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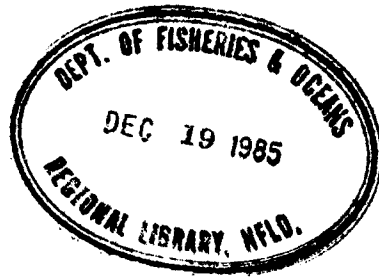
Newfoundland Region

BACKGROUND PAPER

STATUS OF FISHERIES COOPERATIVES IN
NEWFOUNDLAND and LABRADOR

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BACKGROUND PAPER

"Status of Fisheries Cooperatives in
Newfoundland and Labrador"

R. F. Hayes
Communications Branch
Newfoundland Region
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1.0 INTRODUCTION

In recent years, inshore fishermen in a number of areas around the province have been displaying increased interest in the concept of fishermen's cooperatives. A new cooperative is now in operation at Petty Harbour, and two other new fishery co-ops have been formed in Red Bay and the Upper Trinity South area.

In addition, the Newfoundland-Labrador Federation of Cooperatives, the provincial cooperative central organization, reports that they had contact with fishermen in close to 15 other communities interested in possible cooperative solutions to problems they are encountering in selling their catches, and creating or sustaining employment in their communities.

This report gives an overview of the current status of fishing co-ops in the province, and reviews the roles and programs of various government and non-government agencies with an interest in fishery co-op development. The final section lists some advantages and disadvantages of fishery co-ops, and points out a number of attitudes and actions that may indicate a potentially successful cooperative.

Should there be a continuing and accelerating interest in the co-op option among fishermen, the Department of Fisheries and

Oceans may wish to consider the possible policy and operational issues that will arise. At present, the common perception is that there is no specific policy regarding fishing co-ops and their activities; matters involving co-ops seem to be handled on a case-by-case basis. Besides creating some confusion and distrust, this process leaves open the possibility of political pressure being used by groups to achieve particular ends. A clear and stated policy regarding the Department's attitude toward co-op development within the fishery would do much to eliminate the false hopes and confusions that have occurred from time to time in the past.

This report was prepared for the Development Branch by a staff member of the Communications Division who spent some three years as the Managing Director of the NLFC before joining DFO in January 1985. The report's contents are based on the author's opinions, observations, and experience, within the cooperative movement, and should be read with this in mind.

2.0 THE FISHERIES COOPERATIVE CONCEPT

PHILOSOPHY

Like all cooperatives, fishery co-ops are voluntary, non-profit enterprises established by fishermen and plant workers to provide a sale for fish, employment, and associated benefits. Co-ops are incorporated, limited liability entities, and are governed by the Cooperative Societies Act and the associated Rules and Regulations under that provincial legislation. The main differences distinguishing co-ops from other forms of business enterprises lie in the dispersed ownership and control structures, and in the differing motivations for engaging in business.

Co-ops most often have a very broad ownership base compared to private companies. Each member of a cooperative becomes, in effect, a minority partner in the enterprise, and is expected to invest capital in the business. The key difference is the dispersion of ownership; in co-ops, one expects to see a relatively large number of people making relatively small personal investments in their business. This contrasts sharply with the private company model, in which very few people invest large amounts to capitalize the enterprise. The possibility of any individual or individuals being able to dominate in a

cooperative is further reduced by a provision of the Co-op Societies Act which prevents any individual from holding more than 20% of the shares in a cooperative.

The other key difference lies in the control structure. Unlike private companies, in which voting in decision-making situations is conducted on the basis of the percentage of shares held by each investor, cooperatives use the democratic system, with each member of a co-op having one vote at meetings regardless of the number of shares each holds. This means the decision-making authority is much more decentralized than it would be in a private corporation; this can be both an advantage and a disadvantage at different times.

Co-ops are by definition "non-profit" enterprises, in that they are created primarily to serve a need of the membership rather than to earn returns on money invested. In reality, however, co-ops must generate some return on capital invested, and must certainly operate at a better than breakeven level. The "non-profit" element is generally taken to mean that co-ops aren't especially interested in giving members a direct monetary return on capital invested, but in creating a stable, fishermen-owned and controlled business enterprise that will satisfy the community's economic and social needs. The member invests to create a business, not to earn returns on the money he

or she invests. When surplus funds do exist, most new (and existing, for that matter) co-ops opt to use the extra funds to pay debts, acquire new equipment, or otherwise strengthen the co-op's business position. Fogo, in over 15 years of operation, has declared a return on share capital invested only once (3%), and has put more than 1.5 million in retained earnings back into the co-op.

Co-ops are often criticised for being "socialist" entities, which is a misunderstanding or misrepresentation of the nature and structure of cooperatives. Rather than being state owned and controlled, co-ops are in reality corporations, with individuals owning shares and exerting control. Co-ops are, in effect, private companies with a greatly broadened ownership base, and a democratic control structure.

At present, co-ops can be disadvantaged in their operations by certain provisions of the Co-op Societies Act. For example, a co-op cannot invest directly in a private company, nor can a venture capital company acquire part of the shares of a co-op. This makes it difficult for a co-op to enter into joint venture arrangements, but there are ways in which it can be done. The Act is now under revision, and the Registrar has asked the cooperative movement for advice on the position the new Act should take on a number of matters.

COOPERATIVE STRUCTURE

In some ways, the power structure within a co-op resembles a private company turned upside down. The ultimate power rests with the owner-members collectively, and all major decisions should therefore be referred to them for review and approval. The membership decides the aims and methods of operation of the co-op, and is entitled to periodically review the financial and other operations of the business. This is usually accomplished at an Annual General Meeting, but special membership meetings can be called by the members themselves under certain conditions.

The members, in turn, elect a Board of Directors from among themselves to handle the affairs of the co-op between membership meetings. The Board is responsible for translating the broad policy directions the members set into operational policies and activities, and for generally seeing that the co-op's operations are well run and financially sound.

To accomplish this, the Board will often create a number of Committees of Board to handle specific chores . . . a finance committee, a plant operations committee, etc. The Board should also provide general leadership to the organization, with Board members being solid members with a sense of responsibility and a willingness to serve at Board level on a volunteer basis.

To handle the day-to-day operations, the Board hires management, which in turn is responsible for the supervision of the workforce and the general operation of the co-op. The General Manager reports directly to the Board, and acts as a major source of information for the Directors. Management in turn hires the workforce, and is responsible for duties such as the scheduling of work, personnel hiring and firings.

3.0 EXISTING FISHERIES COOPERATIVES

There are now six fishery co-ops in Newfoundland and Labrador. The Fogo Island Fish Producers Cooperative, founded in December 1967, is the oldest, largest, and most successful of these. The Torngat Fish Producers Co-op, founded in December of 1980, serves some 400 members on the Northern Labrador Coast. In January 1984, some 80 fishermen from the Avalon Peninsula community of Petty Harbour formed the Petty Harbour Fishermen's Co-op, which is now completing its second season of operation. These three are the only active co-ops at present in the fishing sector.

There are, however, three other co-ops registered with the Registrar of Cooperatives, Cooperative Division, RAND. The Red Bay Fish Producers Co-op, formed in January 1982, is still not in full operation at this time, and it seems unlikely that they will be active this season. The Petite Forte Fish Producers Co-op, formed in September 1983, has been almost inactive since that time. The Upper Trinity South Co-op, incorporated in June 1982, is likely to ask the Registrar to cancel their registration in the immediate future.

