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# CO-OP

The Voice  
of Economic Democracy  
in Canada

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## Manitoba Labour's Fund



# The Canadian Worker Co-op Federation

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## Co-ops and Labor Marching Together

Two new programs featured in this issue of *Worker Co-op* show that the employee ownership movement in Canada is gaining momentum. The Manitoba Federation of Labour has created a venture capital fund, using the same federal legislation as the Quebec Federation of Labour's Solidarity Fund, which will promote employees' interests by transferring control over its investments to employees in the companies in which it invests. Employees will also be able to leverage their equity to increase their ownership of their workplace.

By making the investments through a central fund with a relatively large pool of capital, the Manitoba Federation of Labour is attempting to reduce the risks to worker owners, such as those who raise their own financing. The Manitoba Fund, although involving the buyout of private sector firms, is wisely avoiding salvage operations of failing companies. The Fund is dealing primarily with conversions of healthy operations, companies, for example, whose owners are coming to retirement and lack successors, and companies leaving the province for central Canada.

The Manitoba Fund bears some features of American ESOPs — the gradual transfer of control and the use of trusts for employee shares — and some parallels to Swedish Wage Earner Funds, which transferred some voting rights from the central fund to employees of a particular workplace. The design of the Manitoba Fund reflects the Canadian tradition of borrowing practices from other countries and adapting them to our own circumstances.

The second important program comes from Co-op Atlantic, the apex organization for the consumer co-ops in the Atlantic provinces and the seventh largest corporation in that region of Canada. The Co-op Atlantic initiative seeks to diversify the activities serviced through co-operatives in the Atlantic and plans to organize these around community-based co-operative councils like those in Evangeline in southwestern Prince Edward Island and Cheticamp on Cape Breton's Cabot Trail. Co-op Atlantic is also promoting the multi-stakeholder co-operative by encouraging Atlantic co-operative organizations to make the employees a distinct membership group. Through both these initiatives — integrated groups of co-operatives organized around a community council and multi-stakeholder organizations — Co-op Atlantic is departing from the co-op tradition with its emphasis on organizations with one type of membership who relate almost exclusively to their members and to second-tier co-ops of the same type.

Both the Co-op Atlantic and Manitoba Federation of Labour initiatives, although different, have the common features of addressing the needs of people in the economic hinterlands of Canada. Both initiatives address economic needs within a social context and both emphasize economic democracy. These programs show that co-operatives and labour can share common concerns.

Jack Quarter  
Editor

WORKER

# CO-OP

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# LETTERS

## "Irish Errors"

I take grave exception to remarks made by Karen Buchanan, of the Worker Ownership Resource Centre, in *Worker Co-op* (Vol. 10, No. 3). Her letter ("Funding Co-ops in Ireland") contains serious factual inaccuracies regarding the role of the Northern Ireland Co-operative Development Agency (NICDA) and the work of the International Fund for Ireland (IFI). It is disappointing that an organization committed to the furtherance of worker ownership and the co-operative ideal should rush to print without first checking the facts.

Ms. Buchanan states in her letter that "there has never been an independent economic development agency in Northern Ireland." Had she taken the trouble to study, in greater depth, the Information Pack which I sent her, she would know that NICDA is, in fact, an independent economic development agency. Perhaps Ms. Buchanan, however, is not interested in facts.

She also claims that NICDA is "an agency of the British Department of Economic Development." Yet again, she is mistaken: NICDA is not an agency of any British government department. Certainly, NICDA receives funding from the Department of Economic Development (DED). But then it also receives financial assistance from the trade union movement, credit unions, charitable trusts and foundations, from individuals sympathetic to its objectives, from Derry City Council and, more recently, from the International Fund for Ireland.

In the last financial year NICDA received, in total, the sum of 160,000 pounds from the DED. This compares somewhat unfavorably, readers may agree, to the 25.4 million pounds given in 1990-91 to the Local Enterprise Development Unit (LEDU), the government's own agency for the promotion of small private businesses in Northern Ireland.



In her letter Ms. Buchanan specifies four organizations which have sought assistance directly from the British government. In one of these cases, Action for Community Employment (ACE) grants which were withheld were subsequently restored, following a protracted campaign by the local community. The group concerned, Dove House, would hardly consider itself to be a "British government agency" merely because it is in receipt of government monies.

She also highlighted the recent case of the Irish language school *Glor Na nGael* funding being withdrawn by the government. If she had contacted NICDA to check her facts, she would have been informed of our policy opposing the political vetting of community work and the withdrawal of public funds from such groups.

Had Ms. Buchanan taken the trouble to peruse the Information Pack which I forwarded to her, she would also have seen statements made by myself, criticising the "official job creation agencies" and government economic policy. These remarks and our policy opposing political vetting are hardly the hallmarks of "an agency" of the British government.

In addition, Ms. Buchanan vents her spleen on the International Fund for Ireland. It should be pointed out, however, that the grant

given to the bank for redecoration purposes was returned to the Fund. The bank was situated not in a "predominantly loyalist and protestant area" but in the staunchly nationalist town of Strabane.

I would add, at this juncture, that NICDA has on a number of occasions criticised the IFI, particularly its efforts during its first two years in existence. The IFI has responded to such censure and is now beginning to direct funds to programmes in areas of greatest need. As a result, some monies have eventually been allocated to the co-op/community business sector. I have no hesitation in saying, nevertheless, that such assistance is nowhere near substantial enough to effect major improvement in the growth of the co-op sector, given the crisis facing the N.I. economy. An opportunity is provided, however, to allow those promoting the co-op option in Ireland to further their aims and objectives. In this respect, the efforts of the IFI must be applauded. The main responsibility, though, must rest with government adequately to resource and support socio-economic developments in areas of multi-deprivation, not the IFI.

Ms. Buchanan appears to be particularly scathing about the Wider Horizons Co-op Programme funded by the IFI. For the record, this is the first project of its type,

linking co-operative groups on both sides of the Irish border in a single effort to ensure the co-op sector in Ireland is placed firmly on the economic agenda. It also seeks to expose fledgling co-ops to the more advanced co-operative sector in Europe, the United States and Canada. It is hoped that participants will, as a result, acquire marketing, management and technical skills which would enable them to make a success of their projects. The Templenor Craft Co-operative, referred to by Ms. Buchanan, has now been forced to close down for a number of reasons; it is precisely the kind of business which could have benefited from the Wider Horizons Co-op Programme. Indeed, prior to closure, Templenor had already agreed to be part of this programme and had requested NICDA to place them with a number of craft co-ops in the USA.

I feel that Ms. Buchanan's letter is erroneous and insensitive and can ultimately only damage the co-operative sector in the north of Ireland. I would advise Ms. Buchanan that in future, before rushing into print, she should check her facts. The individuals quoted in her letter could have informed her of the problems faced by the co-op sector in the north of Ireland and prevented her unfortunate exercise in misinformation.

Finally, NICDA would like to thank those who have worked with us in the spirit of true co-operation in assisting Irish co-ops on study visits to Canada. We would hope that such contacts and developments can be maintained and built on for the future, thus enhancing the growth of the co-op sector in both countries.

Yours in co-operation,

**Conal McFeely**  
Northern Ireland Co-operative  
Development Agency  
23/25 Shipquay Street  
Derry City  
N. Ireland BT48 6DL  
Telephone (0504) 371733

# LETTERS

## More on Ireland

The following is a response to the letter "Funding Co-ops in Ireland." (*Worker Co-op*, Vol. 10, No. 3) from Mary Nellis of the now defunct Templemor Craft Co-operative in Derry, Northern Ireland. The co-operative was the focal point of "Funding Co-ops in Ireland," which detailed the use and abuse of Canadian, American and Australian tax dollars. Recently, and unfortunately, the co-operative was forced to close due to the denial of government funding. Mary Nellis is a founding member of the co-operative. She explains the discriminatory practices waged against co-operatives and other economic development projects in the Catholic regions of Northern Ireland.

