

MODULE # 2

**CO-OPERATIVES & THE COMMUNITY DEVELOPMENT
PROCESS**

Newfoundland-Labrador Federation of Co-operatives

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1.0 Co-operation and Community Development

For nearly 400 years, the history of Newfoundland and Labrador, particularly in rural areas, was one marked by the dominance of wealthy merchants who treated everyone else in the province like indentured servants, particularly those involved in the fishery. The beginning of a new era of community engagement in addressing social and economic ills began in the late 1800's through the leadership of visionaries such as Sir Richard Grenfell, who was instrumental in mobilizing people in northern Newfoundland and Labrador to form the province's first co-operatives.

Ironically, despite the influence exercised by the "fishing admirals", one can argue that a true spirit of co-operation and community development, though informal, has always been a trait of those who inhabit this province. How else could people survive in isolated communities without the help of family and friends to build and sustain their homes and communities?

These informal efforts and community actions have since evolved into more formal processes we now call Community Development, Community Economic Development and Co-operative Enterprise Development. Although similar in many respects, each of these processes has its own unique characteristics. A review of the definitions of these processes will provide us with a broader understanding of what each brings to the development of our communities in Newfoundland and Labrador.

1.1 Co-operative Development

In Module 1, we provided the definition of a co-operative as stated by the International Co-operative Alliance in its September 1995 Statement of Identity:

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

Additionally, a 1992 Federal Task Force Report entitled "Climate for Co-operative Community Development" provides a very apt description of the relationship between co-operatives and community development.

"Co-operatives are fundamentally a form of community development. For decades, co-operatives have arisen where other institutions – investor-owned businesses, governments – left a deficiency. Although co-operatives are economic institutions, this is only the tip of the iceberg. The process of developing and sustaining a co-operative involves, in miniature, the processes of developing and sustaining community spirit, identity, and social organization. This grassroots orientation is a reflection of local people taking the initiative to understand the problems they face and to develop solutions."

A co-operative, then, is a legally incorporated enterprise or business that is owned and democratically controlled (one member, one vote) by a group of people who seek to satisfy a common need (access to products or services, sale of their products or services, etc.). It is a business structure used by a group of people to satisfy both social and economic goals.

There are no restrictions on the type of activities in which a co-operative venture can engage. In fact, the co-operative model is utilized in all types of economic activities from providing health care services to funeral services. Co-ops provide a wide range of products from food to recreational equipment. They exist in the more traditional sectors like fisheries and agriculture, as well as the more contemporary sectors such as energy and eco-tourism.

1.2 Community Development

Community development concepts have existed since the late 1700's when the renowned social thinker Robert Owen worked for the betterment of working class people during England's industrial revolution. It had its beginnings in Newfoundland and Labrador during the late 1800's when Sir Wilfred Grenfell helped organize the people in isolated outport communities to provide economic and social services for themselves.

Community development has been the subject of extensive study and its concepts and principles have evolved over the years. The following is a definition taken from the 1995 provincial Task Force Report "Community Matters: The New Regional Economic Development".

"Community development is the collective process by which residents and communities become responsible for, organize for, empower themselves, plan for and achieve sustainable social, economic, and environmental development and a substantially self-directed future."

Community development, then, is about a collaborative and facilitated process that is long term and well planned. It is concerned with all aspects of community life and about the sustainable development of all the community's resources. It is all about people being empowered and participating in planning the future of their community. It is about building consensus and taking collective action. Its guiding principles include equality, justice, respect, inclusiveness, accountability and its goal is to improve the quality of life for everyone in the community.

1.3 Community Economic Development

Community economic development (CED) is closely related to community development. CED is fundamentally a process where people work together to improve and solidify the economy of their communities. As with community development, community economic development is based on collective action and integration of the social, cultural and environmental aspects of community life. A critical difference is that the CED process is

driven by economic goals. The Community Matters Task Force Report describes it as follows:

“Community Economic Development is a process which focuses on wealth creation, job creation, value-added activities, business and co-operative development, and enhanced viability for the community, the region and the province.”

In a paper titled “Building a CED Movement in Canada”, David Bruce describes what he considers to be essential features of an effective CED process. He noted that CED:

- Engages in a process guided by strategic planning and analysis;
- Strengthens community ownership and creates community equity;
- Seeks to build human resources (leadership development, literacy and pre-employment supports, skills development, entrepreneurial development, etc.);
- Contributes to local capacity building through planning, research, advocacy, strategic networking and partnership development;
- Empowers a broad range of community residents for the governance of the CED organization and for the community as a whole and;
- Utilizes a sound, business-like financial management approach.

1.4 Common Principles and Goals

As can be seen in the previous descriptions, co-operative enterprises and community development organizations all focus on meeting the needs of the communities they serve. Although they may take different approaches to meeting these needs, they share the following characteristics:

A “bottom up” approach to development which ensures that there is community engagement in the project planning and implementation process. Like other community development processes the establishment of a co-operative is not an imposed decision that materializes overnight. The decision to form a co-operative is made by the residents of a community in a democratic manner. It involves them in adult education, field work, action research, citizen’s committees and public forums. The process requires them to take part in collective decision making and to work together to meet community goals.

Community engagement and control are common elements of community and co-operative development processes. The democratic election of local boards of directors is a key component of the governance of community development agencies and co-operative enterprises. They also regularly engage in public consultations to ensure they are reflecting local viewpoints and addressing local concerns. Co-op members vote on decisions that impact the ongoing financial viability of their business and its capacity to deliver the services they require. They are therefore the ultimate decision makers regarding how their co-op goes about meeting their individual needs and those of their community.

Building community capacity results from the work of co-operatives and community development agencies at the local level. Both engage individuals in training and experiential learning activities that enhance their effectiveness in guiding the development of their communities. These activities include participation in local organizations such as municipal councils, zone boards, co-operatives and industry associations. Such networks of skilled and committed individuals, many of whom are volunteers, are an invaluable asset that is fundamental to the community development process. Both co-ops and community development organizations lead the development of such networks through public consultation and education and by playing a leadership role in the communities they serve.

1.5 What Co-ops Bring to the Process

Clearly, there are strong linkages between co-operative development, community development and community economic development. They share many of the same principles and values. They employ many of the same strategies and tactics, and share common goals and objectives. But co-ops also bring a number of unique attributes to the community development process that complement the work of other agencies and help them achieve their goals.

