

PRE-BUDGET CONSULTATIONS

MINISTRY OF FINANCE

February 6, 2018

Ontario Co-operative Association

Thank you for the opportunity to speak today. My name is Erin Morgan and I am the Executive Director of the Ontario Co-operative Association.

We represent and advocate for over 1,500 co-operative enterprises in the province of Ontario employing 57,000 people and generating \$6 billion for the economy every year.

We are urgently requesting modernization of our Act which is over 40 years old. Our goal is to level the playing field, get rid of red tape and create thousands of new jobs, many in rural and northern communities.

Research shows only 5% of people believe corporations put the interests of consumers first and only 10% of people have trust and confidence that businesses behave ethically.

As a result we are entering an era of socially valuable organizations built on shared ideals.

We are entering the Co-operative Era.

Our members are addressing today's economic challenges with co-operative solutions.

One example is a new generation of technology companies called Platform Co-operatives which are transforming the gig economy where a quarter of our workforce is employed today without steady, reliable work or benefits.

A great Canadian example is Stocksy.

Photographers become members of the cooperative and sell their stock photos through a shared platform. The majority of the sale, goes to the photographer.

Platforms like this are an opportunity for the freelance and underemployed community to collectively market their goods online and earn a real living.

There are also co-operative solutions in the renewable energy sector – a sector that requires a large upfront investment.

LEAD, CULTIVATE AND CONNECT

Co-operatives are a *different* kind of business model that are driven by people, planet and profit. The Ontario Co-operative Association (OCA) supports, develops, educates and advocates for Ontario's 1,500+ co-operative businesses.

Energy co-operatives allow community members to buy shares that fund the development of renewable energy projects. The wealth remains in the community that also benefits from the renewable energy for a locally sustainable future.

In order to enable this innovative future, the Co-operative Corporations Act requires modernization.

Three required changes have the support from all parties and were tabled in a Private Members' Bill by then MPP and now Minister Des Rosiers in December.

1. Our Co-operative Act is currently with the Ministry of Finance, but the best place for it is at the Ministry of Government and Consumer Services along with the other corporate acts.
2. When the act is opened to be moved, we need two legislative updates – one to align our audit requirements with accepted accounting principles and the other to remove the requirement to do 50% of business with members.
3. Finally, we must increase our offering statement thresholds, which are 25 years old, and not high enough in 2018 dollars to raise the funds required to capitalize a business.

With these changes, our success will be measured in economic impact. We create over \$3 billion in income for Ontarians and return \$1.3 billion in tax revenue to the province. And if we get these changes - which have no opposition - we can do more.

The need is urgent. Our sector is changing rapidly – now is the time to reduce the red tape and support co-operative innovation as we enter the Co-operative Era.

Thank you for your time.

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ADDITIONAL INFORMATION ON THE CO-OPERATIVE SECTOR

The Ontario Co-operative Association, represents over 1,500 co-operative enterprises in the province of Ontario. Co-operatives are a *different* kind of business model that is driven by people, planet and profit. They are rooted in collective and community ownership and prosperity.

Co-operatives in Ontario:

- 57,000 direct and indirect jobs
- \$3.3 billion in income created for Ontarians
- \$6 billion in value add created in the economy
- \$1.3 billion generated for government services
- 49,000 volunteers
- The oldest co-ops in Ontario, Vineland Growers Co-operative and Guelph Campus Co-operative, were formed in 1913 and still operate today
- Twice as many co-ops remain in business after 10 years as other business enterprises

Some of Ontario's most successful co-operatives:

- The Co-operators insurance company is our largest member, founded in 1945
- The 167 credit unions in Ontario earn \$1.4 billion in revenue annually
- In the agricultural sector, Gay Lea Foods Co-operative, Growmark and Hensall District Co-operative have all operated for over sixty years in rural Ontario
- There are over 500 housing co-operatives in Ontario, providing 44,000 units at an operational cost below non-profit housing with one third of members paying a monthly charge geared to income
- Over 130 co-ops operate in health care and social assistance providing solutions to many groups of marginalized Ontarians
- Retail co-operatives like Mountain Equipment Co-operative (MEC), The Big Carrot grocery store and Urbane Cyclist contribute over \$300,000 million in revenue to the province

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CHANGES ARE NEEDED TO THE CO-OPERATIVE CORPORATIONS ACT

Recommendations:

1. **Co-operative oversight belongs at MGCS.** Legislative oversight of non-financial co-operatives should move from within the Ministry of Finance to the Ministry of Government and Consumer Services (MGCS) so that they will be regulated on a level playing field with other businesses.
 - a. A move to the Ministry of Finance would not require substantial investment. The oversight required for non-financial co-operatives would be similar to other business enterprises such as corporations or sole proprietorships.
 - b. Approval of the capital and security transactions of non-financial co-operatives should remain within the Ministry of Finance.
 - c. Co-operatives access to innovate client services at Service Ontario.
2. **Changes are required to modernize the 40-year old Act.** When the Act is opened for the move to MGCS, there are two immediate legislative changes needed:
 - a. Removal of the provision that specifies the percentage of business co-operatives must conduct with their members, sometimes referred to as “The 50% Rule,” instead, requiring that co-operatives declare the percentage of business to be done with members within their individual bylaws.
 - b. Removal of the annual audit requirements for co-operatives that are not required to file an offering statement, have not received a government grant that requires an audit and do not have a requirement for an audit within their bylaws.
3. **Ontario co-operatives require an increase to exemption thresholds for offering statements.** These thresholds were last reviewed more than 25 years ago and are inadequate for modern co-operatives to raise the capital required for their businesses. We are requesting that:
 - a. The number of prescribed security holders be increased from 35 to 50
 - b. The requirement to file an offering statement not apply to a co-operative’s issue of shares to its members if the value of the shares issued not exceed \$5,000 per member in a year and not exceed an aggregate value of \$50,000 per member
 - c. The requirement to file an offering statement not apply to a co-operative’s issue of debt obligations to members if the debt obligations do not exceed \$5,000 per member in a year and not exceed an aggregate value of \$50,000 per member
 - d. The requirement to file an offering statement not apply to a co-operative’s offering of securities to its members, if the offering does not result in the co-operative having more than \$1,000,000 of issued and outstanding securities
 - e. It is important that oversight for offering statements to remain with the Ministry of Finance through the new Financial Services Regulatory Authority

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CO-OPERATIVE SUCCESS STORIES

1.

Stocksy

Technological Innovation: Platform Co-operatives

Stocksy is a great Canadian example of Platform Cooperativism in action. Many photographers have trouble making a living by selling photos online because large distribution companies like Getty Images only give them pennies per use. Getty Images shareholders take the lions' share of the income while the photographers take home only a fraction of the money paid by the buyer. Stocksy United turns this model on its head. Photographers become members of the cooperative and sell their stock photographs through a common platform. A portion of every sale pays for the development of the technology and the marketing of the company. The rest, the majority of the sale, goes to the photographer. This model can be applied to other creative fields. Platform co-operatives provide an opportunity for freelancers to collectively market their work online and earn a real living. For more information visit Stocksy.com.

2.



Energy Innovation: Renewable Energy Co-operatives

A growth area for co-operatives is renewable energy. The renewable energy opportunity in this province is growing and its success can be a model for all Canadians. Energy cooperatives like TREC allow members to buy shares that fund the development of renewable energy projects and then benefit from the sale of the energy when it is returned to the grid. For more information visit www.trec.on.ca.

3.

Health Care Innovation: Health Care Co-operatives

Cooperative innovation can help to meet one of the great challenges facing our health care system – addressing the growing demand that comes with Ontario's aging population. The availability of Personal Care Workers or PSWs is a particular concern with a cooperative solution. A new cooperative is in development at an Ontario college where the workers or PSWs will own their own cooperative – one that will ensure patients are well cared for and workers earn a living wage. This model can be seen in an American example with a Women's health care co-operative that has been running since 1985. For more information visit www.chcany.org.

4.


Y's Owl Maclure
CO-OPERATIVE CENTRE

Social Innovation: Disabled Worker Co-operatives

Y's Owl Maclure is a worker co-operative for members with disabilities. It gives their members a voice in the organization and operation of the business. Y's Owl has 240 members, serving 400 people with disabilities including autism in the Ottawa region. Service revenue is collected, in part, through café and social enterprise sales that substantially augment government funding. Disabled workers receive qualifications through training, enter the workforce as productive citizens and graduate to independent living. Learn more at www.ysowlmaclure.org.

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