The latest government statistics on the ailing Northern Ireland economy indicate a sharp increase in unemployment to 100,000, or 22 per cent of the economically active population.

The latest report of the British government-appointed Fair Employment Commission for Northern Ireland shows that Catholics, particularly nationalist Catholics, are actively discriminated against in employment opportunity, at all levels of social, economic and academic life. Job prospects for young school leavers fell from 13 per cent in 1989 to 2 per cent in 1990. Unofficial statistics for unemployment averages 65 per cent.

The Northern Ireland economy is in crisis, despite the injection of millions of U.S., Canadian and

Australian tax dollars paid out by the International Fund for Ireland. The government agency responsible for the policy of initiating small businesses has compounded the problem by channelling much needed financial resources into consultancy agencies and private enterprises, to the almost total exclusion of co-operatives.

All of this adds up to a policy of discrimination, lack of opportunity, enforced emigration and sectarian location of inward investors, which has contributed to the present violent conflict and through which the seeds of future disaffection are already being sown.

The communities' response to this situation, in the absence of government obligation to the oppressed Catholic and nationalist population, has been to initiate their own job creation enterprises, mainly through co-operatives. One such enterprise was the Templemor Craft Co-operative, set up in 1988 in Derry City by women from the nationalist community. The co-op employed nine women skilled in the art of embroidery and needlework. Its aim was to create jobs, utilizing existing community skills. The co-op manufactured Irish dancing costumes and accessories, as well as other crafts for both local and international markets. Internationally, there are approximately 40,000 students engaged in Irish dancing. A home industry in the production of Irish dance costumes has been in operation in Derry for the past 50 years, since Irish dance became competitive. The co-op started out to commercialize this industry, and without the advice of experts, acquired premises, machinery, investigated the market, set up its production unit and began manufacturing in September, 1988. The initial capital for the enterprise was achieved through share investment by the members and donations from the local community.

The Northern Ireland Co-operative Development Agency (NICDA) assisted Templemor's

members in the production of a business plan for submission to the Local Enterprise Development Agency (LEDA). LEDA's response was to set the conditions for financial assistance to a level which was impossible for a small business to meet. This opposition influenced other funding agencies to withhold their support, including the International Fund for Ireland, the local council and the numerous business agencies charged with the responsibility of assisting small businesses. Members of Templemor Co-op and individuals within NICDA concluded that groups with a community dimension were viewed by the government as beyond its social control and were therefore considered a threat to the status quo.

Despite this active opposition, Templemor Craft Co-operative continued to produce high quality goods and established a reputation in the United States, Europe and the U.K. for outstanding craft work. In its three years of production, the co-op was the subject of many television programmes, including a major documentary commissioned by the European Parliament on community responses to unemployment. The program was broadcast in nine European countries and the U.K.

Despite the hard work, initiative and international publicity, however, these were not enough to access government funding or legitimacy for Templemor. The co-op continued to experience the problems associated by lack of sufficient cap-

ital. However, it was the government's refusal to grant aid to the co-op to train young people in the specialized skilled work that eventually led to the closure of Templemor in March, 1991.

The demise of the co-op did not merit any mention in the local media, nor did it elicit any condemnatory statements from the trade union movement. The fact that nine women had lost jobs, or that a potentially viable business initiative was lost to Derry City, was not debated by the local council. It is important to note that at the time of closure, Templemor Co-op had a full list of orders and is still receiving orders despite its closure. There were no offers to help by the highly salaried officials of the LEDA, and the local representative of the International Fund for Ireland did not return calls made to him regarding the closure.

It has been suggested in the last few weeks that the government has changed its policy towards co-operatives and that the struggle by Templemor has been responsible for the change. It remains to be seen whether this is real change or another cosmetic or publicity exercise in the face of recent adverse economic reports. What is evident, however, is that community co-operatives will continue to emerge, despite the absence of government assistance.

The Templemor Craft Co-operative proved that ordinary people can set up in business and can work without the experts, consultants and academics. The success

### LETTERS WELCOME

*Worker Co-op* welcomes letters and conference information from its readers.

Write to: Jack Quarter, Ontario Institute for Studies in Education, 252 Bloor Street W., Toronto, Ontario M5S 1V6; (416) 923-6641, Ext. 2576.

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# ACROSS THE COUNTRY

## **CICOPA in Berlin**

The International Committee of Producers' Co-operatives (CICOPA) will hold its annual general meeting in conjunction with the International Co-operative Alliance in Berlin, October 14-19, 1991.

CICOPA is an organization of worker co-operatives throughout the world.

*For information contact CICOPA'S general secretary, Lajos Váradi, c/o International Co-operative Alliance, Route des Morillons 15, 1218 Grand-Saconnex, Geneva, Switzerland; (022) 798-4121; Fax (022) 798-4122.*

## **Call for Papers**

The 16th annual meeting for the Society for Utopian Studies (SUS) will be held in Las Vegas, November 7-9, 1991. SUS is an interdisciplinary organization devoted to the study of utopian societies.

*For information contact Felicia Campbell, Department of English, University of Nevada, Las Vegas, 4505 Maryland Parkway, Las Vegas, NV 89154-5011; (702) 739-3457.*

## **Workers' Self-Management**

The Council of the International Association for the Economics of Self-Management is holding its 6th international conference at Cornell University in Ithaca, New York, August 8-11, 1991. Presentations involving theoretical analysis, case studies and formal empirical evaluation are invited. The conference is interdisciplinary.

*For more information contact Jan Svejnar, IAFESM co-ordinator, Department of Economics, University of Pittsburgh, Pittsburgh, Pennsylvania (PA) 15260.*

## **Communal Studies**

The International Communal Studies Association is holding its third conference July 25-29, 1991, in Elizabethtown, Pennsylvania, at the Center for the Study of Anabaptist and Pietist Groups on the campus of Elizabethtown College. This conference draws academics and practitioners from communal associations throughout the world.

*For more information contact Donald B. Kraybill, Young Center, Elizabethtown College, Elizabethtown, Pennsylvania 17022-2298; (717) 367-1151, ext. 440; Fax (717) 367-7567.*

## **Canadian ESOP conference**

The first annual Canadian Employee Ownership Conference is scheduled for September 26 and 27, 1991, at the Toronto Hilton. Co-sponsors of the event include the ESOP Association of Canada, British Columbia's Employee Share Ownership and Investment Association, the National Center for Employee Ownership in Oakland, California and the ESOP Centre of London, England. The conference will feature special panels on employee ownership for business people, union members, and economic development professionals and other practitioners.

*For more information contact either Perry Phillips of the ESOP Association of Canada at (416) 475-8121 or Margaret Lund of the National Center for Employee Ownership, 2201 Broadway Ave., Suite 807, Oakland, CA 94612; (415) 272-9461.*

## **IT'S OFFICIAL: THE CANADIAN WORKER CO-OP FEDERATION!**

**By Jack Quarter**

Antigonish, N.S. — Sixty representatives of worker co-operatives from across Canada descended upon the historic Coady Institute in Antigonish, Nova Scotia, from April 5 to 7, to form the Canadian Worker Co-op Federation (CWCF). The meeting was also attended by representatives of other co-operative organizations and government, including Ian MacPherson, President of the Canadian Co-operative Association; Myra Barclay, Director of Government Relations with the CCA; Réjean Laflamme, Acting Director of the Conseil coopérative canadien de la coopération (CCC) and Juliette Bonneville, Director of the Québec wing of the CCC.