Co-operatives add a unique dimension to the community development process by engaging local people in the collective ownership of business ventures that are serving the needs of their communities. The operation of a business is not normally seen as a role for other community development organizations such as zone boards, municipal councils and industry associations. Co-op development is therefore an important addition to the work of these agencies, by extending community development principles and practices into the business sector.

For this reason, a co-op enterprise is often the preferred business model for community development organizations that are undertaking initiatives intended for future commercialization. Co-ops have a long history of assisting local people to establish collectively owned community enterprises in Newfoundland and Labrador. Today, agencies such as the Newfoundland-Labrador Federation of Co-operatives (NLFC), the provincial Department of Innovation, Trade and Rural Development (INTRD) and the Newfoundland and Labrador Regional Economic Development Association (NLREDA) are working together to support co-op development in the province as an integral component of the community development process.

2.0 Co-op Development in Newfoundland and Labrador

For over 100 years the people of Newfoundland and Labrador have been establishing co-operatives to meet their economic and social needs. This process has been complemented in recent years by the establishment of community development organizations that have made an important contribution to the co-op development process. Organizations like the former Memorial University Extension Service, the province's regional network of development associations and more recently, a network of regional economic zone boards

have played a key role in many new co-op start-ups. A review of the history of co-op development in the province demonstrates the importance of this relationship.

2.1 A History of Meeting Community Needs

Prior to the emergence of community development organizations as we know them today, co-operatives were a primary force in helping communities organize themselves to improve their economic and social circumstances. The first co-ops were established in communities along the northwest coast of the province, starting with co-ops in St. Anthony and Red Bay, initiated by Sir Wilfred Grenfell in the late 1800's and continuing in the early part of the 20th century.

Challenges which precipitated the formation of co-ops during this time were chronic poverty amongst many of the population; lack of local services (financial, retail etc.); lack of stable employment; and the inability of local people to have any influence in the development of their communities. During the first half of the 20th century hundreds of co-ops and credit unions were formed in communities across the province. For many the local co-op was the only organization that was engaged in the community development process, as we know it today.

The changing nature of this province's society, during the 1950's and '60's also brought changes to the co-op business sector. Economic and social conditions improved as government enhanced public services. This period also witnessed the rise of the provinces community development movement, with the establishment of a network of new regional development associations. Memorial University's Extension Service was also established and it played a key role in the process, supporting the establishment of co-operatives and community development agencies in communities across Newfoundland and Labrador.

During these years difficulties associated with community isolation also diminished as resettlement was taking place. New road construction was also taking place, precipitating the emergence of new "growth centres", providing improved community services. As a result the need for small local co-ops lessened and their numbers diminished. However, co-ops and credit unions continued to be formed as people adapted the model to meet their changing needs. The Fogo Island Fisheries Co-op, for example, was formed in the 1960's by local residents who refused to be resettled but recognized that they would have to develop a local fishing industry themselves if they were going to stay. As a result Fogo Island was never resettled and their fisheries co-op remains in operation to this day.

In recent years service requirements have continued to evolve and co-ops have continued to be formed to meet the needs of their members. More fishery co-ops were established in the 1970's and '80's in response to the ground fish moratorium and the need for fishermen and plant workers to have more control over their working conditions. New housing co-ops were established. New credit unions, such as the Eagle River Credit Union, were formed because of the loss of financial services in some regions of the province. Some older co-ops adapted their services to meet the changing community

needs. A former retail co-op in Springdale restructured itself to become a community development co-op, providing an entirely different type of service for the local membership.

2.2 Co-ops and Community Development Today

Today approximately 100 co-ops provide services for their members in a variety of business sectors, across the province. The province's changing demographic continues to present new opportunities for application of the co-op model. Downturns in our traditional industries such as the fishery, forestry and agriculture sectors have created a need for new approaches to future development. Increasing interest is being expressed in the co-operative business alternative as a means of responding to these opportunities and to others that are emerging in sectors such as fur farming and blueberry production.

Co-ops therefore, are very much a part of the community development network in this province. However, as previously mentioned, co-ops are different from other community development agencies. They are businesses, structured to provide direct benefits to member/owners, who have invested in the enterprise. Although co-ops may address broader industry issues, lobby government on political issues, and perform other advocacy functions, this is not their primary function. The co-op's primary goal is to successfully operate a local business which provides quality services for its members.

Industry associations and other development agencies often lead the formation of new co-ops to pursue specific business activities. For example tourism operators may be members of local tourism associations, but also members of a co-op that markets their specific business services. A zone board may be a partner in the establishment of a credit union to ensure provision of local financial services. Co-ops provide a model by which new economic and social initiatives, undertaken by community development agencies, can be commercialized and become self-sustaining enterprises, while remaining locally owned and controlled by the communities they serve.

2.3 Provincial Co-op Profiles

Today new co-ops are being established within a community development framework that consists of municipal councils, development associations, zone boards, industry associations, community business development centres, community development corporations and government development agencies. This framework is ideally suited to support an enhanced focus on the co-op business model, as a means of developing local economic opportunities and providing cost effective community services.

There are numerous examples of co-operatives in Newfoundland and Labrador that have emerged from community development initiatives. Many were established through community-led development processes. Some of these include:

- The **Eagle River Credit Union**, established through the leadership of the Fishermen's Union Shrimp Company and a number of other regional development

agencies, to provide necessary financial services in Southern Labrador after the local bank pulled out of the region.

- Establishment of the **Blueberry Industry Co-op** was led by the Gambo-Indian Bay Development Association. The Association and a number of economic zone boards became founding members of the co-op when it was incorporated in 2003.
- The **Berry Bistro Co-op**, a worker owned co-op, was established in 2009 with the support of the Town of Tilting Municipal Council. The co-op provides local catering services and generates its revenue from a growing seasonal tourist trade.
- The Random North Regional Development Association is assisting with the establishment of a **Mink Pelting Co-op** so that mink farmers will have greater control over the processing and marketing of their products.
- The **Extension Community Development Co-op** was established to provide technical advice and support services for local development agencies, to assist them with the development and delivery of programs and services.
- The **Advocate Youth Services Co-operative** was established through leadership and support of the Baie Verte Consumer's Co-op and other development agencies, including the NLFC and INTRD.

