The Report of the Royal Commission.—The main report is in three parts as follows: Part I—Trading Associations; Part II—Credit Unions; Part III—Mutual Insurance Organizations. This is followed by five appendices: (a) A statistical study of the relative growth of co-operative business in Canada; (b) Historical sketches of some of the larger and more important co-operatives in Canada; (c) A special study regarding the financing of selected groups of co-operatives in Quebec and Saskatchewan; (d) The taxation of co-operatives in Great Britain and the United States; (e) A history of the credit union movement in Canada.

PART I.—Part I of the Report deals with trading associations and is in six sections. The first two sections outline the development and organization of co-operative associations in Canada and present a brief review of the variation in types of organization and methods of financing. One subsection is significantly entitled "Variety and Uniformity".

Section 3 deals with the arguments relating to the taxation of co-operative associations. Representations were heard repeatedly that it was in the public interest to encourage co-operatives by granting them tax exemption. The Commissioners are of the opinion that the granting of fiscal advantage is not usually a good method of giving special encouragement. Exemption granted to one class or segment of the community can hardly benefit the whole. The advantage accrues to all of the class to which it is granted including those who need it and those who do not; the latter generally receive the benefit in greater measure than the former.

It was also represented that there were no profits or income but the Commissioners have come to the conclusion that the associations and their members do receive income. It was represented that ordinary companies were at an unfair advantage because of competition from tax exempt co-operatives. The Commissioners conclude that the chief competitive advantage that the co-operatives enjoy lies in their ability to set aside larger reserves than if they were taxed. However, they did find real fear of what might happen in the future because of these reserves and are of the opinion that it is desirable to remove the cause of these fears.

It was urged upon the Commission that co-operative associations, even though incorporated, were not legal entities separate and apart from their members. The Commissioners did not attempt to assess the advantages or disadvantages of incorporation but are of the opinion that corporate bodies are "persons" separate and distinct from the members associated with them.

In Section 4 are listed eleven proposed solutions that were made to the Commission with brief comment on each.

Section 5 deals with conclusions and recommendations. As already stated, the Commissioners found that income was earned by the association and its members and that the association was a person distinct from its members. From these premises they proceed to determine which items should be taxed as income of the association, which items as income of the members and which items as income of both.