While these three have not progressed as their founders might have envisioned, there is a great deal to be learned from these cases.

FOGO ISLAND FISH PRODUCERS COOPERATIVE

Founded in the mid 1960's, the Fogo Island Cooperative grew from a crisis faced by the island's 5000 residents. With the virtual collapse of the inshore fishery, the island had seen the major fishbuyers in the area cease operations. Fishery Products, the largest operator, removed their processing equipment to Twillingate, while the Fishermens Protective Union and Earle Brothers operations closed their doors. The island's fishermen were left with no place to sell their fish, and no source of fishery supplies.

The co-op's origins must be considered against the background of the mid-60's, when the provincial government was strongly supporting the resettlement of people from remote and island communities to so-called growth centres. With the inshore fishery in a state of collapse, welfare rates on Fogo Island were high, and the provincial government actively promoted resettlement as the final solution to the island's economic problems. Some Fogo residents, however, thought that the revitalization of the fishery was the answer, and the island had

the good fortune to attract the attention of the National Film Board's Challenge for Change Program and the assistance of MUN's Extension Service in resisting pressure to leave the island.

The formation of the co-op followed a series of public meetings in which residents defined their problems, and then devised the co-op as a possible solution. The co-op was to build larger vessels that could operate further offshore, diversify the species caught, and act as a buyer, processor, and marketer of the islanders' catch.

The co-op's history has been in many ways typical of the Newfoundland inshore processing sector, with the co-op having had several periods of crisis since its inception. The first came in the mid-1970's, when the virtual collapse of the groundfish industry created problems for a great many processors. The most recent came in 1982 when high inventory levels, combined with the capital costs of startup on a new crab operation, led the co-op to seek a short-term \$750,000 loan guarantee from the provincial government. Subsequently, DRIE assisted the cooperative in preparing a major review of its operations; a copy of this report may be available through DRIE.

In general terms, the cooperative has been successful, considering the resources they have had available and the

inexperience they have had to overcome. Today, the Fogo Island fishermen enjoy one of the best inshore based fisheries in the province, and are at least assured a sale for their catches, presuming it meets quality standards. The stability of fish sales and employment from year to year have made Fogo Island one of the most prosperous fishing areas in the province; this stands in sharp contrast to the high welfare and unemployment rates that characterized the area before the co-op was created.

The 1500 members have invested something approaching 1.5 million dollars in their enterprise through a system of payroll deductions that sees 5% of gross fish landings, earnings and wages invested in co-op shares. This relatively high degree of local equity results in considerable commitment to the co-op, as many islanders have more money invested than they can afford to lose.

Since the late 1970's, the co-op has diversified its range of products and species processed. The addition of a major fresh frozen groundfish operation at Joe Batt's Arm was followed two years ago with the opening of a crab processing plant, and both ventures have eased the problems caused by the co-op's dependence on salt fish processing. This season's delayed startup will have some impact, but the co-op expects to be able to continue to earn surpluses as it did in 1984.

TORNGAT FISH PRODUCERS COOPERATIVE

The province's most northerly fishermen's co-op was created in the early 1980's, partly as the result of activities of the Labrador Inuit Association's (LIA) Fishery Emergency Policy Committee. About the time the committee was investigating the issues affecting the northern coast's fishery problems, the Department of Fisheries and Oceans announced that a number of shrimp licences were being reserved for groups representing fishermen of the Labrador coast. The Torngat Co-op was formed to avail of one of these licences.

The licence is perhaps the key element in the co-op's operations, as it represents a regular source of income. The co-op could not reasonably be expected to buy a freezer-trawler for their shrimp operation, and hence have been permitted to lease their licence to other interests in return for a royalty on product caught. This revenue has enabled the co-op to operate a number of inherently uneconomic fisheries on the Northern Coast, with the intention of bringing substantial social and economic benefit to the people there.

Torngat's financial performance must be viewed in the context of the area in which they operate. The Northern coast, with its scattered population, short season, and vast areas is

one of the most challenging fishing environments in the province, and a number of private companies have been unable to operate profitably there. The co-op has attempted to maximize the socio-economic benefits to coastal residents, and this has sometimes been done at the expense of the co-op's financial bottom line.

The co-op has, however, been improving in several areas, and seems likely to continue doing so as it matures as a business. In the last three years, the Board and management have shown an increasing ability to make unpopular decisions affecting elements of the membership. The dropping of the north-of-Nain char operation and the curtailing of operations in several communities show the growing willingness to sacrifice the interests of one group for the benefit of the co-op as a whole.

The co-op has also benefitted greatly from a \$130,000, four-year co-op education and development program funded by a grant from the Canadian Donner Foundation. Through an arrangement with the Northern Institute of MUN, the co-op has been able to develop a customized Board and Membership Education Program that will let coastal residents exercise an increasing degree of knowledgeable control over their own enterprise. The materials developed are being made available to the provincial

cooperative movement as a basis for a producer co-op education package.

Another more nebulous benefit of the co-op's operations is the training the Board members have received. Given time, this evolution of a core of local people with an increased knowledge of cooperative business and greatly enhanced personal skills in areas as diverse as crisis management and business skills, will be of considerable value to the coast's six communities.

PETTY HARBOUR FISHERMENS CO-OP

The most recent fishermens co-op to start operation is the Petty Harbour Co-op, formed in spring 1983. Now in its second season of operation, the co-op grew from the year to year uncertainty faced by fishermen who were dependent on the existing operations for a sale of their catches.

The Petty Harbour co-op has just over 100 members, and is now in its second season of operation. Last season, the enterprise did reasonably well, turning a small profit in its first year. The co-op shipped fresh fillet to another Avalon Peninsula processor, and also sold smaller fish for surimi production. The co-op feels that they would have enjoyed a more successful season if the type of over-the-side sale vessel they

requested had been stationed there, rather than the much larger West German ship that finally turned up.

The most impressive characteristic of the new co-op is the support it has drawn from its members from the start. The co-op demanded that each member invest an initial \$500 in co-op shares as a condition of membership; the resulting initial share capital pool of \$45,000 was one of the keys to the co-op's getting a processing licence. The members have continued to support the co-op by delivering their catches to the co-op in the face of more lucrative offers from competing buyers.

This season, the co-op has added freezing facilities, with one blast and two plate freezers having a capacity of 80,000 pounds per day. The co-op is now producing mainly fresh frozen products, and reports that all their intended production is committed to various markets. A small amount of skin-on fillet is being shipped for surimi production.

The fishery in Petty Harbour, however, has been unusually slow this year, and the co-op says it is too early to tell if last season's surplus position will be repeated. They report that employment is down somewhat from last year's level, but that the membership has remained loyal and supportive despite the

difficult year. An additional 15 fishermen have become members of the Petty Harbour Co-op this year.

Since its inception, the co-op has been the focus of an unusually high degree of attention. Groups of inshore fishermen from around the Avalon Peninsula, frustrated with the uncertainty they have experienced in dealing with a number of inshore processing operations, have been in touch with the co-op and are following its progress with considerable interest.

The cooperative movement, finding itself with the first successful emerging fishing co-op to appear in years, is promoting Petty Harbour as a model other inshore communities may wish to study. Most recently, what was to have been a short clip in a National Film Board production has turned into a full half hour program on the co-op itself.