2.4 Building Co-op Development Partnerships

The complementary relationship between co-ops and community development agencies adds an important dimension to economic and social development in the province. New opportunities exist for community development agencies to lead the co-op development process to commercialize local projects so that they will be controlled by the community and self sustaining over the long term. Such opportunities are presenting themselves due to the changing dynamics of rural communities. New approaches to the delivery of local services are evolving. Local economies are also changing particularly in such industry sectors as tourism and agriculture.

However, use of the co-op business model to develop these opportunities requires that community development practitioners understand how co-ops work. They need to understand when an opportunity for development may be best pursued using the co-op business model; how a co-operative is developed; the benefits that co-ops can provide for the community; and the roles and responsibilities of co-op members. It is also important to develop an understanding of how co-ops differ from private sector business and what makes co-ops different from non-profit organizations.

3.0 Co-operatives: A Unique Business Model

Co-op development is an important aspect of the community development process. It therefore benefits other community development agencies to understand how the co-op business model can help them to address their economic and social objectives. Co-ops

make a unique contribution to community development which builds on the work that is undertaken by non-profit community development organizations. The following are the unique features of co-operatives that make them an ideal tool for moving regional initiatives beyond the developmental stages, to becoming self-sufficient, community owned enterprises.

3.1 Co-ops are Businesses

Co-operatives are businesses which have as their primary goal the provision of high quality, cost effective services for their member/owners. This is a fundamental difference from privately owned enterprises where the top priority is the generation of profits. While investor owned businesses tend to have a fiscal bottom line, most modern day co-operatives are said to have a triple bottom line: economic, social and environmental. However, co-op enterprises are intended to be financially viable, generating the operational revenue needed to ensure ongoing delivery of member services.

Co-operative enterprises embody the same community development principles and values as do non-profit development agencies in their communities. However, co-ops extend those principles and values into the business sector. Therefore co-ops are businesses that often emerge from community development processes. Local development agencies use the co-op model to address economic and social issues because it helps ensure that community development principles and values are maintained as a key component of the co-ops ongoing business activities.

3.2 Co-ops Require Community Investment

Co-ops are owned and controlled by their members, through the purchase of share capital. This local capital is an investment by local workers, producers, consumers and other co-op members in the development of their communities. It is an important financial component of the community development process. Supporting co-op development is therefore a way in which community development agencies can encourage local people to invest in local enterprises in order to facilitate the provision of services that meet local needs.

There are many examples of how co-ops generate community investment. For many years people have purchased shares in local retail co-ops to ensure consistent delivery of goods and services at a fair price. People have also purchased shares to establish local credit unions in order to access needed financial services. Fishermen in the province have invested in co-operatives to ensure that they have a say in the operation of local processing facilities and to maintain local employment. Many farmers have done the same (see Appendix "A").

Non-profit community development agencies generally do not generate local investment to support their operations. They also tend not to be involved in the day to day operations of local enterprises. Therefore co-op development can add a new dimension to their community development activities by encouraging local investment and participation in

the collective ownership and operation of community enterprises. Zone boards, municipal councils and other community development agencies can offer this option to their constituents as an alternative business development structure to meet local needs. Co-op shares tend to be priced from \$5.00 to \$100.00, depending on the capitalization requirements of the enterprise. Members may be required to purchase a number of shares upon joining the co-op or to purchase them over a specific time frame. Unlike privately owned businesses, co-op shares cannot be sold or traded and their value does not increase. This ensures that local ownership and control is always maintained. The general approach is to make sure that purchase requirements are as reasonable as possible so that membership is not restricted based on financial means. However, as with any business, adequate capitalization is a fundamental component of a co-op's successful start-up and ongoing operations.

3.3 Co-ops Generate Profits for the Community

Although the co-op's primary objective is to provide quality services for its members, it may also generate a business surplus or profit. Members share in these profits based on their use of the co-op's services. These profits therefore are distributed back into the local economy. All, or part, of this profit may also be retained by the co-op for operational purposes or used to support other community development initiatives.

This retention of profits in the local economy is a fundamental component of a co-op's operational structure that is not commonly associated with private sector companies. Private companies may operate in a region but their profits are often distributed to shareholders who live elsewhere. This "leakage" of capital from the local economy is commonly referred to as the "Leaky Bucket" analogy (see Appendix "B"). By its very nature, the allocation of a co-op's profits minimizes this leakage as its members generally live in the region in which the co-op conducts its business.

The generation and distribution of profit is not an activity commonly associated with non-profit community development agencies. However, by supporting the development of co-ops in their regions they can assist their community stakeholders to benefit from this unique benefit that co-ops provide for their members.

3.4 A Legislated Operational Framework

A co-operative is not an informal association of people, it is a legal corporate entity incorporated under a provincial or federal Co-op Act. This legislation provides a well-defined organizational and operational framework under which co-ops conduct their business activities. In Newfoundland and Labrador co-ops are legislated by the "Co-operatives Act". This legislation is designed to protect the unique aspects of the co-operative business structure and operations and to protect the rights of co-op members and other stakeholders.

For example, the Act provides for limited liability protection for co-op members; describes the co-op incorporation process; and outlines the conditions under which co-

ops can borrow money and enter into business contracts. It also describes how co-op profits must be distributed; protects the integrity of the democratic decision making process; and describes the process to be followed for withdrawal of membership and dissolution of the enterprise. All co-ops must abide by the provisions of the Act. The Act is the basis from which all co-ops must operate in Newfoundland and Labrador.

3.5 Priority is on Member Services

The development of a co-operative is usually undertaken by a group of consumers, business operators or organizations to provide themselves with services that meet their collective needs. In some cases co-ops are established to provide needed services that may not be available in a community. In other cases a co-op's services may focus on activities that will reduce costs or increase profits for members, such as fishermen and farmers, in the operation of their enterprises.

Because they own their co-operative, members have a direct say in how it is operated and the services it provides. For example, members of a credit union can attend an annual meeting and vote on issues relating to the delivery of financial services in their community. Members of a retail co-op can vote on issues relating to the delivery of their retail services. Farmers join co-ops to ensure they have control over the processing and marketing of their agricultural products. Fishermen also become co-op members so they can have some control over pricing and how their products are processed and marketed.

Because it operates as a self-sustaining business with a priority on delivery of member services, a co-op has a more focused mandate, when compared to the broader goals and objectives of other non-profit community development agencies. However, because they are community owned and controlled, co-ops are often seen as a natural extension of the community development process. Community development agencies are often the incubators of new economic and social initiatives that evolve into co-op enterprises, once they move beyond the developmental stages, to commercialization and long term self-sustainability.

