

## Summer in Ottawa

Brigitte Goulard, Vice President, Policy, CUCC

After the policy frenzy of spring and early summer, it was a relief to spend time putting our house, CUCC's policy house that is and not the House of Commons, in order and to prepare for what will undoubtedly be a busy fall. This short summer edition of the *Policy and Advocacy Report* examines a few of the issues that have come to the forefront during the summer months.

I wish you all a good month of August and look forward to reporting back in September once Parliament has resumed.

### Welcome to Anne Dance

I am pleased to announce that Anne Dance has recently joined the policy and government team of Canadian Central. As a policy analyst based in Ottawa, Anne will be responsible for the analysis of government policy initiatives, assisting in the development of credit union positions and overseeing parliamentary activity. Anne's experience as a parliamentary intern and knowledge of House of Commons activities will be an asset to Canadian Central and its members.

## Partnering with Export Development Canada (EDC)

Brigitte Goulard, Vice President, Policy, CUCC

As noted in a previous edition of the *Policy and Advocacy Report*, Export Development Canada's capacity to support Canada's exporters was in Bill C-10 extended to domestic trade.

As a result EDC announced in May its plans to facilitate up to \$1 billion in new domestic contract guarantees in 2009.

To assist financial institutions in understanding the various products and programs available to Canadian businesses and to their lenders EDC developed an Internet link focused on financial institutions as the user. This dedicated web site found at [www.edc.ca/FI](http://www.edc.ca/FI) provides access to a highly interactive PDF with detailed information on EDC products, including an overview, details, application forms, how to make a claim and examples of how the product works.

I invite you to share to access this site and learn how EDC can help credit unions better serve their members. <http://www.edc.ca/FI>

## Harmonization of Sales Taxes – Increased Costs for BC and Ontario Credit Unions

Gary Rogers, Vice President, Financial Policy, CUCC

The B.C. provincial government announced on July 23 its intention to combine the 7% provincial retail sales tax (PST) with the 5% federal GST, creating a 12% Harmonized Sales Tax (HST) on July 1, 2010. This follows a similar announcement in April that Ontario will combine its 8% PST to create a 13% HST, also effective July 1, 2010. As a result, B.C. and Ontario will be joining New Brunswick, Nova Scotia, and Newfoundland & Labrador in transitioning to a single tax, collected and administered by Canada Revenue Agency (CRA), shared between the federal and provincial governments.

In Quebec, a single QST is collected by the Quebec government and revenues are shared with the federal government.

Blending the two taxes will result in increased costs for Ontario and B.C. businesses that supply GST-exempt services, such as credit unions, Central 1, Canadian Central, and CUSOURCE Knowledge Network. This is because sales taxes on most services will increase from 5% to 12 or 13%, but are not recoverable as input tax credits. However, the GST exemption for transactions among credit unions and Centrals will continue to apply for HST purposes too.

When GST was introduced in 1991 with a new 7% tax on most goods and services, credit unions estimated that their increased operating costs were 1.5% or less. Adding PST to the GST base will increase the cost for such services as rent, telephone and Internet, repairs, consulting fees, etc. As a large portion of credit union costs do not bear GST e.g. salaries, most benefits, most insurance, etc. and as most purchases of goods are already taxed twice, the net HST impact on operating costs is expected to be less than GST was, probably less than 1%. But the impact will be unique for each credit union depending on spending patterns e.g. rent or own their offices, purchase or self-supply certain services.

The impact should be positive for most business members of credit unions as they will start to receive input tax credit refunds for all of the HST they will pay. As a result, their tax cost reduction will equal all of the PST they currently pay. Less important, but still noteworthy, is they will have to administer only one tax instead of two. That is why business associations and chambers of commerce are generally behind the concept.

Discussions with officials since the Ontario announcement was made reveal they are not willing to entertain the Quebec model of sales tax harmonization. In Quebec, financial institutions receive full input tax credits for the QST they incur on their costs, but banks pay an additional payroll tax and capital tax and

caisses populaires pay an extra payroll tax to offset any tax windfall they would otherwise enjoy.