Ian MacPherson described the meeting as "an historic occasion" that follows in the path of similar meetings for other forms of co-operatives. Recalling the decision by co-operative housing to form its apex organization in 1968, Alexandra Wilson, Director of the Co-operative Housing Federation of Canada, drew parallels between the two movements in her keynote speech and provided a frank assessment of the struggle housing co-ops have had in defining the role of the federal organization in relation to provincial organizations, particularly when the strength of that movement varies a lot between provinces.

Ms. Wilson's analysis was timely as the CWCF also is also strug-

gling with this issue. Québec, which has three well-organized associations of worker co-operatives (forestry co-ops, ambulance co-ops and the remaining worker co-ops), wanted a limited role for the national organization which would not overlap with functions already being undertaken through provincial organizations. Huguette Giard, Secretary of the Québec Federation and the Director of the Montréal co-op Les Nuages, was very frank: "Our concern is that the Canadian Federation will duplicate services already being offered in Québec through provincial associations." Ms. Giard wants the CWCF to limit itself to specific items, such as lobbying the federal government for more favorable taxation policies for worker co-operatives.

## **A Confederation**

Although it is referred to as a federation, the CWCF is actually a confederation of five regions: the Atlantic, Québec, Ontario, the Prairies (including the Northwest Territories) and British Columbia (including the Yukon). Each region will provide up to 10 delegates to national general meetings, and each region will nominate a director to serve on the board.

The current composition of the CWCF's board reflects the uneven circumstances of worker co-operatives in Canada. The board consists of Cliff White of the Halifax Worker Co-op representing the Atlantic, Bob Allan of SUMAC Consulting co-op representing Ontario and Deb Foote of Wild

## **DONORS**

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# ACROSS THE COUNTRY

West representing British Columbia. Because of the weak representation of Prairie worker co-operatives, Nick Orton of PSC in Victoria will stand for that region. Orton undertook a 10-day tour of the Prairies in mid-June to promote and organize worker co-operatives in that region.

For now, Quebec worker co-operatives have decided to maintain a working arrangement with the CWCF, but not to actually join. Huguette Giard of the Québec Federation of Worker Co-operatives will serve as a liaison to the CWCF Board, and Jacques Gauvin of the Conference of Forestry Co-operatives will represent Québec on the taxation committee.

Although no one said it openly, the position of the Québec organizations toward CWCF will be affected by whether Québec remains within Canada. Once that issue is resolved, the Québec worker co-operatives will be able to clarify their position.

If Québec does decide to join the CWCF, the arrangements will differ because of the relative strength of the movement there as opposed to the other regions. As Alexandra Wilson noted, the same circumstances exist in the co-operative housing sector.

## CLC represented

Among the speakers to the Antigonish meeting was Noel Stoodley, Director of Field Services of the Canadian Labour Congress. Stoodley was enthusiastic about the CWCF and the role of unions in worker-owned enterprises. "We think that unions have a role in worker-owned enterprises in mediating problems between the board and workers," he pointed out. "Worker-owned enterprises challenge the traditional role of unions in dealing with adversarial situations."

According to Léonce Bernard, Prince Edward Island's Minister of Cultural and Community Affairs, another speaker at the meeting, worker co-ops should have a lead-



ing role in rural development. "We could outdo the Mondragon experiment in 10 years," he predicted. Bernard is spearheading an application to the Atlantic Canada Opportunities Agency for funding to promote the worker co-op option.

Thanks largely to the excellent organizing efforts of the national co-ordinating committee, Peter Hough, Jim Winter, Bob Allan, Marty Frost and Huguette Giard, events at the Antigonish meeting flowed smoothly. Participants resolved to hold the second annual general meeting next April in Victoria, B.C. This AGM emphasized educational workshops, an idea borrowed from housing co-op AGMs.

Ken McCready and Alain Roy, both representing the federal Co-operative Secretariat at the meeting, expressed their pleasure with the progress of the CWCF, contin-

uing the Secretariat's support. Bob Allan indicated that the CWCF will incorporate itself under federal legislation and apply immediately for membership in the Canadian Co-operative Association. Membership in the Conseil coopérative canadien de la coopération will await clarification of Québec's role in the organization. One additional benefit of the work of forming the CWCF has been the upswing in regional organizing. In Ontario, worker co-ops have decided to incorporate using the existing, but temporarily defunct, umbrella of the Worker Ownership Development Foundation, and in B.C. and Manitoba, worker co-ops have held provincial meetings. The formation of the CWCF is expected to strengthen the move towards regional organizing.

Antigonish, with its rich co-operative heritage, was a fitting birthplace for the fledgling CWCF.

Participants left the founding convention in buoyant spirits and with a sense of being part of a national movement.

For more information contact Bob Allan, 457 Palmerston Blvd., Toronto, Ontario M6G 2N9; (416)537-6543.

## WHAT WAS SAID

**Léonce Bernard**  
Minister of Community and Cultural Affairs,  
Prince Edward Island

Worker co-operatives could be the salvation of some rural communities. The creation of your federation is extremely important to the development of worker co-operatives in Canada. Québec and Nova Scotia are leading the way in the creation of worker co-ops. It's time for the rest of Canada to get moving, and this weekend is an important step in bringing worker co-ops to every corner of this country.

You need your own voice within the co-op sector, and in your dealings with government. You need to help each other out ... to discuss strategy, to share your successes and your failures. This federation can help you become better informed as to new developments in workplace democracy, both at home and abroad, and the federation can help you to form coalitions with other co-op groups on mutual issues.

We have a gold mine of oppor-



Educational workshops were an important part of the program at the founding convention of the Canadian Worker Co-operative Federation.

tunity for co-op development in Canada, fellow co-operators. I believe that we have barely scratched the surface. We have a strong credit union system, a strong established co-op movement, and relatively supportive governments.

Some people sing the praises of Mondragon, myself included. I think that if we applied the sixth principle of co-operation and blended it with some of the Mondragon spirit of innovation, we could outdo the Mondragon experiment in 10 years. It's time we started more experiments of our own.

Innovation and creativity emerge not from the establishment, but from the fringes, and that's where your new federation comes in. You now have the opportunity to lead the way in this exciting challenge for the co-op movement in Canada.

**Ian MacPherson**  
President, Canadian Co-operative Association

This new national organization will bring together the accumulated



**Leonce Bernard, P.E.I.**  
cabinet minister, addressing delegates.



**Delegates to the founding convention of the Canadian Worker Co-operative Federation.**

wisdom of all those who have ever struggled to create worker co-ops. But local co-operatives do not always easily see the benefits provided by national organization, particularly if those benefits are not immediately obvious. Therefore, those people attending this founding convention have a particular responsibility to explain this federation's purposes and activities to all those involved in worker co-operatives in Canada.

This new national organization offers a vehicle whereby Canadians can learn more about worker co-ops' role in stimulating local economic development, a particularly important issue at a time when global economic systems can drain regions of their human and financial capital. You can be part of an international trend to see worker co-ops fill important niches in the global economy; ultimately, through trade associations and co-operative networks, worker co-ops could become a significant force in the international economy.

**Noel Stoodley**  
National Director, Field Services  
Canadian Labour Congress

Unions can play an important role in establishing worker co-operatives, through fundraising, helping to arrange contacts with government, feasibility studies and education. Unions can balance worker interests with ownership interests. In a worker co-op, a union may not play a traditional adversarial role but a mediating role.

We are concerned about the closure of potentially profitable plants



due to the Free Trade Agreement. According to a 1990 study by Jack Quarter and Judith Brown, there have been 19 unionized worker buyouts in Canada. Québec's Confédération des syndicats nationaux (CSN) is probably the best example of organized labor's involvement in arranging and assisting worker buyouts. The CSN's consulting group has so far co-ordinated nine buyouts involving 1,300 jobs, with approximately \$25 million of financing from a CSN credit union and *caisse populaire*.