Much of the co-op's success can be attributed to two interrelated factors: the community cohesiveness that Petty Harbour exhibits, and the quality of local leadership that provided the impetus for the co-op. Fishermen in the area have traditionally acted together to seek mutual benefit, as is shown by their having the use of gillnets banned in their fishing area some years ago. Much of the credit for this attitude belongs to

a strong fishermen's committee, several of whose members are also key people in the co-op.

Credit is also due Tom Best for his personal contribution to the co-op. As the Petty Harbour Co-op's founding president, Tom's personal commitment and confidence in the enterprise have been vital to its rapid development. Several other Board members have also shown considerable ability, and the Petty Harbour Co-op has one of the strongest and most knowledgeable Board of Directors of any co-op in the province.

UPPER TRINITY SOUTH FISH PRODUCERS CO-OP

The Upper Trinity South Co-op offers a sharp contrast to the Petty Harbour Co-op, and those considering the formation of new fishing co-ops could learn a great deal from the mistakes made in Upper Trinity's case. The co-op grew out of the situation surrounding the Fur Farmers Co-op, which was under administration by the Cooperative Division of RAND for a number of years. The administrator (Charlie Reid) had been buying fish from crews in the Norman's Cove-Long Cove-Chapel Arm area for some years, and had managed to develop a profitable operation. As the co-op was under government administration, however, Reid was unable by the provisions of the Cooperative Societies Act to return any profits to the fishermen. The Registrar, Sam Kean, was aware that the

period of administration was to expire in 1986, and wished to offer the fishermen and plant workers an opportunity to acquire the facilities as a proper co-op if a method could be found to do so.

He approached the NLFC, asking that it, as the cooperative central, take a lead role in determining the interest area residents would have in establishing a new co-op. A series of public meetings was held to inform the fishermen and plant workers of the idea, and the co-op was eventually registered in 1982. The concept was to "twin" the Fur Farmers Co-op and the Upper Trinity Co-op, so that the fishermen and workers would be able to take over the Fur Farmers co-op in 1986 if they wished to do so.

The co-op didn't work, and will likely be de-registered shortly. Several factors worked against the enterprise from the start.

- 1) The idea wasn't local in origin, but came from the Registrar and the Managing Director of the NLFC. The co-op thus lacked any real commitment from the local fishermen and workers, whose main interest in the idea lay in getting control of the \$500,000 surplus that the Fur Farmers Co-op

had accumulated. Once it became obvious that this was not to happen, many lost interest.

- 2) There appears to be little cohesion among area fishermen, who don't have the background of working together that other areas show. Elements within the membership operated independently, often creating difficulties for the elected Board.
- 3) There was no substantial personal financial investment by the vast majority of members, despite the early establishment of a share purchase payroll deduction plan. The co-op therefore lacked any real source of operating capital, while the individual member had virtually nothing at stake.
- 4) The co-op lacked the aggressive leadership necessary to generate local support and commitment. The President, Elwood Newhook, did a good job of following up on suggestions and the like, but the Board as a whole was unable to generate any initiative and interest.
- 5) Despite the efforts of the Cooperative division and the NLFC, the quality of the co-op education and development work was questionable. The members never did show any

greatly increased understanding of the basic elements of cooperativism. This points to serious problems with the quantity and quality of cooperative education programs available for fishing co-ops.

- 6) The existence of the \$500,000 surplus in the Fur Farmers co-op was a key factor in the Upper Trinity co-op's failure. Despite the best efforts of the Registrar and the NLFC Managing Director to convince the group that the surplus was not to be turned over to them, they seemed unable to overcome the idea that all their problems would be solved if they were just given the money, and that nothing was of any use to them without it. It was perhaps unfair, or at least unrealistic, to expect them to act otherwise, but the existence of the surplus funds certainly greatly complicated the establishment process.

PETITE FORTE FISH PRODUCERS CO-OP

This co-op has been registered and incorporated, but has run into problems in getting operations started. The co-op hopes to be able to increase employment in the community by establishing a salt fish processing operation, but they presently lack a suitable facility for doing so. Applications for funding to construct such a facility have been submitted to various

community work programs, but have met with a negative response, as present government policy does not encourage the creation of more fish processing capacity.

The people of Petite Forte feel that their somewhat isolated location should have been taken into consideration when these decisions were taken. The people cannot commute to work elsewhere, and the community has virtually no other resources which can be used to create employment. The Registrar has agreed to let the inactive co-op retain its registration while they seek a resolution to this problem.

RED BAY FISH PRODUCERS CO-OP

The Red Bay Fish Producers Co-op formed around a wide community interest in developing a salt fish drying facility to process their catch. To date they have been able to construct a facility through the use of government grants and community work programs. The co-op plans have been hampered by the Department of Fisheries and Oceans which has expressed concerns regarding the project's feasibility.

The co-op recently commissioned a feasibility study of their proposed operation, and the NewLantic Group has now delivered their report to the co-op. While no information about the

results have yet been made public, those interested in the study's conclusions may be able to obtain a copy by contacting the co-op's President, Harold Ryan (920-2037) or secretary, Hazel Ryan (920-2065). The Red Bay people still seem determined to use the co-op to generate year-round employment in their community, despite the obstacles they have encountered.

4.0 COOPERATIVE SUPPORT

a) NEWFOUNDLAND-LABRADOR FEDERATION OF COOPERATIVES (NLFC)

BACKGROUND

The NLFC is a provincial cooperative central, created under the Regulations of the provincial Cooperative Societies Act. The organization has four specific areas of responsibility: education, communication, promotion, and development. Controlled by a ten person Board of Directors elected by delegates from the provincial cooperatives, both producer and retail, the NLFC has in the last three years shifted a great deal of emphasis from the provision of services to the existing co-ops to the stimulation of new cooperative enterprises, especially in the worker and producer cooperative field.

The NLFC has a paid staff of three, with an annual budget of approximately \$100,000. The staff consists of a Managing Director, an office secretary, and the NLFC recently added another staff position, a worker/producer co-op development specialist, to handle the demand for information, education and assistance in organizing such enterprises.

The NLFC has also organized a sub-committee of its Board of Directors, and other agencies, called the Co-op Research and Development Board (CRAD-B), in an attempt to involve a number of other organizations in the co-op development thrust. In addition, the recently created Newfoundland-Labrador Association of Fishery Producers Cooperatives is a sub-committee of the NLFC Board.

The NLFC's active membership consists of approximately 35 cooperative societies, of which 18 are consumer co-ops. Of the remaining members, three are fishery co-ops: Fogo, Torngat, and Petty Harbour. Two of the NLFC's directors are drawn from these co-ops; Don Best from Fogo, and Alex Saunders, the General Manager of the Torngat Co-op. While the majority of the board are consumer co-op representatives, the Board has been supportive of the concentration on worker/producer co-op development for the past three years.

The NLFC's determination to use revenue drawn from its consumer co-op membership base has caused some member organizations, and an element of Board, to question the Federation's wisdom in the course they have been pursuing. However, the work of the past three years was recognized and rewarded when the new Rural Development Subsidiary

Agreement II (RDSA II) was signed last fall. Besides clearly stating that cooperative enterprises are eligible for assistance under the RDSA II, the new agreement also made up to \$150,000 in direct funding to the NLFC available over the next four years to support the NLFC's worker-producer development work. This funding has enabled the Federation to hire the worker/producer specialist, and will also ensure that the NLFC maintains the current high priority on worker/producer cooperative development work.