4.0 Steps in the Co-op Development Process

Community engagement is critical to the co-op development process. Establishing a co-op usually begins with a small group of individuals who identify a common problem or need for services and see a co-op enterprise as a potential solution. The development process often requires the involvement and support of social organizations, community development agencies or industry associations. These organizations can play an important role in working with the individuals involved in exploring the co-op idea and pursuing its potential development. This coming together of people with a common need and purpose is fundamental to the co-op development process. The steps involved are as follows.

4.1 Opportunity Identification

A co-op is most often considered when people in a community are knowledgeable about the co-op model and understand the benefits of community ownership and democratic control. It is these individuals who initially lead the co-op development process in its early stages. They may be members of existing co-ops. Often they are community development workers or industry development officers who have an understanding of the co-op business model and the circumstances in which it may be the best approach when developing a business opportunity.

Community development agencies can play a lead role in advising local stakeholders in determining if the answer to these questions is yes. If so this leadership role can then be extended to working with the proponents of the co-op enterprise to proceed with the next steps in the development process.

4.2 Initiating the Development Process

One of the first steps in initiating the co-op development process is the formation of a steering committee made up of a core group of people interested in working together to initiate and coordinate the steps required to establish the proposed co-op enterprise. Community development agencies can play a key role in supporting the committee's activities, along with the NLFC, the Regional Co-op Developer's Network and others interested in supporting the development of the proposed co-op development project.

The first job of the steering committee is to clarify and clearly articulate the specific services that will be delivered by the proposed new co-operative. This involves the development of a "concept paper" which describes the rationale for the formation of the co-operative, the services it will provide, how it will operate and what needs to be done to facilitate its development. This paper is also used to recruit potential co-op members and as a guide for the development of the co-op's business plan.

4.3 Building the Co-op's Structure

Once the steering committee has developed the concept paper it continues the co-op development process by assigning various tasks that need to be undertaken to facilitate the development of the enterprise. These include activities such as recruitment of members, identifying potential sources of financing and development of the co-op's by-laws and operational policies. The committee also develops time lines and target dates for completion of these tasks. Community development agencies can assist these co-op development steering committees by ensuring they are connected to the information and resource supports they require to complete the tasks involved.

The province's Regional Co-operative Developer's Network can also assist in this regard. Network members can provide such things as sample copies of concept papers, sample templates for the development of by-laws and access to co-op training opportunities for the committee and future members of the proposed co-operative. They can also assist the committee and local agency partners with other organizational aspects of the co-op development process, including development of the co-op's business plan.

4.4 Developing the Business Plan

A business plan is required for the incorporation of all co-operatives in Newfoundland and Labrador. The business plan may be fairly simple or more complex, depending on size of the co-op, the scope of its intended operations and the industry sector in which it will operate. In some cases additional technical assistance may be required by the steering committee to effectively address this component of the development process. Such assistance is often available from local community development and government agencies.

The co-op business plan provides financial projections relating to start-up and operational costs. Co-ops require that members provide equity financing through the purchase of shares. The number and amount of shares depends on each co-ops particular financing needs. Co-ops may also sell non-voting shares to non-members. Equity contributions may also be obtained through government programs and other sources, subject to eligibility.

All co-ops, as legally incorporated businesses, may borrow money and obtain credit to finance their operations. However, identifying a source for financing will depend on the lender's assessment of the co-op's potential for viability and capacity to repay. Obtaining loans through government programs often provides more flexibility, with regard to interest rates and repayment terms, than many private financing institutions.

4.5 Incorporating the Co-operative

Once these activities are completed, the steering committee may submit an application for incorporation of the co-op to the province's Registrar of Co-operatives, who is an employee of the Department of Government Services. The Registrar will review the application to ensure that it has been properly completed and that the required documentation for incorporation has been submitted, as outlined in the Co-operatives Act. The application must include the articles of incorporation; the co-op's draft by-laws; a list of founding board members; the co-op's proposed business plan; and a \$250.00 incorporation fee.

Before applying for incorporation the steering committee should be satisfied that the proposed co-op has a strong potential for viability as a self-sustaining enterprise. Indicators of this include a successful member recruitment campaign; a viable business plan; identification of potential sources of financing (if required); and a strategy for business start-up and service delivery.

4.6 Organizing and Launching the Business

In many ways establishing and operating a new co-op venture requires many of the same activities as other types of businesses. For example the new co-op's place of business must be readied for operations; financial administration and bookkeeping procedures

need to be in place; operational policies need to be developed; and employees (if any) need to be hired.

The members' initial share purchase will have provided the equity that will lever the additional sources of financing required to get the business going. The provisional board oversees startup and initial operations until the co-op's first annual general meeting, when the first elected board of directors takes office. This meeting usually takes place within the first few months of operations.

4.7 Ongoing Operations

The co-op's board of directors oversees the operation of the business on behalf of the members, on an ongoing basis. The board meets regularly, often as much as once a month to address ongoing administrative and operational requirements. The first few years of operation are critical to ensuring the long term viability of the co-op, as a stable and self-sufficient member owned enterprise.

Assistance may be required in the early stages of the co-ops start-up with a variety of operational issues. These may include training for co-op members, board and staff; development of financial and operational policies; member and public relations; and making adjustments to the business plan. Assistance is often available to advise the co-op regarding such issues through local community development agencies and government departments and from the regional member of the Co-op Developer's Network.

As part of its work, the Board of Directors also ensures that there is good communication with the membership and with other organizations in the community. Committees are often established to address issues needing particular attention such as co-op financing, member relations, and broader industry issues that may impact a co-op's operations. Of most importance is to ensure that the co-op delivers services that provide a clear and demonstrable benefit to the members who own it and have invested in its operations.

5.0 Co-op Development Support Services

The report of the "Task Force on Community Economic Development", commissioned by the federal and provincial governments in 1994, identified co-op development as a key component of a new approach to revitalizing the community development process. This has since resulted in new partnerships between the NLFC and government to deliver new programs and services which have enhanced support for the development of the co-op business sector in Newfoundland and Labrador. These services include the following:

5.1 Training and Development Advice

The Newfoundland and Labrador Federation of Co-operatives (NLFC), as the umbrella organization for co-operatives in the province, provides information, training and development advice for existing co-ops and groups pursuing the development of new co-op enterprises. NLFC also has access to additional co-op research and development supports through a national network of provincial co-op associations and through its

membership in the Canadian Co-op Association (CCA). The NLFC delivers these services primarily through the province's Regional Co-op Developers Network.