A 1989 study that we contracted to Martin Loney about the future role of the CLC in worker co-ops, shows that education about the co-operative ideal is vital for workers. The co-op ideal suggests that workers look to themselves as their own entrepreneurs. This will be a significant shift for unions and workers who see themselves as "employees," and look to the government and the private sector for solutions.

We wish you well in your future endeavors and invite you to call on

the Canadian Labour Congress.

*The CLC's study of unionized worker co-ops and their promotional brochure on the same subject are available on request from the Canadian Labour Congress, 2841 Promenade Riverside, Ottawa, Ontario K1V 8X7; (613) 521-3400.*

**Alexandra Wilson**  
Executive Director  
Co-operative Housing  
Federation of Canada  
202-275 Bank St.,  
Ottawa, Ont. K2P 2L6  
(613) 238-4644

The Co-operative Housing Foundation (now the Co-operative Housing Federation of Canada) started out with several sponsoring organizations, including the Co-operative Union of Canada, the Canadian Labour Congress, the United Church and the Canadian Union of Students. Worker co-ops may want to consider a similar role for sponsors.

Government programs for housing co-operatives exist because the Co-op Housing Federation (CHF)

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lobbed for them. Co-operatives remain the only federal housing program. All other housing programs have been turned over to the provinces.

Worker co-ops have to think strategically about moving from the margin to the mainstream. A way must be found to institutionalize the capacity to develop worker co-operatives through resource groups, though worker co-ops may require resource groups specialized by market sector.

The CHF gives equal representation to provinces on its board. This is vital to a cohesive movement. We wanted one organization that would represent anglophones and francophones. We do not intervene in provincial issues in Québec. Québec joined on its own terms. It had a different set of arrangements than did the other provinces.

**Réjean Laflamme**  
Conseil canadien de  
la coopération  
450, rue Rideau,  
Suite 201  
Ottawa, Ont. K1N 5Z4  
(613) 234-5492

It is part of our mission to support the development of new worker co-ops; consequently the actions of our organization and the Canadian Worker Co-op Federation should complement each other. We will offer our collaboration to the new federation on the taxation research that should be the priority during the next year.

**Jacques Gauvin**  
Directeur général  
Conférence des coopératives  
forestières du Québec  
(The central organization for  
Québec's forestry co-ops)

We look forward to collaborating with the new federation on issues of common interest. Congratulations on your initiative, and we wish you the best of luck. Please don't hesitate to contact us for additional information.

## B.C. Desk

### VICPLY OUT OF THE WOODS?

By David Gartrell

The Victoria Plywood Co-op has been awarded a license authorizing them to cut about 117,000 cubic metres of timber in the Port McNeill forest district. The timber will meet about half of the co-op's projected needs over the next four years, with the rest coming from smaller timber sales. As well, VicPly plans to trade with the major companies for peeler logs suitable for veneer production.

Problems with log supply have dogged B.C.'s forestry co-ops for years. According to VicPly President Godfrey Waryk, the license will permit longer-term planning than has recently been possible. With this in mind, the co-op is considering purchasing equipment from operations such as the recently closed MacMillan-Bloedel AIPly mill in Port Alberni, and planning to reactivate currently disused equipment.

The license comes at an opportune moment for VicPly. To ride out last year's downturn in the plywood market, employees worked two days a week and collected unemployment insurance the remaining three days. VicPly's sales rebounded this past March and April, due partly to recent mill closures in Port Alberni and Delta, and as buyers have adjusted to the GST. VicPly is again running a full complement of three shifts, with the exception of the green end, where only one shift is needed because of the current ready supply of veneer. The finishing end of the mill is working overtime to keep up with orders.

### IN THE WORKS

By Melanie Conn

Two new West Coast co-ops are in the development stage. IXCHEL is a group of Central Americans who are starting a wood-working co-op under the auspices of the Downtown Eastside Economic Devel-

opment Society (DEEDS) in Vancouver. Carmen, Bayron, Carlos and Carlos (fondly differentiated as Number One and Number Two), are looking into the market for children's and patio furniture. IXCHEL is committed to the creation of stable employment opportunities in the Latin-American community and sees the worker co-op structure as a good model for achieving that goal.

Meanwhile a Victoria group sponsored by the Canadian Mental Health Association is investigating the possibility of establishing an employment co-op. The co-op would match members with temporary or part-time employment opportunities.

Both groups are being assisted by the Worker Ownership Resource Centre.

For more information, please contact **Melanie Conn**, Worker Ownership Resource Centre, #102-713 Columbia St., New Westminster, B.C. V3M 1B2; (604) 520-3341, Fax (604) 520-3161.

## On The Prairies

### GST BOOS

**Souris, Man.** — The Souris Valley Echo, a rural newspaper in south-western Manitoba, is considering a change in its incorporation from a worker co-operative after receiving a ruling from Revenue Canada that the GST would be applied to its share capital. In general, investment capital is exempt from the GST, but shares in a co-op are being treated as a "membership fee" rather than an investment. This ruling is being challenged by the co-operative movement, and it also appears to be at odds with other opinions received by worker co-operatives. Ken McCready of the Co-operative Secretariat also has another opinion. He has an opinion from Jake Epp, Minister of Revenue, that "only the first mem-

ber's share in a co-operative is taxable with the GST." McCready adds, "This share could simply be one dollar."

The Canadian Worker Co-operative Federation plans to make taxation its major issue for next year. The Québec Federation of Worker Co-operatives and the Conference of Forestry Co-operatives also are focusing on the taxation issue.

### CDSL REPORTS STRONG FINANCIAL GROWTH

**Regina, Sask.** — Co-operators Data Services Limited (CDSL), Canada's fourth largest computer services bureau, reported 1990 revenue of \$91.2 million, up from \$76.3 million in 1989. Results were announced at the company's annual general meeting held in Regina on March 14. More than \$1.4 million was returned to the member-owners of the multi-stakeholder co-operative.

Ralph Ulmer, CDSL's president, in his address to annual meeting delegates noted: "The volatility of the information technology industry is unlikely to change in the foreseeable future. Indeed competition will become sharper. We are proud of this year's achievements and are confident of our ability to meet future challenges."

Co-operators Data was Canada's first multi-stakeholder co-operative. The co-operative is based upon three types of members: staff (800 in data centres in Mississauga, Winnipeg, Regina and Burnaby); clients or users of the service; and the Co-operators Group, the holding company for Co-operators Data and eight other subsidiaries including Co-operators Insurance.

Each stakeholder has an investment in the co-operative, shares in surplus earnings and elects representatives to the board of directors. The multi-stakeholder co-operative is now in place in three other subsidiaries of the Co-operators Group.

In February, 1991, the Co-operators submitted a proposal to the

# ACROSS THE COUNTRY

Ontario government to structure Ontario's auto insurance as a multi-stakeholder co-operative instead of a Crown Corporation, which the NDP campaigned to implement.

For more information contact John Jordan, Co-operators Data, 6820 Century Ave., Mississauga, Ontario L5N 2V8; (416) 821-2252.

## Ontario Update

### By Judith Brown KAP WORKER BUYOUT COMPLICATED

**Kapuskasing** — In a classic Catch-22 situation, employees of the Spruce Falls Power and Paper Company in the northern Ontario community of Kapuskasing have been offered the mill for \$1 by the present owners, Kimberly Clark and The New York Times, but only if the employees can negotiate the sale of the Smoky Falls generating plant to Ontario Hydro by June 30. Ontario Hydro apparently is prepared to pay the \$133.6 million price for the generating plant, which would be part of a mega project on the Mettagami and Mosse River basin, but only if that project can receive a favorable environmental assessment. It is estimated that the environmental assessment could take until 1994.

Nevertheless, the Purchasing Group representing the employees has prepared a 10-year business plan for the mill that would involve a \$300 million investment to

upgrade and modernize some of the equipment. This plan would see 1,200 of the 1,650 workers at Spruce Falls retained.

