



A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Cooperatives create both a political and economic democracy. Politically, all members have an equal voice in the management of the cooperative, regardless of their individual circumstances; economically, members benefit in proportion to their use of the cooperative's services. Focused on meeting the needs of their members and without external shareholders to pay, co-ops help to keep capital circulating within local communities.

The cooperative model is highly adaptable. It can be designed to serve consumers, support producers of goods or services, provide labour opportunities, or any combination of these via a multistakeholder cooperative. Co-ops can be for-profit enterprises or not-for-profit ("community service"). Beyond the goods and services produced, co-ops build communities. By bringing together a diverse group of individuals with common needs, co-ops provide a forum to cultivate working relationships, build trust and reciprocity, and enhance the stock of social capital and civic cohesion.

There are about 700 co-ops in BC, representing about 7% of BC employment, with \$2.5 billion in revenues (2015). While they can be found across British Columbia, co-ops are prevalent in the Lower Mainland, the West Kootenays and, in particular, Vancouver Island. Cooperatives that have reached substantive size include Vancity, MEC, Modo, BC Tree Fruits, Island Farms (now part of Agropur Cooperative), and the Kootenay Co-op.

Given key societal challenges -including affordable housing, precarious work and building local resilience- there is room for a great many more cooperative enterprises to support meaningful employment, deliver needed services, reduce the cost of access to high quality goods, and promote democratic values and principles. As a social movement, co-ops are a necessary component of system change that supports social innovation and entrepreneurship rather than something that operates on the margins.

On May 17, 2017, thirty-six representatives from British Columbia's co-op sector met to share ideas about how to grow the sector, to better understand challenges that co-ops are facing and to explore next steps the co-op sector can do itself as well as policy asks from government.

A SELF-HELP MODEL

By bringing together people to support common needs, cooperatives embody the concept of self-help. Consequently, it is the sector's responsibility—through the BC Co-operative Association to support its own development and growth.

A central problem is awareness about the co-op model. Many young entrepreneurs, for example, learn too late about the co-op model.

The co-op sector needs to:

- Better market the co-op value proposition through public engagement events.
- Tell our own stories, to develop case studies of success that can be promoted, shared, replicated and scaled-up.
- Portray itself externally and internally as standard bearers representing system change, not just an alternative on the margins of the mainstream economy.
- Develop a plan to educate key partners in government, regional districts, municipalities and chambers of commerce, and ensure that the co-op model is taught in business schools and economics departments.

Cooperatives need resources and technical support for start-up and growth. In particular, the sector needs to:

- Ensure access to a wide range of services, including legal, accounting, branding and education.
- Develop and disseminate best practices supporting the development and financing of cooperatives.
- Work with unions, chambers of commerce and other partners to define opportunities for worker co-op ownership of businesses undergoing succession.
- Create mentorships and student co-op placements, to bring older cooperators with wisdom to share together with the many young people interested in working differently through co-ops.
- Develop a strategy to bolster support from and the involvement of credit unions.
- Promote training for co-op board members.

The cooperative sector also needs to identify opportunities to introduce or expand cooperatives, as per the following:

- The piloting of *social cooperatives*, co-ops specifically geared to the provision of personal care -possibilities include child care, elder care, seniors-focused housing and the provision of mental health services.
- Increasing the awareness and application of co-op models to secure agricultural land, reduce input costs, improve access to farmland for young agrarians, the marketing and distribution of product, and supporting value-add.
- Worker co-op conversions of existing businesses facing succession.
- The building of 114,000 units of affordable rental non-profit and co-op housing units over a 10 year period, in accordance with the BC Rental Housing Coalition's *Affordable Housing Plan for BC*.

THE ENABLING ENVIRONMENT

The co-op sector also requires government support to realize a stronger enabling environment to bolster its impact: help us help ourselves.

STREAMLINING THE PROVINCIAL ADMINISTRATION OF COOPERATIVES

The cooperative sector requests the provincial government identify an executive lead for the sector, to serve primarily as a cross-Ministry contact and resource, in the context of the emerging and sustainable economy. Policy priorities for this lead might include:

- Improving access to data on co-ops and the cooperative sector in support of outcomes measurement.
- Streamlining the incorporation process for starting a co-op and for converting businesses into cooperatives, including establishing an online filing and reporting system for new co-op incorporation (inline with similar systems in use for other incorporated entities).
- Ensuring agricultural cooperatives have access to relevant and up-to-date resources on the business model through the Ministry of Agriculture, including access for co-op start-ups to the suite of Farm Business Advisory Services Program.
- Ensuring co-operatives are positioned as a preferential succession option at the point of corporate entity dissolution, with workers having the right of first refusal.
- Including co-operatives in developing rural economic development policies and approaches, as both catalysts and agents for sustainable development, particularly where other policy approaches have been unsuccessful.
- Modernizing the *Cooperatives Associations Act* to ensure efficiency, flexibility and a more effective enabling environment.

Currently, most RRSP investments leave local economies and migrate world wide. Community investment co-operatives (CICs) are a vehicle that allows people to accumulate capital and democratically invest in their local economy. Properly structured, their investment shares can be held in RSPs and other registered investment vehicles. While several CICs have been established in British Columbia, their impact has been constrained by the governing legislation

BC has a specific local securities exemption (to prospectus and registration requirements) in Local Instrument 45-530, but its limits on capital raising from co-op members have not been updated for many years. Consequently, many co-ops have difficulty raising sufficient capital.



The cooperative sector requests the provincial government:

- To make changes to Local Instrument 45-530, and to consider other local policies under the *Securities Act* to enable community investment co-ops to better accumulate capital and invest in their local economies, including:
 - Increasing the maximum amount that may be invested per member under 45-530 from \$5,000 to \$15,000 per year.
 - Removing the 12 month membership requirement for members purchasing investment shares under 45-530.
 - Eliminating the current 150 person “blanket” exemption limit for a cooperative issuing investment shares under 45-530.
 - With appropriate safeguards, creating a local exemption for CICs from the cumbersome requirements imposed on investment funds.
 - Permitting British Columbia cooperatives to raise capital under an *Offering Memorandum* without the need for expensive audited financial statements.

VENTURE CAPITAL TAX CREDITS

The *Small Business Capital Venture Act* requires VCCs to be incorporated under the Business Corporations Act, which means co-ops are ineligible for registration as VCCs. Although the legislation does not impose similar restrictions on all aspects of the program, information provided to the public does not explain that co-ops can be eligible business corporations

The cooperative sector requests the provincial government:

- Amend the *Small Business Capital Venture Act* so that co-ops can apply to be VCCs.
- Review the program to ensure that co-ops are able to participate in the same way as other forms of for-profit corporations.

TAXATION OF CO-OPERATIVES

Co-ops often outlive their founding members and serve their communities as multigenerational assets. To support this important long-term social and economic impact, co-ops need to establish an *indivisible reserve* –a circumscribed asset base that cannot be divided and allocated to members in the case of demutualization and dissolution of the co-op.

The cooperative sector requests the provincial government:

- To consider preferential tax treatment for any allocation co-ops make to an indivisible reserve.

PROCUREMENT

The cooperative sector supports the *Social Impact Purchasing Guidelines* published by the Ministry of Social Development & Social Innovation in 2014. The cooperative sector requests and encourages:

- The provincial government to update the Core Policy & Procedures Manual to explicitly guide and support procurement from cooperatives and other forms of social enterprise.
- Ministries and Crown agencies be encouraged to include social purchasing provisions in procurement activities and initiatives wherever possible.
- The Government to educate all ministries and Crown agencies on the benefits of procurement from co-operatives and social enterprises.