

February 19, 2016

Standing Committee on Finance  
 Sixth Floor, 131 Queen Street  
 House of Commons  
 Ottawa ON K1A 0A6  
 Canada

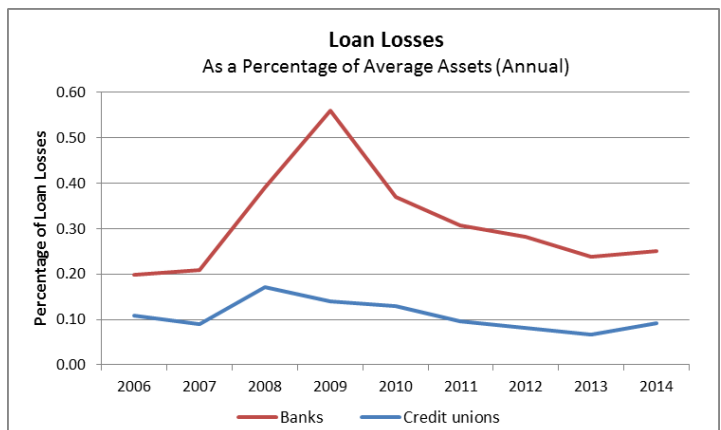
Dear Mr. Chair, Vice-Chair and Members of the Standing Committee on Finance,

On behalf of First West Credit Union, I would like to thank the committee and the government for providing this opportunity to have input into the budget process. The recorded and public consultations that you are undertaking this week and your subsequent report are an integral part of a robust consultation.

First West employs a business model wherein it provides services to British Columbians through the following locally familiar trade names: Island Savings, Envision Financial, Valley First and Enderby & District Financial. First West stands at more than \$8 billion in assets, with 1,700 employees serving the financial interests of a quarter-million British Columbians, including more than 18,000 small- and medium-sized businesses. With our 54 branches and 42 insurance offices, First West has the largest geographic reach of any credit union in B.C and is proud to have the province’s second largest branch network.

Credit unions play an important economic and social role across communities in Canada. More than 10 million Canadians are members of a credit union or caisses populaires. In British Columbia more than 40 percent are members of their local credit union. Credit unions offer key financial services that help fuel middle class Canadians financial goals, and invest millions into community projects, teach financial literacy, hire locally and support small businesses. In fact, together credit unions and caisses populaires are the second largest lenders to small businesses in Canada. Dollar for dollar, credit unions create almost twice as many jobs as Canada's top tier banks. For every million dollars of lending, credit unions create a total of 14.5 jobs in Canada, compared with eight jobs created by the banks.

Credit unions are reliable lenders even through difficult economic times. During the 2008-2009 financial crisis, while year over year loan growth slowed, credit union lending kept a pace similar to 2004, a year of strong economic growth. As Canada recovered, credit union loan growth increased sharply. Credit unions consistently have lower loan losses year after year compared to the chartered banks. This demonstrates our ability to make low-risk, smart lending decisions which are largely due to our close proximity to the communities we serve and our customer-owners.



Credit unions are less risky than chartered banks. Credit unions' member-owned cooperative structures act as a check and balance to counteract excessive risk taking and credit union exposure to capital markets is cooperatively risk-managed in their centrals. Further, in B.C., retained earnings, highest quality of capital in a Basel III context, form approximately 87 percent of the current capital base of the credit union system, which is well above that of banks.

Credit unions fill the gap in 380 communities where they are the only financial institution. Credit unions also hold the business of many municipalities. They feel good about doing business with us because we help meet their financial needs, hire locally and give back to good causes in their municipality through our community investment. We ask committee members to consider and enhance this important relationship as the government moves forward with the proposed infrastructure bank.

These facts clearly demonstrate what many Canadians already know; credit unions are an important player in Canada's economy and communities. To further illustrate, here are some real examples of how First West Credit Union has helped grow the small and medium sized businesses and communities that help make B.C. great.

### **Doing good is good for business**

Let me share with you a story about hockey. Okanagan Hockey Group is a Penticton-based business that runs the Okanagan Hockey Academy and numerous summer hockey programs. Over the years they have expanded and now run camps in Alberta, Edmonton, England and Austria. In 2010 Okanagan Hockey Group was the largest sports tourism contributor to the South Okanagan and, according to the group, was assessed at \$13.5 million. Today Okanagan Hockey Group is estimating their value closer to \$20 million! Their story is also about the local jobs that they create – 25 full-time and 140 part-time employees, plus an additional 26 indirect full-time positions. They also contribute to the local economy through using local suppliers – over the next five years, they anticipate spending \$59 million.

