

The 2018 Federal Budget is a timely opportunity to invest in initiatives that give Canadians—in thousands of communities and from all backgrounds—more chances to succeed. By implementing a *Canadian Co-operative Development Strategy*, as called for in the unanimously supported Motion M-100, the government will directly increase prosperity from coast-to-coast-to-coast. In support of a federal strategy, co-operatives have invested in a fund that is specifically designed to assure successful development outcomes – the *CCIF*. It is an integral support that can strategically improve productivity and growth of proven co-operative models that are outpacing the broader economy.

### **About the *Canadian Co-operative Investment Fund (CCIF)***

Co-operatives require capital to innovate, scale up and fill new gaps. Co-operatives across Canada are committing **\$25M** in investment to launch the *Canadian Co-operative Investment Fund* to assist

co-operative enterprises. The pipeline of investment for the fund includes co-operatives in a range of emerging sectors including:

- ✓ Renewable energy co-operatives that accelerate the adoption of green energy and energy retrofits while creating local jobs;
- ✓ Telecommunication co-operatives to provide broadband services to rural communities; in keeping with the government's *Connect to Innovate* program;
- ✓ Car sharing co-operatives to expand and transition to self-driving vehicles;
- ✓ Construction of affordable net-zero housing co-operatives;
- ✓ Social and health care co-operatives which take a fulsome approach to wellness;
- ✓ Expansion of First Nations co-operatives into new economic sectors.

A strategic co-investment in this fund will leverage sector investments and ensure greater economic and community impacts at the crucial startup and scale-up phases of business development.

The co-operative model is not an experiment in Canada—it offers a proven way for the federal government to achieve some of its most important goals, and achieve solutions together with economic partners who are anchored in their communities. Providing financial support to the *Canadian Co-operative Investment Fund* will allow those individuals closest to the problems facing their communities to have adequate support to solve those issues through entrepreneurial means. Co-operatives operate with a focus on a triple-bottom-line and work simultaneously to solve social challenges, act as caretakers for the environment, and create economic opportunities. The *CCIF* will significantly reduce barriers to startup and growth by providing accessible financing not presently available to many co-operatives. This will better position co-operatives in Canada to compete at home and abroad.

**CMC RESPECTFULLY REQUESTS AN INVESTMENT THAT MATCHES OUR COLLECTIVE COMMITMENT OF \$25M AND FOR THE GOVERNMENT TO EXAMINE CLOSELY THE IMPACT OF A LARGER CONTRIBUTION THAT WOULD HAVE A PROPORTIONAL AND POSITIVE IMPACT ON THE GOVERNMENT'S GOALS.**

### **What Resources are Needed for a Canadian Co-operative Development Strategy?**

Our organization and our members strongly support the purpose of Motion M-100. We know that Canadians in communities across the country will benefit from a thoughtful national *Co-operative Development Strategy*. To successfully add to the economic impacts of the 9,000 co-operative enterprises in Canada, we hope that the government will recognize our provincial/regional associations and sector federations as an expert resource and development ecosystem worth leveraging to achieve your stated goals. We recommend that the Government of Canada build capacity in the co-op sector to promote co-operatives as a sustainable and well understood business model that can have a significant impact on the following policy objectives:

#### **1) Provide stable entrepreneurial platforms for youth**

Canadian youth must adapt to the gig economy offering fewer long term job prospects in favour of precarious short-term contracts and a demand for a more entrepreneurial approach to work. This paradigm shift is driving the creation of innovative, new forms of co-operatives because freelance workers and small enterprises are collectivizing to create supportive work environments and networks which offer decent work. Our networks can provide youth co-operative training and support programs to create hundreds of youth co-operatives across Canada and create thousands of jobs to meet this challenge.

## **2) Promote co-operatives as pathways for economic reconciliation**

Arctic Co-operatives Ltd. and Fédération des coopératives du Nouveau-Québec are the second largest employers of Indigenous people outside of government in their regions. Your contribution would help expand the co-operative model in indigenous communities across Canada and support innovation in industries like renewable energy, housing, tourism, health care and economic development co-operatives amongst said communities.

## **3) Increase women's leadership in our economy**

Key findings indicate that co-operatives are having an increasingly positive impact on women: 80 per cent of respondents to a 2015 International Labour Organization (ILO) survey indicated that they felt that co-operatives are better than other types of private or public-sector business in advancing gender equality. Some of Canada's multi-billion-dollar co-operatives (Desjardins, The Co-operators, Vancity) have been or are led by women. We can develop the tools and the means of support to deepen this tendency and ensure that women have an even greater role in creating new co-operatives and can progress to prominent leadership roles.

## **4) Accelerate the spread of renewable energy**

Co-operatives have been a driving force for renewable energy expansion and propagation in Canada and around the world with the highest rate of renewable productions. Your investment would support the development of renewable energy co-operatives across the country. This will create local employment and allow a greater range of Canadians to benefit financially from the greening of the economy while helping the environment for current and future generations.

## **5) Integrate new Canadians into our economy and society**

Many new Canadians arrive with strong links to formal or informal co-operatives from "back home." Long standing multicultural co-operatives in Canada have been proven to support integration by reducing exclusion and building bridges to key social and economic infrastructure and institutions. Your commitment would enable co-operatives to accelerate the integration of new Canadians into society and the economy by supporting the growing number of immigrant based co-operatives business structure.

## **6) Support innovation in new forms of disruptive co-operatives**

Historically, co-operatives have formed as a direct response to market disruptions and failures. We are now seeing new forms of co-operatives grow from the sharing economy with the birth of consumer owned alternatives to such disruptors as Air BnB and Uber; user owned block chain governed co-operatives in response to fintech innovations, and social and health care platform

co-operatives that are filling the growing demands of an aging population with better services than their privately-owned counterparts. Your financing would support and accelerate these innovations.

### **7) Support transition of baby boomer businesses to a worker ownership**

Over half a million Canadian baby boomer owners of small and medium-sized enterprises are planning to retire in the coming years. Unfortunately, once the owner retires, most business transitions fail. Transitioning businesses to co-operatives of workers and/or consumer owners have demonstrated strong success rates when given the right supports. Your assistance will help transition hundreds of businesses to new ownership, maintaining and expanding the number of jobs and insuring keystone businesses remain in communities and neighbourhoods.

**CMC ESTIMATES THE RESOURCES REQUIRED TO BUILD CAPACITY TO SUPPORT THESE OPPORTUNITIES AT \$10M AND RESPECTFULLY REQUESTS THAT YOU GIVE THESE PROPOSALS YOUR CONSIDERATION.**

Co-operatives and Mutuals Canada is the national, bilingual association for co-operatives and mutuals in Canada. CMC's members come from many sectors of the economy, including finance, insurance, agri-food and supply, wholesale and retail, housing, health, forestry, education, funeral services, public utilities, and community development. CMC provides leadership to support, promote, and develop the co-operative economy in Canada. On behalf of the 18 million Canadian members and 9,000 co-operative and mutual enterprises from coast to coast to coast, we look forward to meeting with the committee to expand on the ideas and requests presented in this submission.