The Regional Co-op Developers Network (RDN) is comprised of eight regionally based staff members of INTRD. The RDN members provide front line co-op development support services for individuals and organizations at the community level. With the support of the NLFC, the Network provides co-op information; feasibility and start-up advice; organizational and business planning support; and assistance with the co-op incorporation process.

The Community Capacity Building (CCB) Program is also delivered by INTRD and provides funding for community groups to access a variety of workshops and training modules relating to the community development process. CCB offers three co-op development modules which include "Co-operatives: The Basics"; "Co-operatives and the Community Development Process"; and "Developing a Co-operative Enterprise". These are available at no cost for community development agencies wishing to learn more about the co-op business sector in Newfoundland and Labrador.

The Canada/Newfoundland & Labrador Business Service Centre (CNLBSC) is a province-wide partnership of business service providers offering information services to support the business needs of individuals, groups and communities. The Centre has information about co-operatives at its more than thirty locations. CNLBSC provides guidance, advice and answers to business inquiries; assistance with the development of business plans; up-to-date computer workstations; and other business related services.

5.2 Financial Support

Generally speaking most of government's business financing programs can be accessed by co-operatives that meet eligibility requirements. For example, co-ops are encouraged to apply for INTRD's small business support programs. Co-ops may also apply for community development and business support programs offered by the Atlantic Canada Opportunities Agency. Co-ops have also accessed financial support from Agriculture and Agrifoods Canada and other sector specific programs to assist with start-up and expansion. Other programs that provide such assistance include:

The Co-operative Development Initiative (CDI) is a federal government program designed to enhance the quality of life for disadvantaged and hard-to-reach communities by assisting rural Canadians to find local solutions to local challenges using the co-operative model. CDI's Innovation and Research fund provides grants to finance research and development costs relating to the formation or expansion of innovative co-ops at the community level and may be accessed to support such initiatives in Newfoundland and Labrador.

The Regional Sectoral Diversification Fund, delivered by INTRD, provides non-repayable contributions to eligible organizations for the development and implementation of economic initiatives. Co-ops that commit to retaining their profits to support their

future growth or to assist with the ongoing development of their communities are eligible to apply to this fund for financial assistance.

The Co-operative Equity Investment Fund (CEIF) is a provincial program which provides equity contributions to assist with the financing of new co-op start-ups and expansions in Newfoundland and Labrador. The funding available is based on a formula that can match co-op members' equity investment on a three-to-one basis, to a maximum of \$30,000.

6.0 A Role for Community Development Agencies

Co-ops are an important tool that can be used by communities to engage those in need of services in the development, financing and operation of community owned enterprises. The potential exists for new co-ops to be developed as part of this province's community development strategy for 2009 and beyond. The new programs and services referenced above demonstrate there is a new and more supportive environment within government and the co-op sector to encourage communities to consider the co-op development alternative.

However more needs to be done to increase public awareness of the co-op business model sector and to encourage and support its use in addressing the service requirements of individuals, organizations and small business operators in communities across the province. People need to be informed that new co-op development support services are available. More needs to be done to identify potential opportunities for the establishment of new co-ops and to assist groups involved in the development process. Community development organizations, social agencies and industry sector groups can play a key role, as supporting partners, in this process. Some activities that can be undertaken include the following:

6.1 Public Awareness

If more co-ops are to be developed in the province, then there is a need to enhance public awareness and understanding of the co-op business option. Community development agencies can play a key role, at the regional and local level, in getting the co-op message out. The first step would be for these agencies to ensure that their boards, staff and membership are knowledgeable about the co-op business model and are able and willing to respond in a positive manner when the option is being considered. Public awareness could also involve ensuring that information regarding co-operatives is included on agency web sites and made available as part of community consultations and workshops addressing local economic and social issues of public concern.

6.2 Opportunity Identification

Creating public awareness and understanding of the benefits and possibilities of the co-operative enterprise model is the first step in a successful development process. The second step is the need for community development agencies to be better able to recognize when the co-op model might be the most appropriate structure for the delivery of a community service or for the commercialization of a business opportunity. Agencies

can do this by making co-op opportunity identification a normal part of their operational activities and by including co-op development as a part of their regional and community planning processes. In identifying a co-op development opportunity those engaged in the process should consider a number of questions that will assist in determining the potential applicability of the co-op model. These are outlined in Appendix “C”.

6.3 Leadership and Coordination

Once a co-op development opportunity has been identified, community development organizations can play a leadership role in the development process. They can assist the co-op proponents with the formation of a steering committee; coordinate access to external resource supports as required; and help generate broad based public support for the initiative. The provision of logistical supports such as meeting rooms, photo-copying and the occasional free pot of coffee are important components in the early stages of the co-op development process. Community development agencies can become members of a co-op to provide themselves with needed services. They may also join a co-op to ensure an ongoing, supportive working relationship with new co-ops in their regions.

6.4 Public Confidence Building

For individuals who are considering becoming the founding members of a new co-op, the pro-active involvement and support of local development agencies is often a key factor in instilling the confidence they need to proceed. It is important for them to know that they can count on support from other agencies as they learn new skills and develop their co-op enterprise. The support of local development agencies will ensure that they do not feel that they are “on their own”. They need to know that community assistance and support is available, especially when problems arise.

6.5 Ongoing Support/Aftercare

Community development agencies can play a critical role in providing ongoing support for newly developing and established co-operatives throughout the development process and during the initial stages of start-up and operations. As a first step it is important to become familiar with local co-ops and learn about their structure and the services they deliver. Co-op participation in the regional planning and project development activities should be encouraged. Existing co-op knowledge and expertise can be of value to community development agencies when new co-op development opportunities are under consideration. Improved communications and a stronger working relationship are mutually beneficial, from a local development perspective.

7.0 Summary – A More Pro-active Working Relationship

Today there is an opportunity for zone boards, municipal councils, industry groups, social agencies and other development organizations to play an enhanced role in the co-op development process. Because they are member owned and locally controlled such agencies are ideally positioned to identify and nurture new co-op development opportunities that can benefit their own members and clients. This new and more pro-

active approach fits with government's co-op and community development policies and programs, with support services available to assist with the co-op development process.