To date, the general activity in relation to worker-producer co-op development has been rather scattergun in its approach. Until this spring, a lack of funds forced the NLFC to operate with just a Managing Director handling all developmental work, as well as being responsible for the ongoing duties of the position. This led to a number of problems in maintaining a consistent effort in working with various groups, and to losses of momentum when groups were unable to access NLFC help in a timely manner.

In general terms, the NLFC has concentrated on three areas of developmental activity: information dissemination, organizational assistance, and government lobbying at the provincial and national levels. The NLFC, in cooperation with the Newfoundland and Labrador Rural Development

Council, co-sponsored a major national conference on worker-producer cooperative development in spring 1984, with close to 200 delegates from Regional Development Associations, existing co-ops, and community groups attending. This conference has led to a number of contacts with rural organizations exposed to the employment co-op concept, and a check with the NLFC Managing Director shows that they are still getting requests generated by that event.

In addition, the staff has travelled extensively in rural areas in the last three years, attending meetings with groups interested in the concept of cooperative job creation. Communities contacted concerning interest in fishery co-ops include Port De Grave, Petite Forte, Upper Trinity South, Red Bay, Fermeuse, Grand Bank, Burin, Petty Harbour, Placentia, St. Brides, Mary's Harbour, Fortune, and Cartwright among others.

With the additional funding they have received, and the hiring of the full time development specialist, the NLFC is better prepared to answer requests for information and organizational assistance. The NLFC, however, is still unable to properly handle the full range of services proposed co-ops need. This deficiency is especially acute

in the area of business advice. Proposed co-ops need assistance in developing feasibility studies, financing and business development plans, and marketing strategies. The current NLFC staff is not equipped to handle these needs. It is unlikely that the NLFC will be able to generate enough additional internal funding to add staff for this purpose in the foreseeable future.

CO-OP RESEARCH AND DEVELOPMENT BOARD (CRAD-B)

This inability to fully meet all the existing needs of the present and emerging co-ops led the NLFC's Board, in May 1984, to create a sub-committee called the Cooperative Research and Development Board (CRAD-B). Involving eight organizations with the potential to have some role in co-op development work, the CRAD-B concept saw the group as a coordinating body that would have two key roles.

Firstly, the group would act as a research and lobbying agency, with the members coordinating efforts along these lines. Individual agencies would also act as information channels to their own constituencies, thus greatly broadening the range of people the NLFC could reach with its message about employment generating co-ops. The NLFC intends to use the group to deliver development assistance,

design and deliver employment co-op education programs, and generally supplement the NLFC's ability to meet the anticipated demand for services. The NLFC also hopes to have CRAD-B avoid duplication of effort, and thus reduce the potential for disputes between agencies over who should provide what services.

The second objective was to use CRAD-B as a mechanism for coordinated lobbying, with the individual agencies taking an active role in pressing for commonly defined objectives. The Board felt that this would greatly increase the cooperative movement's ability to influence government policy and programs regarding employment co-op development, and would also strengthen the image of the cooperative movement with the media and general public.

While the NLFC has supported the CRAD-B concept well, the group has had little impact to date, as it has spent much time grappling with the definition of its role, methods of operation, relationship to the NLFC Board, etc. Recent meetings, however, have been more productive, and it now seems that the CRAD-B will become active in the next few months. The potential for expanding the NLFC range of contacts, and reinforcing its ability to delivery services

to client groups, is enormous. A listing of the present membership of CRAD-B is to be found in Appendix I.

NFLD.-LABRADOR ASSOCIATION OF FISH PRODUCERS COOPERATIVES

The Association is actually a sub-committee of the NLFC's Board, and operates in a similar manner to the CRAD-B. The Association resulted from a seminar held in January 1985 by the NLFC for fish producer co-ops and community groups interested in the concept. The seminar was designed to give key people in the co-op fishery sector an opportunity to meet each other, share experiences, and define grounds for common action. Participants were able to compare operations for the past season, identify common obstacles to growth and development, create an informal network of senior Board and management personnel, and start the process of defining a cooperative fishery sector position on a number of issues.

At the seminar's conclusion, the three existing co-ops . . . Fogo, Torngat and Petty Harbour . . . formed the Association to continue the process the seminar had started.

Since that time, the group has formalized its structure, elected officers, and developed a list of objectives as follows:

- a) To increase contact between fishery co-ops.
- b) To act as a liaison with governments and government agencies on matters relating to fishery co-ops.
- c) To act as liaison with the Fishermens Union, FANL, etc., on behalf of the co-op fishery sector.
- d) To establish a long-term development plan for fishery co-ops.
- e) To promote and assist in the development of fishery co-ops in the province.
- f) To function as a committee of the NLFC and promote cooperativism as a vital part of fishery development strategy in the province.
- g) To enhance the ability of fishery co-ops to compete and survive within the industry, on an equal footing with private operators.

The items defined as priorities are listed below:

- Financing
- Education
- Media access.

- Public and government attitudes to cooperatives.
- Social vs. economic issues in fishery co-ops.
- Licencing policies.
- The glut problem/over-the-side sales issue.
- Restructuring: how co-ops could help restructure the inshore fishery.
- Other interest groups and development cooperatives.
- Mechanisms for more local input in policy and administration of fishery programs.
- Long-term funding.
- The Canadian Saltfish Corporation and its relationship to fishery co-ops.
- Co-ops and the Union.
- Resource allocation for cooperative planning.

The Association is now seeking limited funding under the RDSA II to assist it in its formative stages. A letter from the NLFC to the Regional Director General of the Department of Fisheries and Oceans in Newfoundland requests that the Association be used as the contact vehicle for information of interest to fishery co-ops. If the Association is able to function effectively, it will give fishery co-ops a much more coordinated approach to government and other agencies, and will also promote future

integration of the actual operations of existing and new co-ops.

PROPOSED CO-OP DEVELOPMENT FUND

In 1984, the Registrar of Cooperatives, in consultation with the cooperative movement in the province, decided the time had come for the Cooperative Division to recommend to the Minister that R.A.N.D. place the Newfoundland Fur Farmers Feed Cooperative of Dildo into receivership. The cooperative had come under administration by the Registrar of Cooperatives some 12 years earlier, when the collapse of the fur ranching industry in the Trinity South area had left the province with a considerable outstanding loan balance owed by the co-op.

When a co-op in Newfoundland is placed in receivership, the Registrar may appoint an administrator, who then holds and may exercise all the powers of the Board of Directors and membership. In the Fur Farmers Co-op case, the membership had deserted the co-op, and government initially hoped to recoup at least part of the loans owed them by running the Co-op's two million pound cold storage unit. A Mr. Charles Reid was appointed administrator, and ran the facility on a breakeven basis for several years. He later

installed a cutting line, and working in conjunction with Newfoundland Quick Freeze Ltd., who owned and operated a small inshore processing facility in the same building, managed over the years to accumulate a sizeable surplus of over \$500,000.

Late in 1973, the Registrar and administrator became increasingly concerned with attempts made by various parties to force the administrator to sign an agreement with a new operator of the former Newfoundland Quick Freeze facility that would have continued, and possibly accelerated, a trend of operating losses that would inevitably have drained the co-op's reserves. As these reserves represented funds held in trust by government for the cooperative movement, and there had been attempted interference in the administration process by the provincial Department of Fisheries, the administrator, the Registrar and the NLFC all recommended to the Minister of RAND that the Co-op be liquidated.

