

February 8, 2016

To The House Standing Committee on Finance

Via email

Dear Committee Members,

Jobs, growth and long-term prosperity through the co-operative model

Key Recommendations:

1. CMC requests that the Government of Canada demonstrate its support towards co-operative development by making an investment of **\$50 Million, over 5 years, in the Canadian Co-operative Investment Fund (CCIF)** to supplement the \$25 million already raised by the co-op sector.
2. CMC requests that the Government of Canada support co-operative development by working with co-operatives and mutuals to design and implement a **Canadian co-operative development strategy**.
3. CMC request that the government consider **regulating** the residual value of a property and casualty mutual insurer as indivisible and as owned by all policyholders and not allow a single class of 'mutualist' policyholders.

Co-operatives and Mutuals Canada (CMC) is the national association representing co-operative and mutual businesses, sector federations and provincial associations. CMC activities are targeted at helping co-operatives and mutuals form, develop and thrive in their communities. CMC also supports wide-ranging research, in partnership with leading research institutions and government, to inform policy decisions.

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In 2010 (the most recent data available), co-operatives reported nearly 270,000 full-time equivalent jobs directly in the sector. Spin-off jobs accounted for over 614,000 - or 3.25% - of total jobs in Canada in 2010. Co-operatives, credit unions and co-operative insurance companies had a direct economic impact (GDP) of \$22.5 billion in 2010 - and through spinoff impacts, their overall impact on the Canadian economy was \$54.6 billion. This represents about 3.4% of Canada's total economic activity in 2010. Co-operatives created jobs at nearly 5 times the rate of the overall economy - 8.6% vs. 1.8% - and generated 11% more income ⁱ.

The co-operative business model is inherently innovative. A co-operative or mutual is an enterprise that is owned by its members and operates democratically; every member has a say. Co-operatives and mutuals serve the economic and social interests of their members and offer goods and services based on a well established set of values and principles.

The co-operative model is based on the autonomy and independence of individuals and communities. Co-operative enterprises strengthen local economies and are a proven way to improve quality of life. This is because they embrace a principle of care for their communities that results in sustainable business practices and community economic development. The co-op model encourages participation of its members which in turn encourages innovative ideas and solutions from the grass roots.

There are two key reasons that co-operatives have an "innovation advantage":

1. Innovative businesses that drive sustainable growth and employment require investment to start up, sustain and expand. That is why the Canadian co-operative movement has committed over \$25 million for the Canadian Co-operative Investment Fund (CCIF), to loan capital to co-operatives.

With a \$25 million initial contribution, it is anticipated that the CCIF will positively impact approximately 180 enterprises by providing \$45 million in capital investment over a ten year period. If the Fund secured a total of \$75 million in pledges, it would positively impact 720 co-op enterprises with a cumulative contribution of \$180 million to the sector over the same ten year period. A study on the estimated effect

of the CCIF by the Co-operatives and Mutuals Canada estimates that over 14,000 jobs would be created over 10 years. The CCIF will reinvest its earnings – beyond those that are paid out in the form of dividends and those that must be retained to ensure the long term viability of the CCIF – back into the sector to support further development of Canadian co-operatives and mutuals.

2. Innovation sometimes requires patient capital investment. Successful co-operatives and mutuals understand the value of long-term thinking, and they are sometimes better positioned to make those types of investments because the prospective member owners are attuned to the best overall business plan rather than the fastest return on capital.

The co-operative and mutual sector intends to significantly increase the 3.5%, or \$55 Billion, we currently contribute to Canadian GDP and become a powerful engine for job creation and prosperity by becoming the fastest growing business model by the end of this decade.

Co-operatives and mutuals Canada is requesting that the federal government demonstrate its support for this ambitious objective by developing and implementing, in partnership with the co-operative sector, a national development strategy.

CMC suggests a comprehensive approach based on the following five pillars:

- I. **Elevate member participation and governance** to a new level: Develop partnerships with other public institutions to foster innovation and facilitate the exchange of best practices and knowledge. Also, we would ask government to do what is possible to provide co-operatives and mutuals the same level of access to capital and investor participation as private companies enjoy.
- II. **Position co-operatives as builders of sustainability:** Co-ops and mutuals invest for the long-term. Studies suggest that co-ops and mutuals are champions of sustainability and stabilityⁱⁱ. The government needs to

support and promote these valuable attributes of co-operative enterprises as a strategic economic development tool. Furthermore, co-ops provide valuable and much-needed infrastructure development in a wide variety of areas including energy, water, housing and social services.

We know that the survival ratesⁱⁱⁱ of new co-ops are double that of other businesses, and therefore it is in the federal government's interest to offer the same services to co-ops and mutuals that are offered to other forms of business.

- III. Share the co-operative principles and **secure the co-operative identity**: Despite a 150 year history in Canada, the co-operative model, its principles and its advantages are not well understood by Canadians. We need to increase public awareness and we also need to educate all levels of government about the clear societal benefits of the co-operative and mutual models.
- IV. Modernization of the Canada Co-operatives Act would assist in promoting economic growth. The 2012 Special Committee on the Status of Co-operatives in Canada demonstrated how willing the sector is to consult on these opportunities. The federal government must also define a **regulated demutualization process** that respects intergenerational equity and protects the assets of mutual enterprises.
- V. Secure reliable **capital investment** for co-operatives while guaranteeing member control: The government needs to review the issue of capitalization of co-operative enterprises. This includes the challenges of securing capital investment, the impacts on growth, as well as potential solutions to this crucial barrier.

The co-operative sector will invest and work towards these five objectives, but we need the federal government to support this strategy with effective public policies that will promote sustainable economic development through the co-operative model.

The investment and public awareness objectives of the co-operative sector are targeting long term, sustainable growth with a measurable, beneficial social impact alongside a financial return. The co-op and mutual sector does not view innovation as simply modernization for efficiencies that create the quickest, highest return on capital. We believe that is short sighted and that long-term economic success in Canada requires investment in people and communities that offer durable, sustainable economic benefits.

Sincerely,

Denyse Guy
Executive Director

ⁱ *Co-operatives impact on the economy*; Fiona Duguid, George Karaphillis, Alicia Lake, Nicoleta Uzea, Measuring the Co-operative Difference

ⁱⁱ *Co-op Survival Rates in Alberta*; Richard Stringham, Alberta Community and Co-operative Association, Celia Lee, BC-Alberta Social Economy Research Alliance August 2011. *Co-op Survival Rates in British Columbia*; Carol Murray, British Columbia Co-operative Association, June 2011. *Taux de survie des coopératives au Québec*; Édition 2008.

ⁱⁱⁱ Ibid