Newly developing co-ops, and their supporting agencies, can now access assistance and advice from the INTRD office in their region. Financial assistance is available for developing co-ops to assist with project planning and organizational activities. Orientation and training services are available for new co-op members and boards of directors. Co-op investment funds are available to potentially assist new co-ops with their equity and financing needs. New co-ops also become part of the support network of existing co-ops in the province through membership in the NLFC, which links them to the broader co-op sector at the provincial, national and international levels.

A new focus on supporting development of co-ops can provide community development agencies with a new tool which they can use to further the economic and social goals of their communities. A co-operative is a unique business model that requires public engagement and consultation; generates community investment; provides for local ownership and control; and ensures that those who use the services provided by the enterprise have a say in its operations. It is a model particularly appropriate for a new and revitalized approach to community development in Newfoundland and Labrador.

Appendix “A”

Co-op Case Studies

1. The North Shore Central Ambulance Co-operative

The North Shore Central Ambulance Co-operative is a good example of how the co-op model can be used to provide and/or maintain needed services in a rural region of the province. It illustrates how a group of people used the co-op model to provide themselves with a medical service they required in order to continue living in their communities. This co-operative provides ambulance services to the residents of a dozen communities from Kingston to Jobs Cove along the main highway on the north shore of Conception Bay.

Prior to 1974, residents in this area depended on an ambulance service from Harbour Grace which, in some cases, could involve an hour or more in wait time. In 1974, a local group approached government regarding the lengthy wait time and lobbied for a more responsive service. A basic ambulance service was established later that year. It was operated by a small group of volunteers, with no dispatch and no patient attendants. The local service district, at the request of the volunteer group, administered the service.

In 1995, there was an accident in the area and the ambulance service was unable to respond to the situation. The incident served to re-ignite the community’s dissatisfaction with the inadequate state of the service. By that time four communities in the region had achieved municipal status and the volunteer group approached town officials and received their support to seek improvements to the service.

The group first approached the Public Utilities Board which was responsible for regulating and issuing licenses to ambulance services in the province. They discovered that the original license had been issued to an earlier group of volunteers. This raised several legal concerns, particularly around issues of liability. The group sought legal advice which led to a decision to incorporate. The Registrar of Companies suggested that, due to the high level of community participation, the ambulance service be incorporated as a co-operative.

The group researched the co-op model, looked at the Co-operatives Act, and decided to proceed with the incorporation. Throughout the process, the volunteer group kept in touch with the communities in the area. As well as newsletters and meetings, they also used the local cable channel to inform residents of what was happening in the quest for a co-operatively owned ambulance service.

The volunteer group became the co-op development steering committee and they developed a plan for a modern, full service ambulance response system. They immediately embarked on a training program for all attendants and not long after incorporating, the co-operative was providing a first rate service. Because all drivers have full paramedic training, the co-operative was one of the first services to provide cardiac

monitors and IV's in the province. There are some 22 non-profit ambulance services in the province but North Shore is the first and only co-operative venture.

It took 5 years of hard work but the service was officially incorporated in 2001 as a Community Service Co-operative. The new co-op is unique in that one had to be an ambulance attendant in order to be eligible for membership. The by-laws also provide for an "auxiliary" membership class with full membership privileges, including voting. This allows residents not interested in doing the paramedical training to participate in other aspects of the co-operative's operations. The co-op is governed by a six person board of directors. Monthly board meetings are held and the annual general meeting takes place in February.

Like all other ambulance services, North Shore receives block funding from government (Department of Health and Community Services originally but from the regional health board more recently) as well as a mileage subsidy. Other necessary operating funds come from user fees and a significant amount of local fundraising. The co-op is also registered as a charity and the support of the community is evident in the success of its fundraising efforts.

Originally, the co-operative managed to operate strictly on a volunteer basis. The changing nature of the service and the increased demand on time created a need for full-time staff. By 2008, the service was resourced with four full-time employees (three paramedics and one driver) and seven volunteers.

North Shore Central Ambulance Co-operative is a tremendous success story. Through the efforts of a committed group of visionary leaders and with the broad support of the community at large, a community enterprise has evolved that provides a much-needed ambulance service to the residents of this rural area of the province. It is owned and controlled by the employees and the residents of the communities it serves.

2. The Eagle River Credit Union

The Eagle River Credit Union was established in 1984 by communities in the Labrador Straits region to provide essential financial services that had been previously provided by a private sector bank.

The region's only bank, the Bank of Montreal, opened in L'Anse au Loup in 1978. In early 1984 the branch was abruptly closed, announcing that it was moving all accounts to Deer Lake, a two hour ferry ride across the Straits and a 402 kilometer drive down the great Northern Peninsula Highway.

While this made no sense to the local people, the fact that the branch was only operating at a 'marginal' level was reason enough to pull out. However, because the bank had operated for six years in the region, residents had come to rely on its services. Led by the Southern Labrador Development Association, residents convened a public meeting and formed a steering committee which approached the bank requesting that it reverse its

decision. The bank refused stating that “we can make ten times as much on Yonge Street with the same effort as we can in coastal Labrador.”

The steering committee then approached other banks and credit unions operating in the province to open a new branch in the region, but the invitations were declined. The committee even approached a credit union in the neighboring Quebec border town of Blanc Sablon but provincial regulations in Quebec prevented a move into Newfoundland and Labrador. The residents were now left with two choices: deal with the Bank of Montreal branch in Deer Lake or to establish their own regional credit union. The idea of a credit union had been rejected in the 1970’s as people believed that only an existing financial institution could provide the services they needed. However, at this point, all other options had been exhausted and a local credit union was their only option.

The process began with the formation of a new committee, comprised of many members of the previous committee. Contacts with the then Credit Union Council of Newfoundland and Labrador (CUCN) and the province’s Department of Rural, Agricultural and Northern Development (RAND) were made to lend support and assistance. At this point it was discovered that the Labrador Fishermen’s Union Shrimp Company was also about to form its own industry credit union for its union members. When a Credit Union Specialist with RAND showed up in L’Anse au Clair to meet with the steering committee, he was approached by a shrimp company representative. Despite the initial lack of communication between the two groups, it was soon realized that the collaboration of both groups would be necessary for the establishment of a viable credit union that would serve the interests of all residents in the region.