This has been done, and the surplus funds from liquidation which should total close to \$500,000, will shortly be available to the Registrar. According to the Cooperative Societies Act, these funds must be used for the purposes of cooperative development, and the NLFC has suggested the establishment of a Cooperative Development

Revolving Loan Fund with the proceeds of liquidation. This Fund would be used exclusively for the development of worker/producer co-ops in the province.

In very general terms, the NLFC concept calls for the establishment of a tri-party Board of Administration for the Fund, with the NLFC, the Credit Union Council of Newfoundland (CUCN), and RAND appointing equal numbers of representatives. This Board would establish guidelines for eligibility and determine the actual method of application, etc. The Board would also assess all applications for assistance, and decide which projects would be assisted through revolving, low interest loans. Starting with a capital pool of close to \$500,000, the cooperative movement plans to approach the provincial government for a 2:1 matching contribution, possibly in the form of a loan guarantee reserve. The Fund could thus conceivably have close to 1.5 million dollars available by Fall 1985.

b) GOVERNMENT OF NEWFOUNDLAND AND LABRADOR

DEPARTMENT OF RURAL, AGRICULTURAL AND NORTHERN DEVELOPMENT

(RAND)

Responsibility for cooperatives registered in Newfoundland and Labrador lies with the Cooperative Division of the Department of Rural, Agricultural and Northern Development. The Director, Sam Kean, is also the Registrar of Cooperatives, and is responsible for the administration of the Cooperative Societies Act, the main piece of legislation governing the cooperative movement in the province. The Division has two main areas of responsibility: the regulatory and supervisory role they have traditionally played, and the educational-promotional work that has become an increasingly important focus for their work.

In recent years, the provincial government has become much more supportive of cooperative enterprise than was previously the case. To some extent, this change in approach reflects the Registrar's personal commitment to and belief in the value of cooperative development, especially in the worker-producer co-op field. It also, however, stems from the provincial government's often stated policy of

encouraging the development of economic self-help groups. The provincial attitude, however, seems "spotty", as some departments, and key individuals within the provincial bureaucracy, are either indifferent or openly antagonistic to cooperative development.

R.A.N.D., however, has consistently been supportive of the NLFC's development efforts, and have shown their support in a number of ways. Their willingness to assist the NLFC in accessing funds under the RDSA II was instrumental in the NLFC's obtaining the core funding it now enjoys, and the staff of the Cooperative Division have worked closely with the NLFC and CUCN to promote cooperative development. In recent years, the Registrar has reclassified several of his inspector positions to those of development specialists, with individuals responsible for credit union development, housing co-ops, and education now on staff.

DEPARTMENT OF FISHERIES

The Department of Fisheries maintains a stated policy of treating co-ops equally with private enterprise, but in reality has been less than sympathetic in several cases. The appointment of a new Minister, however, may alleviate some of the difficulties experienced by co-ops in the past,

and it must be noted that certain officials of cooperatives have been less than diplomatic in their dealings with provincial fisheries. In summary, however, the Department of Fisheries attitude seems to be improving, and should not present any serious cooperative with insurmountable obstacles.

c) GOVERNMENT OF CANADA

DEPARTMENT OF REGIONAL AND INDUSTRIAL EXPANSION (DRIE)

The Department of Regional Industrial Expansion has a number of assistance programs which are available to fishery co-ops in Newfoundland and Labrador. Like other federal and provincial government departments which deal with the cooperative movement, DRIE seems to follow the practice of simply considering co-ops as businesses and deals with them on the same footing as is used with any incorporated enterprise. Each application for assistance is dealt with on its own merits, and is considered on the same basis as would a similar request for assistance from a private company.

Laurie Cashin, the Manager of Consumer Goods, Services and Resource processing with DRIE's Newfoundland office, has some personal experience with the provincial cooperative movement, as he served several years as the Managing Director of the NLFC's forerunner organization. In that time, Cashin played a key role in resolving the first of the Fogo Co-op's crises in the mid 1970's. He has subsequently become the usual contact for fish processing co-ops seeking assistance from DRIE.

DRIE recently assisted the Fogo Co-op in having a major review of the co-op's operations done by a private consulting company.

DEPARTMENT OF FISHERIES AND OCEANS (DFO)

To date, DFO, both nationally and in Newfoundland, dealt with cooperatives on a case-by-case basis. The general rule has been to treat co-ops on an equal basis with other fishing enterprises. In the Newfoundland Region, the Department has not identified any specific group to deal with cooperative issues nor has there been any attempt to build expertise in this area.

Fisheries cooperatives have benefited greatly from the Department's programs in Newfoundland. The Torngat Co-op was formed and its existence assured by an allocation of northern shrimp which generates up to \$500,000 annually in royalties. The Red Bay Co-op received over \$100,000 to buy equipment for its new saltfish drying plant. The Fogo Island Co-op has received help to upgrade facilities through the Department's various Job Creation Programs and some of the facilities operated by the co-op are owned by the Department.

The Department has found itself in dispute with co-ops on various occasions. These disputes have been based on contentions by the Department that proposals by co-ops are unfeasible and/or in contravention of the policy of limiting processing capacity expansion.

The report of the National Task Force on Cooperative Development, submitted in May, 1984, included a section on Fisheries Co-ops (Appendix II) and made four recommendations. Tom Poetschke of the Economic and Commercial Analysis Directorate is currently preparing a position paper in response to these recommendations.

d) **UNITED MARITIME FISHERMENS CO-OP (UMF)**

UMF is essentially a marketing oriented cooperative owned and controlled by a number of fishermen's co-ops in the Maritime provinces. The UMF also operates a number of processing operations of its own, and is active in new product development and market development work on its members behalf.

UMF has some history in Newfoundland, especially on the Great Northern Peninsula. Decades ago, UMF attempted to expand its operations, especially in lobster buying, into that part of the province, and met with some success for a number of years. More recently, however, their operations there have either closed completely, or continue to operate strictly as another buyer for lobster, with fishermen here not being members of UMF.

In the last two years, however, UMF has undergone a very considerable internal upheaval, following a financial crisis that saw the co-op go to the brink of insolvency. In the wake of a major shakeup at the senior management level, UMF was able to convince the Federal Government to assist them in restructuring, and is now apparently on a sound financial footing.

One of the persistent problems facing UMF, however, involves their product mix, which is now 75 to 80% shellfish. To offer major buyers the sort of "one stop shopping" they prefer, UMF needs a regular supply of high quality groundfish, and that's difficult to get in their present areas of operation. This led UMF to make a concerted effort to attract the Fogo Co-op as a possible member co-op, or to simply reach a marketing agreement with Fogo. This initiative did not succeed, for various reasons, but it is likely that UMF will continue to seek sources for groundfish in Newfoundland in the future.

UMF was helpful to the Petty Harbour Co-op in their formative stages, and was a key member of a cooperative consortium that looked at the possibility of submitting a bid for the Fur Farmers Co-op cold storage facility when it went into liquidation. The idea was to use the cold storage as a central storage point for the production of a number of small community fish producer co-ops on the Avalon Peninsula, with UMF then marketing the product. This did not materialize, but UMF is still interested in cooperative development here.

If there is any major development of small community based fishing co-ops in the next few years, as communities

respond to the difficulties that may occur if FPI starts their "economic rationalization" process, one of the first problems to be addressed will be that of coordinated marketing for small community based co-ops. Given UMF's desire for a supply of groundfish, it is probable that the UMF would be willing to market on behalf of these new enterprises, and might also be able to play a significant role in the development of the cooperative fishery sector in Newfoundland, using their existing member development and education personnel and programs.