In 2014, we were thrilled to win the business of Okanagan Hockey Group. We have a strong partnership with the Okanagan Hockey Group through our direct banking relationship but also as a supporter and sponsor of the South Okanagan Events Centre. We love hockey and we love seeing our local businesses and communities succeed and grow.

We recognize that supporting a strong economy also means supporting the places where we live and do business. In 2015 alone, we invested more than three million through community partnerships and sponsorships supporting not-for-profit and charitable organizations, in-kind investments, employee volunteerism during working hours, program management costs and employee giving. For more than six years we've been proud to partner with Big Brothers Big Sisters (BBBS) in Victoria and Salt Spring Island, Cowichan Valley and Central Vancouver Island. BBBS' In-School Mentoring program matches at-risk children with some of our employees as trained mentors and focuses on activities that support positive relationships, resiliency, social development and success in school. Early this year two of our staff members spent a week at BBBS' Victoria office to apply our LEAN methodology to help reduce the time it takes to match a child with a volunteer mentor — a back-end issue that the not-for-profit has struggled with for nearly five years.

Rhonda Brown, executive director with Big Brothers Big Sisters Victoria said that "Trying to balance customer service with child safety meant that most children were waiting to be paired with a Big for more than a year."

Keeping the goal of safe and quick matching in mind, our staff helped Rhonda Brown's team create a streamlined solution that allows them to process volunteers more efficiently, ultimately connecting at-risk children with the right mentors faster.

### **Proudly owned by middle class Canada**

The proud track record that credit unions have of investing in our middle class and helping to strengthen our communities is becoming jeopardized due to recent significant tax increases. Credit unions and big banks compete in the same marketplace and offer many of the same services.

However, banks have access to the stock market where they can raise capital and have a lower requirement for retained earnings. Credit unions, on the other hand, are owned locally by members and have a higher requirement for retained earnings.

Retained earnings are the only source of capital growth for credit unions and directly relate to the amount that they are able to lend. With less to invest in retained earnings, credit unions like First West have less money to lend, for example, to small businesses or to middle class families looking to buy a home. It also impacts our ability to give to good and important causes and infrastructure projects in our communities.

Unlike some financial institutions, when credit unions profit, we give a portion of the profits to members and to local charities and not-for-profits. A tax system that recognizes and accommodates credit unions unique structure supports diversity in the financial system, ensuring that British Columbians and Canadians have the choice they deserve.

### **The impact of a cancelling a 40 year practice**

40 years ago, the political leaders realized that credit unions build capital differently than joint-stock bank and created a federal tax credit for credit unions. But in the federal 2013 Economic Action Plan, the Canadian government chose to phase out a federal tax credit. The impact was significant. As a result, we estimate that now we will pay \$3.1 million in additional federal taxes during the phase in period and roughly \$1.8 million every year after 2016. This measure hurt credit unions and also placed provincial governments in a difficult position because of the trickle-down implications of the federal government's decision.

In response to the 2013 federal budget, the 2014 British Columbia provincial budget amended the Income Tax Act to include the phase-out of the provincial small business tax credit beginning in 2016. Our estimates suggest that provincially, First West will pay an additional \$4.3 million in taxes during the phase out period and an additional \$2.5 million thereafter. These federal and provincial decisions cost credit unions, like ours, millions of dollars and mean that B.C. based credit unions, beginning in 2019, will be at a higher tax rate than big banks, despite the significant differences in the ways they raise capital.

**Our ask**

In order to help credit unions compete and continue to support the middle class, we recommend that the 2016 budget adopt the Capital Growth Tax Credit, as proposed by the Canadian Credit Union Association. Such a tax credit would, at five percent of a credit union's retained earnings increase in the previous year, allow for the reduction of tax payable on a dollar-for-dollar basis and restore fairness in the tax system.

Members of the committee, our request for the Capital Growth Tax Credit is not about our bottom line, it is about our ability to support families looking to buy a home; small businesses wanting to grow and hire more Canadians and, it is about our ability to give back to communities through charitable giving.

On behalf of First West Credit Union, I ask that this committee consider supporting credit unions in Canada through the Capital Growth Tax Credit.

Thank you again for the opportunity to share information about First West Credit Union and the impact that we are having in our B.C. communities and to echo the unified voice of Canadian credit unions calling for the Capital Growth tax Credit.

If the committee has any questions about First West Credit Union or the information contained in this submission, please feel free to reach out to me directly or our government relations team.

Sincerely,



Launi Skinner  
CEO, First West Credit Union  
lskinner@firstwestcu.ca

Additional contact information:

Ron Dau  
604-539-7185  
rdau@firstwestcu.ca

Alicia Swinamer  
604-592-7203  
aswinamer@firstwestcu.ca