Trade associations for financial institutions, including Credit Union Central of Canada, are ensuring that governments understand the increased costs of doing business in an environment of shrinking financial margins and consider carefully any options for easing this new cost burden. To date, governments appear unreceptive to making any significant changes to mitigate the impact for financial services. Therefore, when budgeting for 2010, credit unions should include the impact of new HST costs.

## Farm Financing Programs

### Government Support for Hog Industry Restructuring Includes Loan Loss Reserve Fund

Robert Martin, Director, Research, CUCC

On August 15 the Government of Canada announced a support and restructuring program for Canada's troubled hog industry. The \$92 million announcement is made up of three components including:

- **The creation of a government backed Hog Industry Loan Loss Reserve Fund to support private sector loans to “viable” hog producers.** Through the fund the government will share loan loss risk with private sector financial institutions – including credit unions. This aspect of the program is still in the “design phase” and is the subject of negotiations between the government, the banking sector and credit unions (see below).
- **The creation of a \$17 million “International Pork Marketing Fund”** that will assist Canada Pork International to help develop markets, capture greater value from current export markets and help address pork export losses resulting from trade restrictions.

- **The establishment of a \$75 million Hog Industry Transition Program to help producers seeking to transition out of the industry.** Hog producers agreeing to keep their barns out of production for a period of at least three years would be eligible to participate in the program and receive a negotiated payout.

Credit Union Central of Canada, the Canadian Bankers Association and the government are currently discussing the program parameters that will govern the Hog Industry Loan Loss Reserve Fund. Canadian Central is supported in these discussions by members of Credit Union Central of Canada's national Agriculture Sub-Committee of the Legislative Affairs Committee. Key issues, including the extent of the government guarantee associated with the Loan Loss Program; need to be finalized before the program is rolled-out.

Further information about the plan can be found here: [http://www.agr.gc.ca/cb/index\\_e.php?s1=n&s2=2009&page=n90815b](http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2009&page=n90815b)

## Canadian Agricultural Loans Act Program Roll Out

Robert Martin, Director, Research, CUCC

In June the federal government passed legislation that established the Canadian Agricultural Loans Act (CALA) Program. The CALA Program is a financial loan guarantee program that aims to give farmers easier access to credit. Farmers can use these loans to establish, improve, and develop farms; while agricultural co-operatives may also access loans to process, distribute, or market the products of farming. The CALA program builds on and replaces the previous Farm Improvement and Marketing Co-operative Loans Act (FIMCLA) program. Some CALA Program details:

- Farmers access the CALA through their financial institution (including credit unions).

When applying for a loan for a land purchase or an asset to be used in their farming operation, the loan can be registered under the CALA.

- The farmer must pay a fee to have the loan registered and guaranteed under the CALA. This fee is 0.85% of the amount of the loan. The lender may also charge an administration fee of 0.25% of the amount of the loan for loans up to \$250,000 (to a maximum of \$250) or 0.1% of the amount of the loan for loans over \$250,000.
- Under the CALA, the federal government guarantees repayment of 95% of the loan to the lender, provided that the requirements of the Act and the Regulations have been respected. Financial institutions are expected to take the same care and prudence in making CALA loans as would be taken in conducting ordinary business.

Farmers eligible for a CALA loan guarantee include:

- Existing farmers
- Beginning/start-up farmers (i.e. less than six years of farming)
- Farmers taking over the family farm
- Agricultural co-operatives with a majority (50% + 1) farmer membership

The maximum loan amounts are:

- \$500,000 for land and the construction or improvement of buildings.
- \$350,000 for all other loan purposes.
- The aggregate loan limit for any one farmer is \$500,000.
- \$3 million for agricultural co-operatives with the minister's approval.

Further details about the CALA Program can be obtained here: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1177344219813&lang=eng>

The CALA Program Lender's Guidelines are in the final stages of development and will be posted to the above website in the coming weeks.