Should the employee purchase fall through, the alternative would be for the current owners to scale down the labor force to 400, as part of an Amos plan. Since the mill is the major industry in Kapuskasing, a town of 12,500, the Amos plan would have a very negative impact on the community. At present 400 houses are for sale as residents anticipate the worst.

The plan for the employee purchase has been submitted to the Ontario government. In the meanwhile the residents of Kapuskasing anxiously ponder the future.

### IT'S SPELLED SPELT

**Toronto** — Origins Co-operative Inc. has formed a joint venture with a co-operative of 60 organic farmers in Grey and Bruce counties to market organic spelt. Spelt is an unhybridized type of wheat, high in protein, which grows well in Canada and is in demand in health food stores.

The farmers will be responsible for growing, storing, cleaning and delivering the certified organic grain to the mill. Origins will take it from there, ensuring that the mill itself is certified, co-ordinating the packaging design and labelling, and taking care of marketing and distribution.

The first product will be certified organic, all-purpose spelt flour. Cookies and pasta made from spelt

flour will soon follow.

While Origins has successfully raised \$70,000 for class A shares from outside investors, the rate of growth depends on attracting more venture capital. Potential investors in this promising new line should contact Mary Lou Morgan at (519) 438-2831.

### OAWC ACTIVE

**Toronto** — In recent months the Ontario Association of Worker Co-ops (OAWC) has been busy lobbying the Ontario government to promote the status of worker co-ops in Canada. Bob Allan, John Brower, Al Reeves, Russ Christiansen and Mary Lou Morgan have met with representatives of various provincial ministries to elicit support for the development of new worker co-ops.

As a member of the Canadian Co-operative Association (CCA), the OAWC has been meeting with the Ontario minister responsible for the provincial co-operatives act, and has secured an agreement to include worker co-operatives under the act. The association has also been active within the CCA regional meetings.

### JUST WORK RESEARCH

**Toronto** — John Brower of Just Work recently received a grant to investigate environmental technology in England. This research should help with Just Work's latest venture — a co-operative recycling facility. Major investment

capital for the project has yet to be secured.

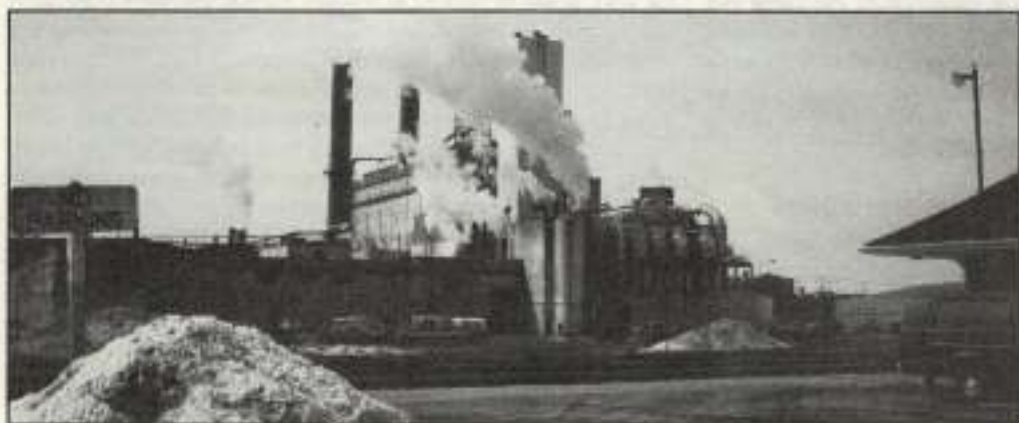
Mary Lou Morgan and Russ Christiansen of SUMAC Consulting, drawing on their respective experience with The Big Carrot and the Ontario Federation of Food Co-ops and Clubs, have been running workshops on how to develop health-food co-ops. The most recent workshop took place in Guelph in April.

Bob Allan of SUMAC and Marty Frost of CRS travelled to Indonesia in May to work on a consulting contract, preparing a feasibility study for the promotion of worker co-ops in that country.

### NEWS FROM CARROT COMMON

**Toronto** — The Big Carrot has obtained a Skills Development grant to develop a training program for employees. The program will cover all aspects of store operations, with a focus on customer service. Members of the co-operative have also voted to double the probation period for prospective members to 12 months. Members felt the former six-month period was too short for both parties to make the necessary commitment.

Judith Brown is a doctoral student in Community Psychology at the Ontario Institute for Studies in Education, 252 Bloor Street West, Toronto, Ontario M5S 1V6; (416) 923-6641, ext. 2576.



Kapuskasing in northern Ontario teeters on the brink as the fate of the local mill is decided.

## BREAKTHROUGH IN ONTARIO

Toronto — Ontario's New Democratic government this spring took the first legislative step to support worker ownership. Introduced by MPP Tony Martin, the NDP member from Sault Ste. Marie, the following resolution received unanimous support on first reading.

"Resolved — That in the opinion of this House, the Government of Ontario should support Worker Ownership as a significant initiative in the restructuring of the province's economy by:

1. developing an inter-ministerial committee comprised of representatives from the Ministries of Consumer and Commercial Relations, Industry Trade and Technology, Labour and Financial Institutions;

2. providing development funds and seed capital for a number of worker-owned business funds;

3. establishing a financial incentives program to provide venture and expansion capital to new and existing projects;

4. amending existing tax law and regulations and developing new legislation which would enable worker-owned enterprises to compete on an equal basis with other business forms;

5. implementing an interim financial mechanism (to be operative while the above steps are implemented) to compensate for the financial penalties presently incurred because of discriminatory tax law and the inability of worker-owned businesses to access existing government programs;

6. developing curriculum and programs through the Ministry of Education which would support and encourage awareness of, and participation in, worker-owned and managed workplaces;

7. encouraging the Ministry of Colleges and Universities to take the initiative in providing training in the management skills appropriate for worker-owned and managed business including a member of the emerging Worker Co-operative



Association on the Premier's Council on the Economy and Quality of Life."

*Readers interested in further information should contact Bob Allan at SUMAC, 457 Palmerston Blvd., Toronto, Ontario M6G 2N9 (416) 537-6543.*

## Québec News

### By Claude Carboneau QUÉBEC FORESTRY CO-OP GROUP'S ANNUAL MEETING

Québec City — René Langevin, Director-General of the Manicouagan-Outardes forestry co-op, was elected President of the Conférence des coopératives forestières du Québec, Québec's forestry co-ops umbrella organization, at its annual general meeting in Québec City on March 22.

Conférence members dealt with business of the previous year, including the difficult decision to leave the Québec Council of Co-operatives due to changes within the provincial Society for Co-operative Development (SDC). Other significant issues were the financing and capitalization of co-operative enterprises, and efforts to improve relations with the provincial Crown Corporation, REXFOR.

The assembly approved a meeting on the subject of worker co-operatives and job creation. Among the findings of the meeting were that solidarity and intercooperation will be essential for the growth of worker co-ops.

Guest speaker Albert Coté, the provincial forestry minister, chal-

lenged participants to change their behavior and unite in their efforts. "You have a clearly co-operative goal; you must get there in a co-operative way," he said.

### CONTROVERSIAL CO-OP DEVELOPMENT BILL ENACTED

Québec City — The controversial bill reallocating responsibility for co-op development has become law. April 1, 1991 saw the start of the dismantling of Québec's Society for the Development of Co-ops (SDC). Its mandate will now be divided between the province's Society for Industrial Development (SID) and the Ministry of Industry, Commerce and Technology.

SID will appoint a vice-president in charge of co-op development to administer their financial aid program, while the ministry will appoint its own director of services to co-op enterprises.

During the transition, a joint management committee will maintain continuity in SDC's services to co-operatives. Each group will assume its new mandate once the transfer of human, financial and material resources is complete.