The two groups fashioned a new co-operative working relationship and signed a development agreement. The conditions of the agreement were that the new credit union would be named Eagle River Credit Union; that two representatives of the Shrimp Company would be appointed to the steering committee; and that the credit union would serve the residents from L’Anse au Clair to Cartwright. It was further agreed that the Shrimp Company would provide \$100,000 as an initial deposit; pay a part of the Manager’s salary; and cover travel costs so that the new credit union would be able to provide services as far north as Cartwright.

A number of other things seemed to fall in place to contribute to a successful start-up. The outgoing Bank of Montreal offered \$30,000 worth of furniture and equipment for \$5000 which was purchased with a loan from the Development Association. The Community Council of L’Anse au Loup, owners of the Bank of Montreal premises, offered it to the new Credit Union rent-free for one year.

The founding meeting of the Eagle River Credit Union took place on May 23, 1984. Positive developments continued. The former Manager of the Bank of Montreal branch, a resident of the region, agreed to accept the position as Manager of the Credit Union. In a real show of co-operative spirit, a final major hurdle was overcome when the neighboring credit union in Blanc Sablon agreed to provide the necessary financial services (weekly cash requirements, cheque clearing, investment facilities, etc).

Since then, Eagle River Credit Union has grown steadily, expanding to meet the needs of communities in the region. It is now a full service financial institution and the second largest credit union in the province, having reached over \$70 million in assets. It now serves over 6,400 members in the communities of L'Anse au Loup, Mary's Harbour, Cartwright, St. Anthony, Port Saunders, and Happy Valley-Goose Bay.

In 2002, because of its success and its ongoing financial and volunteer contributions to community organizations and projects, Eagle River Credit Union was awarded the province's "Community Economic Development Award for Excellence in Partnerships". In 2003 it received the Credit Union Central of Canada Award for "Community Economic Development".

3. The Fogo Island Fisheries Co-op

Perhaps the most notable example of the development of a co-operative using community development principles and practices occurred on Fogo Island in the mid 1960's. At that time the inshore fishery was failing miserably and the majority of men were forced to go on welfare. Like many other communities unable to rely on the fishery, Fogo Island was slated by the then Smallwood government for resettlement to other more economically viable regions of the province.

Residents resisted the pressure to leave their communities but lack of information, minimal communications, limited local government and a general lack of community capacity hampered their efforts. However with help of the Extension Department of Memorial University a process was implemented that enabled the residents to consider their options as to how they might rebuild their economy and continue to live in their communities.

Extension's Director, Don Snowden, understood the mechanics of the community development process. He also understood co-operatives and he believed that the people of the island could form a co-op as a vehicle to preserve and sustain their community. With other Extension staff members and the National Film Board, Snowden, with the engagement of the Fogo Island Improvement Committee, agreed to use film as a medium to help the community better understand their problems and to help them work together to find solutions.

In the ensuing process, hundreds of residents were interviewed and public meetings were held, much of which was captured on film. These films were viewed by the vast majority of residents resulting in the development of a common understanding of the problems all were encountering and a sharing of ideas and options that might be considered to address them. Resentment towards resettlement grew as did resentment towards the idea that others were deciding the fate of Fogo Island, without any form of community input or consultation.

As a result, the people of Fogo Island began the journey of taking their fate into their own hands. The process, now internationally known as the 'Fogo Process' (a technique of using media technology to promote dialogue and social change in a participatory

community development process) eventually led to the community decision to form the Fogo Island Fisheries Co-operative.

“Today few people on Fogo speak about the filming, yet many believe their lives were changed enormously by it. This can never be accurately measured. But it is certain that the fishermen formed an island-wide producer’s co-operative which handled and processed large catches, enabling them to keep profits on their island. Unemployment of able-bodied men disappeared, and government directed their efforts to helping people stay. Films did not do these things: people did them. There is little doubt, however, that film created awareness and self-confidence that was needed for development to occur.” [Don Snowden, 1983]

In addition to rescuing the island from the jaws of resettlement in the sixties, the Fogo Island Co-operative was resilient enough to also withstand the ravages of the 1992 Cod Moratorium. When the co-op first began, it was involved in boat building and fish processing. Today, the co-operative has five plants (three processing and two buying stations), a laboratory/test kitchen, a stockroom, a welding shop, and a marine service centre. The co-op produces and sells a variety of species, including crab and ground fish. As well as Canada, their products are sold to the U.S., Japan, Taiwan, Sweden and Germany. It has annual sales of between \$15 million and \$20 million.

4. The Springdale Community Development Co-op

The Springdale Community Development Co-op was established as a retail co-op in 1961. For many years it provided groceries and dry goods for its members, many of whom had been involved in the incorporation of the co-op in its formative stages. In 1970, the co-op invested in an expansion of the store in an effort to improve services and attract new members in the region. A new mortgage was taken out on the building in 1972, to cover related costs.

Unfortunately, although membership increased, this did not translate into the increased sales required to cover the co-ops operating costs. New members were not educated in the co-op philosophy and only shopped at the store for items that were lower in price than other grocery stores in the area. At the same time many of the older members became disillusioned with what was happening to their store and withdrew their shares and their support. By 1977 the debt load was unmanageable and the provincial government’s co-op registrar advised the co-op to close down operations.

However, the co-op’s Board of Directors was not ready to give up. They made a decision to close the grocery operation but did not dissolve the co-op. Instead they developed a new strategy which involved leasing the building to another tenant and using the revenue generated to pay off the co-op’s creditors and to make the mortgage payments. The Registrar agreed to this approach. Their plan was successful and over the next fifteen years all the creditors were paid and the co-op’s mortgage was paid off.

Although the co-op was again financially solvent, it was no longer in the grocery business. With continued help and advice from the Registrar of Co-ops the decision was

made to restructure the co-op, amending its by-laws to comply with the regulations covering the operation of “community service” co-ops. This enabled the new Springdale Community Development Co-op to use the revenue from its leased premises to support community development initiatives in the region and to make contributions to charitable and non-profit organizations.

Since that time the co-op has continued its operations and annually contributes to a variety of local community development agencies and partners with them on specific projects. Donations have been made to support minor hockey and other recreational organizations; contributions have been made to the Lions’ and Kinsmen’s clubs to support their community activities; funding has been provided to regional volunteer fire departments for the purchase of equipment; and health care in the region has been supported through such activities as the purchase of furniture for the palliative care unit and electronic wheel chairs for those in need.