## Happenings on the Hill

### On the Political Front

Anne Dance, Policy Analyst, CUCC

As Ottawa teeters between stifling heat and fickle summer storms, weekly polls show the Tories and Liberals to be locked in a virtual tie. According to the recent *Globe and Mail* and Strategic Counsel poll, the Conservatives (34 points) lead the Liberals by two points, trailed by the NDP (15 points), Bloc Québécois (10 points), and Green Party (8 points).

The activity on the financial side that made the spring and early summer such a busy time here at Canadian Central has subsided over the past two months. Parliament has been active in other ways as major staffing changes and fractious, inconclusive working group meetings on EI reform have preoccupied the two largest parties. Canadian politicians have also been busy outside of Ottawa, interjecting in the American health care reform debates and, in the case of the NDP, engaging in a surprisingly heated discussion over a party name change in Halifax. Meanwhile, two House committees recently convened for emergency meetings: the Industry Committee held hearings on the sale of Nortel Networks, and the Health Committee gathered to address the spread of H1N1 in Canada.

The fall session begins on Monday, September 14 for the House and one day later for the Senate. It promises to be a busy one as committee members dust off their briefing books and the government releases its third economic update. No doubt parties will continue to jockey for elusive public support while pondering a potential fall election.

## Marketing Spectrum Registration Bonus

Credit Union Central of Canada is **extending the early bird pricing deadline** for the 2009 Marketing Spectrum. You now have until **September 9** to qualify for the special discount rate and save \$100. Take advantage of this offer and plan to join us from September 26 – 29 for an exciting conference full of learning and fun in the home of the 2010 Olympic and Paralympic Games: Vancouver, British Columbia.

As an added conference registration **BONUS**, our conference sponsor Ipsos Reid is offering everyone who registers for the 2009 Marketing Spectrum a cool summer treat! Social Networking is one of the major themes of this year's conference and everyone who attends this year's event will receive a copy of *2009 Online Social Networking Report*, a special feature chapter of *The Ipsos Canadian Inter@ctive Reid Report*. **This report is a \$1,500 value and a complimentary copy will be provided to each conference attendee!**

Topics covered in this report include:

- Importance of Internet on social life
- Frequency of social networking in the past month
- Awareness of online social networks/communities
- Frequency of visiting specific online social networks

Also included in this report is the demographic profile of online Canadians, providing a clear understanding of who is online in Canada and adding valuable context to the results of the research.

**Register today** using the attached registration form or register online at <http://www.cucentral.ca/eventsconf> and qualify to receive your complimentary electronic copy of the *2009 Online Social Networking* report. Act now as space is limited and like long summer days they're disappearing fast!

## CUCC Executive Briefing on Federal Powers

Topic: A Federal Option for Credit Unions

On June 4, 2009, Credit Union Central of Canada's (Canadian Central's) Board of Directors expressed support for the development of a proposal whereby credit unions could operate on a national basis by way of a federal credit union charter. Such a charter could be provided either through the enactment of a new federal statute or through amendments to the Cooperative Credit Associations Act (CCAA) or the Bank Act.

In August 2009, a consultation paper will be distributed to credit unions to stimulate debate, generate ideas and seek comments from the credit union system towards the development of a proposal for a federal credit union charter. The Executive Briefing will examine the contents of the consultation document and respond to questions.

**Presenter:** Brigitte Goulard, Vice President, Policy, CUCC

**Date & Time:** August 27, 2009 / 1:00 pm (Eastern Daylight Time)  
(PDT, 10:00 am / MDT, 11:00 am / CDT, 12 noon, ADT, 2:00 pm / NDT, 2:30 pm)

**Intended Audience:** Credit Union and Central CEOs, Leadership Team members, Legal Counsel and Strategy Officers

### How to Register:

1. Click [HERE](#)
2. Click "Register"
3. Enter your information on the registration form and then click "Submit"

Once the host approves your registration, you will receive a confirmation email message with instructions on how to join the event.

### Questions & Concerns:

Please contact Glenn Hodgson at [hodgson@cucentral.com](mailto:hodgson@cucentral.com)

**The *Policy and Advocacy Report* is published by Credit Union Central of Canada. For editorial or general inquiries please contact:**

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