### The SDC and worker stockholders

As of March 31, 1991, the former SDC had granted 32 financial aid packages, totalling \$6 million, to 28 worker-stockholder projects in the province of Québec. This program began in 1985, and its popularity reached a peak in 1989 and 1990.

The difficult economic climate has fostered the creation of worker-

The annual general meeting of the Conférence des coopératives forestières, the central organization of Québec's 47 forestry cooperatives.

Photo: Les Editions Forestières

stockholder programs. Workers themselves are often a source of capitalization which allows businesses to survive difficult periods. The workers' investments grant them access to the decision-making process of a business, allowing them to influence the future development of the company and profit from its growth.

To date, only one of the 28 enterprises has had to close. However, as the number of projects increases, it is expected that so will the number of failures. Capital investment in a company is always a financial risk, and workers should be well informed before making a decision to invest.

*Claude Carboneau is the Director of Communications for the Société des coopératives, 430 Chemin Ste. Foy, Québec City, Québec G1S 2J5; (418) 687-9221.*

### UNITED WE STAND

By Jean-Yves Lévesque

Montréal (*Le Coopérateur Forestier*)— We must unite to form worker co-ops was the consensus which emerged from a meeting of worker co-operatives in Montréal last February 22nd. More than 60 co-operators representing about 40 co-ops participated in this historic meeting in the development of worker co-ops in this province. Representation was not only from all sectors, but all the regions of Québec, including Abitibi, Gaspésie, Côte-Nord, and Saguenay-Lac St. Jean.

Sponsored by the Conference of Québec Forestry Co-ops, the Québec Federation of Worker Co-

# ACROSS THE COUNTRY

ops, and several other groups concerned with the worker co-op option, the leaders of worker co-ops met to devise a plan of action for the massive development of worker co-ops in the province.

In workshops and plenary sessions, participants identified possibilities and constraints in democratic workplace development. Following these discussions they agreed on the need to unite forces and interests to develop worker co-ops. An ad hoc committee was formed to establish a strategy which will be submitted to co-operators and members of worker co-ops. Only with their approval will further steps be taken. The concern to achieve unity within the worker co-op movement overrides all other considerations.

The conference ended with Anne Baetlo, President of Walonnes Alternative Solidarity, the confederation of co-operative and alternative enterprises in Wallonia, Belgium, speaking of the situation in that country.

## TAXATION: JUSTICE WILL BE DONE

By Marcel Arteau

Québec City — Efforts by the Québec Federation of Worker Co-ops (FQCT) and the Conference of Forestry Co-operatives of Québec (CCFQ) to allow members of worker co-ops to use their RRSPs as a source of share capital have taken a significant step forward. This option is currently available only to those who invest in capitalist enterprises. Members of worker co-ops have been excluded from this advantage under federal law due to their employee status.

This initiative will be assisted by the growing solidarity of the entire co-op movement in Québec. At its general meeting on March 16, members of the CCQ voted to include the concerns of all sectors, particularly those of worker co-ops, when negotiating with all levels of government.

Meanwhile the CCFQ, assisted by taxation experts in the credit

union movement, is lobbying the federal government with the argument that it is unfair that employees in a shareholding, or capitalist, enterprise can benefit from a tax deduction through their RRSPs, while the member-employees of a worker co-op do not.

Tax laws affecting members of worker co-ops are unjust. Both the FQCT and the CCFQ have every intention of ensuring that members of worker co-ops have the same advantages as other workers and investors.

*Marcel Arteau is the Director of the Québec Federation of Worker Co-operatives, 1026 rue St. Jean, Suite 102, Québec City, Québec G1R 1R7; (418)692-2026.*

## In the Atlantic

### NEWFOUNDLAND AND LABRADOR NOTES

#### GOOD TIMES AT FOGO

Fogo Island, Nfld. — The 1,200-member fishers' co-operative on Fogo Island, near Gander, Newfoundland, turned a \$900,000 profit on \$11 million of sales in 1990. Fogo has gone through a difficult period in recent years, weathering financial losses and an out-migration of residents.

According to Cecil Goodwin, a director of the co-op who attended the April meeting in Antigonish to

form a worker co-operative: "Plant workers at Fogo have made a lot of sacrifices over the years because wages have been lower than the rest of the industry. Now many of the plants with higher wages have closed." In spite of the downturn in the Atlantic fisheries, Goodwin is optimistic about Fogo's future.

#### PICKING UP

Baie Verte, Nfld. — Viking Crafts of Baie Verte, Newfoundland, has received a grant from Enterprise Newfoundland to help marketing its seal fur and leather products. Viking has six members, three of whom work full time and three of whom work one day a week. "Sales are picking up," according to Viking President Ralph Rogers.

#### CO-ACTION TO HELP WORKING POOR

By Chris Mousseau

St. John's, Nfld. (*The Atlantic Co-operator*) — A low-income lending service is being considered by Credit Union Central of Newfoundland and Labrador. Lee Ryan of St. John's has been hired to study the feasibility of providing low or no interest loans to needy individuals through a special Co-ACTION (co-operative action) fund.

This fund would operate as a non-profit corporation with federal registration as a charitable organization. Donations would be solicited from credit union and co-opera-

tive members as well as other organizations.

Mel Strong, Managing Director of the Central, says the Co-ACTION idea sprang from the successful food drive on Credit Union Day. Credit union members were urged to donate food at their local credit union. During the food drive, Strong talked to the Salvation Army and other groups. All agreed that short-term food aid does not solve the problem faced by low income individuals. Many need a lift that can only be provided by a loan to pay for education or equipment (such as a car for an enterprising taxi driver).

#### TRADITION

Red Bay — In the small community of Red Bay on the Labrador side of the Straits of Belle Isle, a group of nine women have decided to form a worker co-operative in order to provide themselves with production and marketing services. They have refined their skills in producing garments and other items from a material with ancient traditional roots. Canvas ducking has been used for many years in this area for clothing and many other items important to survival in the difficult climate. Because canvas is 100 per cent heavy cotton, people wanting an alternative to various synthetic materials find it attractive.

Designs of colorful embroidery and silk-screened printing depict



Vikings at work: Newfoundland co-op makes stylish seal-fur garments.

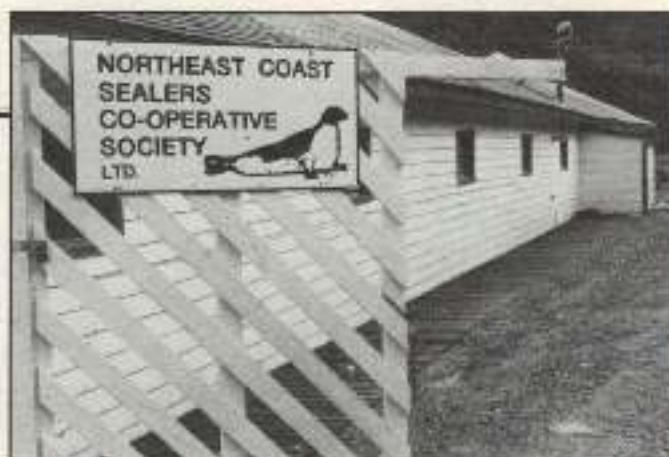
unique aspects of the history and way of life in this somewhat remote part of the province. The community of Red Bay was once the site of a Basque whaling station. Designs are presently being developed depicting this historical aspect of the community. Other designs reflecting local wild berries, flowers and wildlife are also being worked on.

#### FOUNDING CONFERENCE

**Antigonish** — All four worker co-ops in Newfoundland were represented at the recent founding conference for the Canadian Worker Co-op Federation in Antigonish, Nova Scotia. Ralph Rogers, Viking Crafts, Cecil Godwin, Fogo Island, Tim Cohen, Atlantic Employees, and Jeff Greeley of St. John's Taxi all participated. Funding for their travel and accommodation at the conference was provided through a federal/provincial rural development agreement grant sponsored by the provincial Federation of Co-ops.