5.0 COOPERATIVES: ADVANTAGES AND DISADVANTAGES

Any discussions of the relative merits of cooperative enterprises within the fishery seems to arouse considerable heat on both sides of the debate. Those who support the cooperative approach tend to see private companies as exploiters of the fishermen and plant workers, with little or no sense of responsibility for the well-being of the communities in which they operate. On the other hand, private investors see co-ops as inefficient, disorganized "socialist" operations, often heavily subsidized by government. The different business philosophies make a certain level of disagreement and misunderstanding unavoidable. This is unfortunate, as small companies and co-ops actually have a great deal in common.

ADVANTAGES

1) Community Owned

Co-ops are directly owned and operated by members of the community or communities in which the co-op is located. This local control enables the community to aim for maximum economic and social benefit from its operations. Private enterprise attempts to maximize profits, which can often lead to layoffs or closures that have a devastating impact

on the lives of those dependent on the enterprise for their livelihood.

If fishermen and plant workers have substantial personal financial investments in the cooperative, and know that their future depends on their own actions, they are often more interested and committed to the enterprise than would otherwise be the case. The "us-vs.-them" attitude that plagues relations between merchants and fishermen is removed, making for a smoother and more cohesive operation.

2) Reduced Personal Risk

The broad ownership base spreads the investment risk over a much greater number of people, and reduces the individual's risk accordingly. This removes a great deal of the pressure for a return on invested capital, as each member's share capital holding is small, and a failure to pay a return on capital invested is therefore not likely to be of any great importance to the individual member. The same operation in private hands is in a much different situation; the investors need a return on capital invested.

The above also makes it possible for co-ops to operate in marginal situations that would simply not be attractive

to private investors. This might enable a marginal co-op to stay open, or to ride out several bad seasons. The members may be willing to invest a substantial amount collectively, knowing that their return on investment will come in the form of a stable market for their fish and employment in the community.

3) Marketing

The relative smallness of many fishing co-ops makes it possible for them to target specific "niche" markets for their production that might not be attractive to the big companies. Access to much larger markets may be found through collective marketing arrangements like the UMF Co-op, if the local co-op has a sufficient volume of production to need this marketing assistance.

4) Support Organizations

Fishing co-ops may be able to access considerable developmental, organizational, and operational assistance through the regional, national and international cooperative networks. Assistance is available in the fields of co-op education, development, organization, marketing and representation at the local and national levels.

5) Leadership Development

The establishment of a co-op often encourages the development of an expanded pool of community leadership over a period of time. Those serving at Board or Committee levels within the co-op can greatly improve their business and other personal skills, which are then available to other community organizations.

6) Labour Relations

With fishermen and workers also being part owners of the enterprise, the potential for disruptions resulting from labour dissatisfaction is greatly reduced. The cooperative movement has been careful not to permit itself to be seen as an alternative to unionization in the fishery, as this would likely lead the Fishermen's Union to take action to protect their interests.

DISADVANTAGES

1) Underfinancing

Perhaps the most common failing of cooperatives is underfinancing. In developing new co-op enterprises, the

NLFC has found the inability of communities to provide sufficient capital was a major stumbling block to new cooperative enterprises in most cases. Inshore fishermen usually don't have sufficient personal capital reserves to invest heavily when a new co-op is formed, and fishermen often start considering the co-op option only when a plant has been closed for some time. This often means that they have little or no earnings in the season preceeding the formation of the co-op, and will have used the savings they had on hand. This situation should improve as the co-op becomes established, as a share purchase payroll deduction plan can be used to ensure that members have a continuing investment in their business. The establishment of the proposed co-op development fund may offer a new source of start-up funding, with members repaying the money advanced them in the first few years of operation.

2) Management

The quality of leadership and business skills available at the Board of Directors level varies greatly, but is often weak at the outset. The volunteer nature of the Board of Directors makes it difficult to insist that directors achieve a certain level of training before taking over

control of the enterprise, and many who are willing to serve lack the business and other skills that are needed.

3) Training Programs

There is no existing program in Newfoundland to train Board members of fishery co-ops. The Board training materials that do exist are almost all keyed to consumer co-ops, which have a totally different orientation and method of operation. The NLFC now has a worker/producer co-op development specialist on staff, and the Co-op Division of RAND has an educational development specialist; the need for fishery specific training material and programs, however, remains acute. The existing co-ops, like Fogo and Petty Harbour, have been willing to make their personnel available to communities considering the co-op option, and many emerging co-ops have been able to visit and study their operations. The need for special Board training in business skills, management systems, financial control systems and the like remains a top priority in any major fishery cooperative development thrust.

4) Member Support

While the co-op's membership should in theory be fully supportive of their own enterprise, this isn't always the case. Again, the lack of readily available and acceptable cooperative education and development programs makes it difficult for members to understand their role and responsibilities within the co-op, and the resulting misunderstanding, indifference and apathy can have negative impacts on the enterprise.

5) Government Commitment

There is a perceived lack of real commitment to the cooperative option by both levels of government. In the Kirby report, co-ops aren't mentioned as a possible alternative method of revitalization for the fishery. The provincial government, through RAND, has been supportive of fishery co-op development, but the provincial Department of Fisheries have sometimes been less than helpful to new cooperative enterprises.

6) Private Industry

The mainstream fishing industry in the province exhibits a considerable hostility towards cooperative enterprises. Part of this can be attributed to the natural outcome of competition, but there is little doubt that private corporations, especially small ones, see co-ops as a potential threat not only to individual companies but to the structure of the inshore fishery as it now exists. This has led to a variety of problems, ranging from unfair or unethical competition for raw materials to campaigns of outright slander.

7) Management Authority

Given the democratic nature of co-ops, management can find itself in a considerably different position than it enjoys in private industry. There is much more opportunity for the membership to question the stewardship of managers, and management must also deal daily with a Board of Directors who are directly responsible to the members. As decisions taken by management may adversely effect some members, management may find itself being criticised by those who feel they are disadvantaged. Until recently, co-ops often compounded the problem of recruiting and

retaining top quality management by trying to economize on management salaries and benefit packages.

8) Marketing

Marketing can present problems to small co-ops who lack the resources and skills to sell their production in the increasingly competitive marketplace. Arrangements with organizations like UMF can help resolve this problem for co-ops who don't want to go it alone in marketing.

9) Internal Politics

Finally, the membership, may, at times, split into factions, with various interest groups within the co-op vying for control or special treatment. This friction can lead to internal disorganization, the loss by resignation of part of the Board or management team, or personal antagonisms that divide the membership. Such problems weaken the operation, as time and energy that should be spent on the development of the enterprise must be devoted to resolving the conflict. In certain cases, members dissatisfied with the operation may retaliate by landing their catch elsewhere, as has happened with Fogo's crab operation.

The democratic nature of cooperatives, while recognized as one of the vital strengths of the cooperative approach, can also be considered a potential weakness. Democracy may be recognized as the most beneficial form of government, but it's not necessarily the most efficient form of control for a business enterprise. The danger exists that business decisions may be decided on a "political" basis; that is, decisions may become a choice between two groups of people, with likes and dislikes of the individuals involved overriding hard business facts. In general, however, the existing co-ops find that this is not a major problem in their operations; people have a way of behaving in a rational manner when their livelihoods are at stake.