In recent years a major project initiated by the co-op has been the development of a wilderness camp for young people at Davis Pond just outside Springdale. The camp building is a cook house from an old mining site that has been renovated, refurbished and equipped with modern kitchen facilities for day use. Work is now ongoing to further upgrade the facility to provide overnight accommodations for campers. Plans are to make the camp available for a nominal fee, which would cover the cost of operations.

Today the Springdale Community Development Co-op holds over half a million dollars in assets. It continues to contribute to community organizations and invests in local projects that respond to the needs of the region. The board of directors is elected each year at the annual general meeting and meets on a monthly basis, to oversee the co-op’s activities. There are no staff members, but the co-op does employ individuals from time to time when an initiative requires such support.

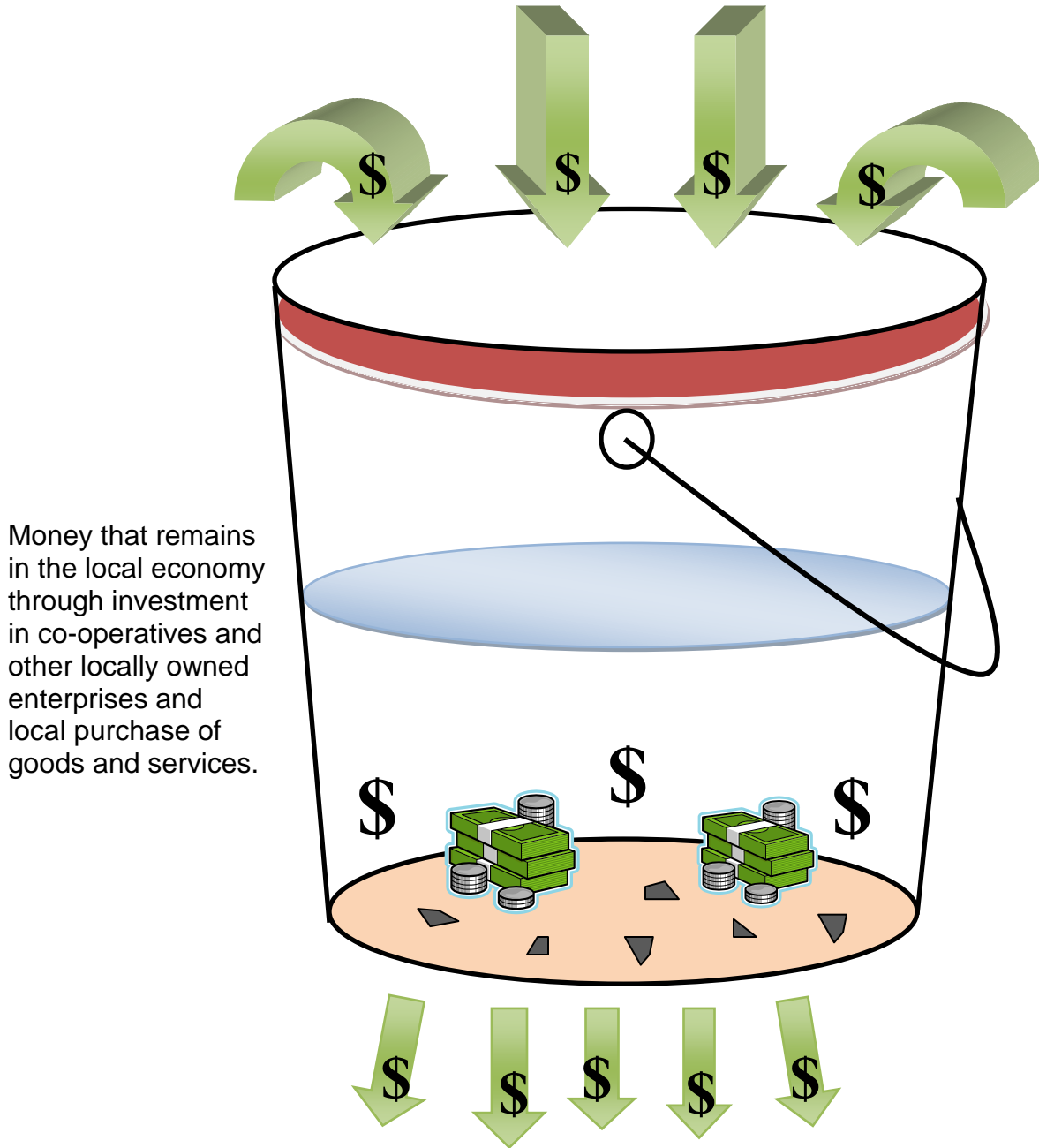
The co-op is expected to continue operations for the long term and is always considering new project ideas that may provide some benefit to the region. Current discussions revolve around the potential for a re-entry into the business sector through the potential operation of a co-op gas bar and Garden Centre. There is also a need to increase public awareness and participation in the co-op’s activities and to ensure that new members continue to join and serve on the board.

The Springdale Community Development Co-op is an example of a unique approach to the facilitation of community development in Newfoundland and Labrador. It demonstrates how the co-op business model is flexible and adaptable to meet different needs and circumstances. It also demonstrates how community ownership and collective investment of a local enterprise can make a difference in how decisions are made and how business is conducted.

Appendix "B"

The Community Money Bucket

Money/Income generated that comes into the community



Money that "leaks" out of the community through investment in external businesses and purchase of goods and services outside the community.

Appendix “C”

Identifying a Co-op Development Opportunity

The following is a “check list” that community development practitioners may wish to consider when they are presented with a business opportunity, to determine its potential to be established as a co-operative enterprise.

1. The potential business opportunity is based on a need for services, not primarily focused on making profits.
2. The potential business opportunity requires broad based community or industry sector engagement and support to succeed.
3. The potential business opportunity will provide a service and generate revenue, as opposed to providing less tangible services normally undertaken by community development and industry associations.
4. There is a clear and direct link between member participation and investment in the co-operative and the service benefits that the members will receive.
5. The potential business venture requires access to a community owned resource, over which it would be in the best interests of local people to retain ownership and control.
6. The necessary resource supports are available to carry out the different aspects of the co-op development process.
7. There is a core group of individuals, existing businesses, and/or organizations that is willing to take on the leadership and coordination of the co-op development project.