This was the first opportunity for three of these co-ops to meet many other like enterprises across the country. Ralph Rogers had attended the original meeting in Ottawa and was glad to see many familiar faces. All who attended especially enjoyed the training sessions, not only for their useful information, but to see that many co-ops across the country experience many of the difficulties and frustrations that they had. The isolation in this province can often lead groups to feel alone and begin to despair at ever reaching a truly successful level of operation with their enterprises. The networks being developed through the Canadian Worker Co-op Federation will go a long way to building their confidence.

For more information, contact Jim Winter, Newfoundland and Labrador Federation of Co-operatives, P.O. Box 13369, St. John's, Newfoundland A1B 4B7; (709) 726-9431.



460 sealers on the northeast coast of Newfoundland have formed a co-operative.

#### SEALERS HOPE MARKET IMPROVES

By Chris Mousseau

**Fleur de Lys** — (*The Atlantic Co-operator*) — Harold Small, President of the North East Coast Sealers Co-operative hopes market conditions improve for the 460-member sealers' co-operative in 1991. The co-operative buys from all sealers, and Small figures they may take close to 80,000 animals this year.

More than 15,000 skins will be deblubbed, salted and readied for tanning at the co-operative's plant in Fleur de Lys on the province's northeast coast. The rest will undergo the same process at the Carino plant in Dildo, Trinity Bay. Prices for pelts are expected to average \$9 apiece, and sealers will get another 20 cents a pound for the meat.

The co-operative plans a joint venture with an Ontario tannery, Ontario Blue, to produce high quality leather for European shoemakers. Each year in Newfoundland, half a million pounds of seal meat is used to feed fox and mink. Fresh seal meat for human consumption is available during the season. The president reports that some fresh meat may be sold vacuum packed this year.

## Nova Scotia News

#### WORKER CO-OPS EFFICIENT JOB MAKERS

By Tony Scoggins

**Arichat, N.S.** — (*The Atlantic Co-operator*) Fifteen hundred dollars per job is what it cost the Community Development Co-

operative (CDC) to develop new jobs in Nova Scotia in 1991, according to CDC President Ron Grant.

Grant was addressing the CDC annual general meeting in Arichat March 23 when he announced the statistic. With only \$32,000 of expenditure, the CDC had created 10 new co-op enterprises with the equivalent of 23 full-time jobs.

Only days before, a widely reported audit of Enterprise Cape Breton revealed that the government agency had spent more than \$150,000 for each job it created. CDC Manager Peter Hough pointed out that the ECB report concluded that small scale, locally owned businesses have the greatest chance of success.

"That just goes to show," Hough said "that CDC continues to be on the right track. Our challenge is to convince Nova Scotians that worker-owned co-ops are a viable option when they consider starting a new business."

Much of the annual meeting was spent reviewing the revival of the CDC over the past year. "For an organization that was on very shaky ground only a year ago," Grant reported on behalf of the Board, "CDC has undergone a remarkable turnaround. We started 1990 with only one part-time staff member and a very uncertain future. Today we are computerized, and providing full-time services with the possibility of hiring a second staff member."

Congratulations were extended to CDC's fundraising committee, which had planned and executed a campaign to mobilize funds from various public and co-operative

sources. "Now that we are starting to put medium-term funding in place," reported Treasurer Kathleen MacNearney, "the co-op is in position to develop its own strategic plan."

Buoyed by these reports, CDC members decided their organization should affiliate with a newly formed national federation of worker co-operatives. The members also agreed that CDC become a member of Atlantic Co-operative Publishers.

In the coming year, CDC's support work is to continue with a number of co-op development projects already in progress. Introductory sessions will be held with new groups interested in the co-op idea. Educational programs for existing co-ops will highlight skill development in bookkeeping and democratic management. Additional work will be done to establish a health plan for co-op members and to clarify member-owner status with Revenue Canada.

The board was also directed to make a final decision about the future of the Venture Capital Fund that was registered last year, just as government support for the program was terminated. It was also suggested that given the increasing numbers of co-ops joining the CDC, the board examine the possibility of expanding the number of directors.

In the elections to the board, Robert Mowbray of Credit Union Central, Kathleen MacNearney of the Greenhouse Co-op and Ted Cogan of Bergengren Credit Union were all re-elected. Mariel Maybe of Lunenburg was newly elected.

## NEW DAWN BUYS CAPE CARE

Sydney, N.S. — Cape Care, the innovative home services operation, is no longer a worker co-op, having been purchased by New Dawn Enterprises Ltd., the Sydney community development agency which had initiated the co-op in 1988. While demand for Cape Care's home services had been growing, the co-op's membership had been declining. "We have learned a valuable lesson," says Susan King, an employee with another of New Dawn's initiatives. "People have to come forward with the idea of a worker co-op themselves." Cape Care serves all of industrial Cape Breton, and is expanding to Port Hawkesbury. To meet the demand for at-home care in these communities, Cape Care is investigating training programs for potential personnel.

## MULGRAVE THEATRE'S NEW MANAGER

By Nancy Wright

Guysborough, N.S. (*The Atlantic Co-operator*) — After a long search Mulgrave Road Co-op Theatre and the Mulgrave Road Theatre Society have appointed a new General Manager, Donna Wellard. Wellard's arrival allows Artistic Director Jenny Munday to turn her attention to new scripts and quality productions.

Wellard's extensive background in fundraising for and managing small, innovative dance and theatre companies in England made her an appealing candidate to deal with the financial restraints imposed by the current recession. For her part, Wellard is impressed with her new theatre: "Mulgrave Road is not only one of the finest touring theatre companies in the Maritimes, but is also a viable business and a valuable resource within the community. There's a very secure and stable position from which to develop the business side of Mulgrave's activities. While funding problems persist, I was delighted to find Mulgrave Road Co-op



Theatre has survived so well, on so little, for so long!"

## GREENHOUSE CO-OP GROWS LOCAL EMPLOYMENT

St. Peter's, Nova Scotia (*Atlantic Co-operator*) — While most residents in this community of 700 families must travel 45 minutes to Port Hawkesbury for work, a few are taking matters into their own hands and creating jobs closer to home. "The jobs are not here. They are not going to come here. You have to create them," says Lorraine Hough, Manager and a founding member of the local Greenhouse Co-op. "We did that by getting a group of people together and pooling our skills and resources."

In 1988, Hough, who started out growing bedding plants for her own use and selling the excess from the back of a truck, joined forces with Connie Stewart, a graduate of the Nova Scotia Agriculture College, and Kathleen McNearney, another area resident with a knowledge of plants and financial expertise. Spurred by an interest in joint management and collective decision-making, they decided to pursue the idea of a worker co-op. Hough's husband, Peter, studying worker co-ops that year, was also a good source of information. "We decided to put this knowledge into practice," says Hough.

The co-op has grown steadily since its incorporation in 1988, and the \$4,000 in share capital that

each member initially contributed has been hard at work. "We are building our fourth 1,000 square foot greenhouse this year. Our sales were \$35,000 last year and we will employ six full-time and one part-time person during the peak season," says McNearney. As well, she adds, "we are all gardeners and we can give good advice."

And, because the area has a short growing season and poor soil, they are developing products suited to local conditions. "For instance, we are working on a line of pre-planted patio containers, beautiful early blooming flowers in containers that are easy to transport," says Hough.

As the business grows, so does membership in the worker co-op. The fourth and newest member, Carol Dixon-Nightingale, another graduate of the Nova Scotia Agriculture College, realized her desire to run a greenhouse when the other members asked her to join after a season working with them. When the new greenhouse opens this year, there will be an opportunity for another of the seasonal workers to become a member.