6.0 PRECURSORS FOR SUCCESS

In dealing with emerging co-ops, it is impossible to predict which will fail and which will succeed. There are, however, a number of characteristics that auger well for a new co-op's future.

- 1) A clear and demonstrated need for the services the co-op will provide should exist, and be well understood by the potential members.
- 2) There should be some level of local commitment, even at the earliest stages, to the idea of collective action to resolve the problem facing the community.
- 3) The proposed enterprise must be shown to be a viable business entity in its own right. Co-ops are not able to make an inherently uneconomic enterprise a success; there must be sufficient raw material resources available, there must be sufficient working capital invested or available, and both labour and markets must be forthcoming.
- 4) Communities considering co-op enterprises may have a better chance of success if the community shows a history of common action. One useful gauge is the operation of the local

fishermens committee; a place with a cohesive, aggressive and dynamic fishermens group, is more likely to do well with a co-op than a group that has shown itself unable to work together for mutual benefit.

- 5) It is not desirable to have people form co-ops as a "last desperate resort", although this sort of back-to-the-wall motivation has worked in the past.
- 6) The co-op should ideally be developed within the community over a period of time, rather than being formed in reaction to the urgings of civil servants, co-op organizers or other outsiders responding to a crisis. The Petty Harbour Co-op was under active consideration for some two years before steps toward incorporation were considered; the members therefore had a clear idea of what they wanted the co-op to do, and what they individually should be prepared to commit to the venture.
- 7) Members should have substantial personal investments in the co-op, and provision should be made to continue the raising of share and loan capital from members. For most fishing co-ops, personal investments in excess of \$1000 within a year should be encouraged; a long-term commitment of \$5000

per member raised through a share purchase payroll deduction plan, is not an unrealistic goal.

- 8) New co-ops should take an active part in co-op movement activities in the province, as this gives the members valuable exposure to the experience of other cooperators. Study tours, regional NLFC meetings and special seminars can add a great deal to the understanding and skills of members of co-ops, especially at the Board of Directors level.
- 9) The emerging co-op should take full advantage of the services offered by the NLFC, UMF, RAND and other sources of organizational assistance.
- 10) Emerging co-ops should make every effort to obtain the support and assistance of the Fishermens Union early in their organizational efforts, especially if the facility they wish to operate is presently unionized.

APPENDIX I

(1) NLFC Board of Directors Members

(2) Executive Committees of the Fishery Producer Cooperatives

(3) Co-op Research and Development Board

NEWFOUNDLAND-LABERADOR FEDERATION OF COOPERATIVES
BOARD OF DIRECTOR MEMBERS
1985/86

D. R. Templeman
President
P.O. Box 9534, Station B
St. John's, Nfld.
A1A 2Y4
Res. # 753-6057

Mr. William Browne
26 Junction Road
Grand Falls, Nfld.
A2A 1K4
Res. # 489-4489

Mr. Norman Warren
P.O. Box 561
Clareville, Nfld.
A0E 1J0
Res. # 466-2390

Mr. George Campbell
5 Woodford Drive
Mount Pearl, Nfld.
A1N 2R6
Res. # 364-1298
Bus. # 737-6201

Mr. Ken Kavanagh
P.O. Box 969
Bell Island, Nfld.
A0A 4H0
Res. # 488-2221

Mr. Jerome Delaney
Vice President
14 Laurel Drive
Stephenville, Nfld.
A2N 2A3
Res. # 643-2685

Mr. George Lawrence
Secretary
St. John's, Nfld.
A1E 2C5
Res. # 368-0398

Mr. Lloyd Buffett
101 Goodyear Avenue
Grand Falls, Nfld.
A2A 1J5
Res. # 489-5280

Mr. Donald Best
Fogo Island, Nfld.
A0G 2B0
Res. # 266-2555

Alex Saunders
Torngat Co-op
Goose Bay, Nfld.
Res. # 896-3183
Bus. # 896-3992

EXECUTIVE COMMITTEES OF THE FISHERY PRODUCER CO-OPERATIVES

FOGO CO-OP

President: Bernadette Dwyer
Tilting, Fogo
AOG 4H0
Phone #'s B - 658-3677
H - 658-7212
Vice President:
Don Best
Fogo, Fogo Island
Phone: 266-2555
Secretary:
Wayne Cull
Shoal Bay,
Fogo Island
Phone: 658-7341

PETTY HARBOUR

President: Tom Best
Petty Harbour
Phone: 368-0922
Vice President:
George Lee
Elizabeth Ave.
Phone: 726-3730 (H)
Treasurer:
Haniff Madakia
Toronto Street
Phone: 753-6684
Secretary:
Mike Hearn
Petty Harbour
Phone: 368-7624

RED BAY

President: Harold Ryan
Phone: 902-2037
Vice President:
Cyril Yetman
Phone: 902-2088
Secretary:
Hazel Yetman
Phone: 902-2065

TORNGAT

President: Henry Broomfield
Rigolet, Lab.
Phone: 947-3308
Vice President:
Abe Flowers
Makrovik
Phone: 923-2271
Secretary-Treasurer:
Phil Seddore
Davids Inlet
Phone: 478-8846

THE COOPERATIVE RESEARCH AND DEVELOPMENT BOARD

The eight groups invited to join the CRAD-B and their appointees are: NLFC - two seats; D. R. Templeman, President; Glen Fitzpatrick, Managing Director; NEWFOUNDLAND AND LABRADOR RURAL DEVELOPMENT COUNCIL - two seats; Gerald Smith, President; Tony Collins, Executive Director; OXFAM - Jane Robinson; RAND - Robert Thompson, Director of Research and Analysis; NFFAWU - Fr. Des McGrath, replaced by Earle McCurdy; CREDIT UNION COUNCIL - Mel Strong, Manager; MUN EXTENSION - Dave Curran, Director, Field Services; U.C. CHURCH - Joanne Cag, Community and Resource Development Officer; and R. F. Hayes, Co-chairman (former NLFC staff member).

The remaining five positions on the 15 seat Board are to be filled by appointment of the 10 NLFC appointed CRAD-B members. To date, these five additional seats have not been filled, but it is likely that several members will be added shortly, with one representative of the Petty Harbour Co-op being among those invited to join.

APPENDIX II

**EXERPT FROM THE "REPORT OF THE NATIONAL
TASK FORCE ON COOPERATIVE DEVELOPMENT"**

**FISHERIES CO-OPERATIVES:
THE OVERLOOKED OPPORTUNITY**

Bordered by two oceans, Canada is enormously rich in fisheries resources. We are the world's leading exporter of fish, selling more than a billion dollars worth in 1981. Although the fisheries industry accounts for something less than one percent of Canada's overall Gross National Product, it is, nevertheless, extremely important to Canada - and critical to the many regions, ports and communities along our shorelines. In many towns and villages along Canada's coasts, people depend entirely on the fisheries industry for economic survival and the preservation of a way of life.

The pitfalls in the fisheries industry are many and well-publicized. The demand for fish on world markets is subject to wild swings, fueled by international economic and supply considerations. Local harvests are affected by weather, resource management practices, and by the local catch of foreign competitors. Depressed regional economies make capital formation a formidable task. But it is under these conditions that co-operation often thrives. There are over 80 fisheries co-operatives in Canada, with at least 12,000 members. Close to 50 fisheries co-ops are operating along the East Coast - thirty of them united in a marketing/processing federation, the United Maritime Fishermen's Co-op. Most Newfoundland fisheries co-ops also belong to the Newfoundland-Labrador Federation of Co-operatives, which actively supports co-operative fisheries development throughout that province. On the West Coast there are over 20 fisheries co-ops, the largest of which - Prince Rupert Fishermen's Co-op - reported sales of over \$52 million in 1983.

