

Conseil canadien de la coopération et de la mutualité

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

The soundness of the cooperative model is a proven commodity. An analysis of survival rates of cooperatives conducted by Quebec's Department of Economic Development, Innovation and Export Trade in 2008, and subsequently corroborated by similar studies in Alberta and British Columbia, shows that the survival rate of cooperative enterprises is twice that of conventional businesses after 5 or 10 years of operation. International studies have also shown that cooperatives performed better during the last financial crisis. Lastly, in a one-of-a-kind study, the Mouvement Desjardins determined that cooperatives have created more jobs than the rest of Quebec's economy in recent years. The federal government and the cooperative movement have established productive partnerships in the past. We hope to build on those relationships through new partnerships for the development of cooperative enterprise. Cooperatives are in fact asking the Government of Canada to treat them like conventional businesses, while taking their specific characteristics into account. Consequently, the Conseil canadien de la coopération et de la mutualité has some responsible, modest recommendations that will make a genuine contribution to Canada's economic growth. The purpose of each of our recommendations is to make the cooperative movement a significant partner for the federal government: (1) establish a new business relationship between the Canadian cooperative movement and the Government of Canada through Industry Canada; (2) maintain and support cooperative development expertise through the existing programs of the regional development agencies; (3) enhance the vitality of the official language minority communities by providing support for cooperative business development through the creation of a Cooperative Initiative Fund.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

The federal government and the cooperative movement have invested over the past decade to develop a network of experts in the creation and development of cooperative enterprises. This support network for cooperative project promoters has helped support the establishment of more than 300 new cooperative enterprises a year. The demand for cooperative development is very strong in the communities. More than 1,677 groups requested support from cooperative development advisors from 2009 to 2011. In June 2012, an independent study showed that demand for those advisory services vastly exceeded their supply. Besides the sector itself, the establishment of a cooperative enterprise involves many specific legal, accounting, governance, community engagement and organizational deployment issues. Being private consultants or government service officers, traditional business development advisors are generally unaware of the necessary stages in the development, implementation and maintenance of cooperative enterprises. Consequently, there is a real danger that cooperative projects may never see the light and that many existing cooperatives will be hurt by a lack

of necessary expertise in their sector. We are not questioning the cuts to the Co-operative Development Initiative. However, we believe it is important to preserve the unique expertise that has been built up in the cooperative development network and that the imminent loss of human capital could be hard to replace if no alternative solution is put forward in which the federal government has already made a significant investment. We believe it is essential to preserve and consolidate this cooperative enterprise development expertise and to continue to give all Canadians the opportunity to start up a cooperative enterprise if that model directly meets their needs. We suggest that funding be set aside under a national agreement with Industry Canada to provide access to cooperative advisory services for all Canadians and in both official languages.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

In the next few decades, the aging of the population will influence the transfer and sale of businesses in Canada. Considering that it is easier to work with existing businesses than to start up new ones, we believe that this transfer of ownership should be stimulated by experimenting with new ways of using the cooperative model. An additional challenge will be to keep ownership of these enterprises and the enterprises themselves in Canada. The case of Fempro is a case in point. In 2007, the owners of that company, the largest Canadian manufacturer of feminine hygiene products and the second largest in North America, were trying to sell their business. The two officers discovered that Desjardins Venture Capital could be a catalyst in breathing new life into their project. That partnership established a business transmission process that, over time, efficiently led to the creation of a worker shareholder cooperative (WSC). Nearly 90% of Fempro's 180 employees hold 9.5% of the shares in the business. The workers' financial commitment to the WSC is a clear indication of the trust they have in their enterprise. This experience shows that cooperative creation can prove to be a positive solution for maintaining jobs and taking part in the economic development of the regions. Employee mobilization in this case was a major asset since all parties subsequently focused on one central goal, the success of the enterprise. For the local economy, this helped save the company, keep it in the community and preserve jobs. The cooperative model is a business succession solution. However, the financial instruments necessary for something like the Fempro operation and the expertise necessary to achieve it are not available across the country and, in some instances, are simply non-existent. The federal government can play a support role in filling this gap.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

Many established and emerging cooperatives are performing and growing, in many cases faster than their industry. However, their expansion, the implementation of productivity projects and the consolidation of those projects are very often limited by their access to capital. This problem is exacerbated by the fact that cooperatives sometimes find it difficult to gain access to private investors and certain government programs as a result of their structure, democratic decision-making method and terms and conditions regarding return on investment. For these reasons, we suggest that, through a single investment, the Government of Canada establish a cooperative development fund, the role of which would be to grant patient capital loans, long-term loans at preferential rates, to cooperatives requesting them. Access to capital has always been a problem for cooperatives. As they cannot expand their capital stock and have virtually no access to conventional or outside loans, this fund would

guarantee them access to outside capital without investors taking control of the cooperative or its decision-making bodies. This proposal to establish such a fund is based on the actual experience of the Arctic Co-operative Development Fund (ACDF) and the Tenacity Works Fund pilot project, managed by the Canadian Worker Co-operative Federation (CWCF). The ACDF received an initial grant of \$10.2 million from the federal government in 1986. In 2009, project funding reached \$35.7 million, and net earnings were \$1.5 million, with \$1.7 million being returned to members. That fund has provided more than \$452 million to finance member cooperatives since its inception.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

History shows that Canada's official language minorities have long used the cooperative model to acquire economic and social development tools and community services to address the challenges of maintaining and consolidating their communities. The fact that cooperatives are involved in all sectors in those communities eloquently attests to that fact. The "cooperative reflex" is deeply rooted in the customs of the citizens of those communities as a result of their need to consolidate, join forces and develop on their own. Cooperatives have shaped our country's history and helped forge its identity. That is why we believe the cooperative movement is an important partner in supporting the federal government in its mandate to promote the development of official language minority communities, one of the two pillars of the Roadmap for Canada's Linguistic Duality. The very nature of a cooperative project is implicitly associated with joint action and local mobilization. We believe that this ground work requires actual support by the federal government. The establishment of a fund for the design and implementation of cooperative projects will be a highly profitable investment for the federal government, one that will support the economic growth of Canada as a whole. Cooperative development enables communities to give themselves more structure, plan for the long term and govern themselves in a transparent and inclusive manner, while helping them strive for self-sufficiency. The new cooperatives established will then contribute to the revenues of the federal, provincial and municipal governments. We estimate that annual investments of approximately \$1 million would help stimulate the creation of these Francophone cooperative enterprises. Although we are aware that official languages are under Heritage Canada's jurisdiction, we believe that renewing and implementing the next Roadmap for Canada's Linguistic Duality in 2013 are also very much a decision related to the budget that is introduced and that will include the necessary funding to do so. We recommend that a Cooperative Initiative Fund be created under the next Roadmap to support innovative cooperative projects and to provide the official language minority communities with expertise in maintaining and developing cooperatives, and that the concept of "prohibited investments" as it pertains to the inclusion of cooperative-related investments in an RRSP (as recently amended by Bill C-13) be reviewed. As a result of that amendment, a person who, alone or with a related person, holds 10% or more of a given category of shares in a cooperative is considered to hold a "prohibited investment". This situation jeopardizes many small cooperatives, particularly worker cooperatives that are now facing an additional obstacle to capitalization.