People join together to form fisheries co-operatives for many reasons. They need to pool the resources required for costly storage and processing facilities. They need sales and marketing clout to compete with large corporate producers. But most of all, these people share a deep commitment to their communities and to their chosen way of life, and they see co-operation as the best way to protect both. Fisheries co-ops are not governed by the needs of capital; they are governed by the needs of people. Certainly, fisheries co-ops exist to maximize the economic returns to their owners, but the co-op will not close down or move in response to a low

rate of return on capital relative to other industries or to other regions of Canada. Thus, fisheries co-ops serve as stabilizing organizations in highly uncertain regional economic environments. Prince Rupert Fishermen's Co-op has developed a unique co-operative system which effectively combines the fisheries co-operative with a credit union and a co-operative store. This system has very successfully protected the fishermen and the community from major economic shifts and shocks for many years.

Fisheries co-ops are also very attractive organizations from a public policy perspective. They are ideal vehicles for regional development - encouraging an industry that makes sense for Canada's coastal regions, promoting local ownership and control, and providing a commitment to development over the long haul. Equally important, fisheries co-ops can also be highly efficient organizations garnering the necessary member commitment and participation to effectively minimize costs.

For all of these reasons, we believe that co-ops are particularly well-suited to assist in addressing the enormous challenges facing the Canadian fisheries industry. Resource management and fleet rationalization have emerged as key concerns on the West Coast. Profitability pressures have affected the entire industry, acquiring crisis proportions in Eastern Canada - the profitability spiral in 1981-82 saw declining prices and demand for fish, increasing costs, and stockpiles of inventory to be financed at record high interest rates. The Québec fisheries industry has faced similar problems.

Throughout this difficult time fisheries co-ops have been hanging tough across the country, relying on member support and accumulated reserves to weather the storm. Some have not made it - Pêcheurs Unis, Québec's largest fisheries co-op, failed in 1983. But overall, fisheries co-ops have found ways to survive with little or no government assistance.

Non-co-operative fisheries businesses have not all fared as well. Many of these companies have shut down parts or all of their operations -

wreaking economic havoc in many communities. Many other businesses have survived only with substantial government financial assistance - witness the recent \$200 million aid package to National Sea Products of Halifax.

Fisheries co-ops face the same competitive and profitability pressures that characterize the entire East Coast fisheries industry, and they intend to continue to meet the challenges of the local and international market place. They are concerned, however, about unfair competition resulting from massive government subsidization of some private sector businesses. Co-operators in the fisheries industry worry about being shut out of an intensely competitive market because they cannot use subsidies to lower their selling prices. We therefore recommend that:

Recommendation #19

The federal government should assure that fisheries co-operatives and private producers receive similar financial treatment, recognizing that co-operatives can be severely injured by unfair competition.

Including Co-ops
in National Initiatives

The problem of unequal financial treatment for different types of organizations in the fisheries industry is perhaps symptomatic of a lack of federal government understanding and contact with parts of the fisheries co-op sector. Other examples also illustrate this problem. Responding to the difficulties of the 1980s facing the Atlantic fisheries industry, the federal government appointed a study group headed by Michael Kirby to propose solutions for the industry's problems. While such an initiative was praised by all those concerned about the future of the Atlantic fisheries, co-operators were disturbed that the Task Force did not include any representatives of the Atlantic fisheries co-ops. Unfortunately, the study completely ignored co-ops and their important role in the Atlantic fisheries industry. In overlooking co-ops, the Kirby Report proceeded to recommend the establishment of a regional fish marketing board which would, if

implemented, threaten the very existence of an existing co-op organization performing a similar role, the United Maritime Fishermen's Co-op. Similar misunderstandings and ignorance of the role of co-operatives are evident in the report of the Commission on Pacific Fisheries Policy (Pearse Report).

Co-operators in the fisheries industry believe that effective co-op representation within the federal Department of Fisheries and Oceans would go a long way to improving communications and understanding between fisheries co-ops and the federal government, and would also constitute a valuable resource group within the Department that would be aware of the unique nature and needs of co-ops. We therefore recommend that:

Recommendation #20

The federal government should establish a central division within the Department of Fisheries and Oceans to represent and serve fisheries co-ops, and to enhance their visibility within the Department.

Developing Fisheries
Co-operatives

Although there is a tendency to concentrate on the problems facing the Canadian fisheries industry, there is also an enormous opportunity to maximize the benefits to Canadians of our abundant fisheries resources. But enhanced development of the Canadian fisheries industry will require significant capital investment; storage facilities and processing equipment are particularly costly. Fisheries co-ops satisfy these capital requirements by pooling the resources of their members, often by retaining a portion of the fish producer's revenue for a certain period of time. Co-op members support this capital formation model and are very willing to invest part of their current income in the future of the co-op. However, the co-op member must pay income tax on this investment as if it were received as cash -

imposing a significant limit to and disincentive for greater investment in the co-op. Recognizing the unique capital formation needs in the fisheries sector, we therefore recommend that:

Recommendation #21

Taxation of capital deductions from fisheries co-op member revenues should be deferred until the revenue is received by the members in cash.

This measure would greatly contribute to needed capital formation in fisheries co-ops relieving co-op members of paying income taxes on revenues that have not yet been received.

We believe that co-ops on the East Coast can play a central role in fulfilling the promise of a strong regional fisheries industry through the development of successful new co-operative businesses. Each year, the United Maritime Fishermen's Co-op (UMF) and the Newfoundland-Labrador Federation of Co-operatives (NLFC) receive many requests for technical and financial advice from small co-ops and groups of fishermen interested in forming co-operatives. While UMF and NLFC have the co-operative and business know-how to help these groups, they unfortunately do not have either the financial or human resources necessary to assist as many as they would like. We believe that a little seed capital from the federal government in this area would provide enormous returns in regional development of the fisheries industry. We therefore recommend that:

Recommendation #22

The federal government should endorse the request of the Maritime fisheries co-ops that a technical resource group, jointly funded by the government and the co-operative fisheries sector, be formed to help the emergence of new fisheries co-ops, provide co-ops with technical management support, and train and educate members. A similar program could be set up in Québec or Québec fishermen could collaborate with the Maritime regional resource group. Funding should also be given to the Newfoundland-Labrador Federation of Co-operatives to make similar assistance available in that province.

Finally, we would like to emphasize yet again that the development of the co-operative fisheries sector is a proven means of locally directed economic development. Despite spending vast sums of money, centrally administered programs of regional economic development in the fisheries industry have not been effective over the long haul. To be successful, regional development has to involve the leadership, commitment and participation of local people with an economic stake in their businesses and their community. Co-ops provide that kind of model.

HOUSING CO-OPERATIVES:
A PLURALISTIC ALTERNATIVE

Co-operative efforts by Canadians to provide each other with housing have a long history. The first co-operatives involved in providing housing were in Cape Breton in the 1930s. These were building co-operatives where individuals worked together to build each other's homes, purchased materials and supplies as a group, but assumed individual ownership upon completion. High land costs, high interest rates, the growth of a large scale building industry, and rapid urbanization stalled the development of such co-ops in the post-war era. But the search for other models of co-operative housing continued.