## BADDECK CARPENTERS TOOL TOGETHER

By Catherine Ann Fuller  
Middle River, N.S. (*The Atlantic Co-operator*) — Co-operation is the tool four independent carpenters chose to sharpen their competitive edge earlier this year. By pool-

The Greenhouse Co-op in St. Peter's, Nova Scotia, continues to grow interesting plants and to grow as a business.

ing resources and buying-power, Victoria County Carpenter's Co-op is getting discounts on supplies, and gaining other advantages that help them compete with larger firms. "We've done a variety of jobs as individuals and as a group," says bookkeeper Jim Morrow. "We've had at least one person working each week since we started the co-op in May."

The co-op consists of members Burland Murphy, Archie MacLellan, Brian Plante and Morrow. The four members have part-time jobs or interests elsewhere but there seems to be great potential for employment through the carpentry co-op, says Morrow.

As well, members can now pay into the Canada Pension Plan and Unemployment Insurance and are presently discussing the possibility of a group health plan. Morrow keeps financial records on his computer, although all members have equal signing authority and responsibility in the group.

Home renovations are the group's specialty. They work on an hourly rate and claim to be competitive on small jobs. "We're hoping to fill a recession-proof gap, a need in the community," says Morrow. Adds member Burland Murray, "A goal down the road may be to take on specialized members so we will have more resources to get bigger jobs done more quickly."

The group received start-up advice from Community Devel-



# ACROSS THE COUNTRY

opment Co-operative of Nova Scotia, but have received no government assistance. All members bought shares for initial capital and they are growing nicely.

## SHIPYARD STUDY UNDER WAY

By Peter Hough

North Sydney, N.S. — The Co-operative Development Corporation (CDC) is completing a business plan for an umbrella co-op to purchase the North Sydney shipyards, which include a chandlery (supply store) and fish processing plant. The facility ceased operations in September, 1990, when the Federal Business Development Bank foreclosed on its former owners, Good People Sea and Shore.

Since the foreclosure, New Deal Developments, a local community development corporation, had been working with a diverse group composed of shipyard workers, fishers and businesses in North Sydney who wished to see the shipyard operating again. This past January they contracted the CDC to determine how they might structure themselves.

The umbrella co-op will purchase the shipyard and lease back the facilities to its member businesses. There will be six member businesses, four of which will be co-operatives. Two will be worker co-ops, one a community investment co-op and the fourth will be a fishers co-op. The other two partners are New Deal Development and the shipyard chandlery. So far the group has agreed on a purchase price with the mortgage-holder, the FBDB. The business plan will be used to help get financing.

For more information contact Peter Hough, Manager, Community Development Co-operative (CDC), R.R. #2, St. Peter's Nova Scotia B0E 3B0; (902) 535-2033.

## NEW AQUACULTURE CO-OP

Country Harbour, N.S. — A new scallop farming venture has been

incorporated as a worker co-op. Country Harbour Sea Farms, on the eastern shore of Nova Scotia, has three founding members, Bruce Hancock, Carmen MacDonald and Wayne MacDonald. They will be putting their diverse backgrounds, including mussel farming and aquaculture research, to practical use.

## P.E.I. Beat

### EVANGELINE CO-OPS KEEP WOLF FROM DOOR

Wellington, P.E.I. (*The Atlantic Co-operator*) — The co-operative movement employed a total of 369 people in the Evangeline regions whether full-time, part-time or seasonally last year. "If the 16 area co-ops closed their doors tomorrow, it would without a doubt have a devastating impact on our community and economy since these 369 people earn a combined salary of \$1.99 million a year," says Raymond J. Arsenault, promotion officer for the Conseil de la coopération de l'I-P-E (P.E.I. Co-op Council).

Arsenault discovered the impressive numbers in a combined social benefits report of the 16 co-ops for the 1989-90 year. He found that 52 people were employed full-time, 14 part-time and 303 season-

ally in the area's co-operative organizations, which offer services varying from clothing manufacturing to grocery sales and from fish processing to funeral services.

The value of services and goods purchased in the area by the co-operatives amounts to \$3.05 million. The entire amount was returned to the local economy. "Our co-ops have a combined membership of 5,811 members, which is equally impressive. From these, 127 work voluntarily on various committees and boards to help their co-op operate," he added.

Arsenault said that the co-ops (including Evangeline Credit Union) give quite a bit back to their members. For example, \$435,729 was paid out in interest on savings and \$139,939 on shares. Members also received \$345,201 in rebates.

### P'TITS ACADIENS FOLDS

By Elizabeth Cran (*Atlantic Co-operator*) — Les P'tits Acadiens, one of the two worker co-ops in P.E.I.'s Evangeline region, closed down in February. The co-operative clothing manufacturer was in good financial shape and had conducted \$100,000 worth of business in 1989.

So why close? Two events combined to convince members to fold the organization. First,

Carmella Richard, the manager, decided to extend her maternity leave, but none of the other members were able to fill her place. And soon after, when the co-op received an offer for all its equipment from the newly chartered Islander Fashion Co-op, the four full-time members and one part-time worker agreed it was too good an offer to refuse.

Les P'tits Acadiens was organized in 1987 by several women who found it difficult to buy good quality children's clothing at reasonable prices. During their first year, they discovered that they couldn't make such clothing at reasonable prices either, and began to specialize in fleecy cotton and nylon garments.

They attracted clients such as the University of P.E.I., the Canada Games, the Jeux d'Acadie, the P.E.I. Chip Co-op, and schools and festivals. No order was too small, giving them a competitive advantage over other manufacturers. While their marketing may have been a problem, the co-op's work was also an advertisement in itself.

Richard, the former manager, says the members are now unemployed but they have gained valuable work experience and training.

The remaining worker co-op in the Evangeline region is the P.E.I. Potato Chip Co-op.



The Evangeline Credit Union has channelled local savings into building a network of co-operatives.



By Ian MacPherson

# Root, Hog or Die

## The Army of the Common Good in the 1930s

The Great Depression that began in 1929 changed Vancouver dramatically and quickly. Almost as soon as it began people from the mines, fishing villages, and lumber camps swarmed into the city. They were joined by a steady flood of unemployed people from the Prairies and Eastern Canada. The flop-houses and cheap hotels in the center of the city were soon filled to overflowing; the beaches became crowded with tents and shacks; the nearby communities, such as Burnaby and New Westminster, became desolate, experiencing levels of unemployment they had never known before.

Burnaby, in fact, became one of the first municipal casualties in Western Canada. By 1932 it was bankrupt, its municipal government had been suspended and an administrator had been appointed by the provincial government. Most of the people in the community (who had been for the most part employed in mills, offices and service jobs) were on the dole. As the Depression deepened year after year, Burnaby became the center for a wide range of social and economic experiments. One of the largest of these was the Army of the Common Good.

### The Army

While several people played a role in forming the Army, the most notable leader

was David George "DG" Macdonald. A co-operative idealist who had spent considerable time during the 1920s studying the international co-operative movement, Macdonald found a ready audience for his co-operative enthusiasms as the Depression continued. The idea of an army organized for the "common good" apparently originated in Philadelphia in 1930; there it attracted over 3,000 recruits, men and women who found employment in a wide range of make-work jobs and a series of self-help projects aimed at producing food and meeting basic needs.

In Vancouver much of the enthusiasm for creating a complicated "army" appears to have come from Alfred Bingham, a socialist who saw the project as the beginnings of social reformation in the city. Under the leadership of Macdonald and Bingham, groups of desperate people, people who were usually told by governments to "root, hog or die," began meeting in 1931. The areas in Vancouver where there were heavy concentrations of unemployed — Burnaby, New Westminster, the East Side, even a section of Shaughnessy — were organized into work groups within a quasi-military structure. The groups found many kinds of employment (cutting wood, growing vegetables, baking bread, canning fish, picking fruit) and by late 1932 had 1,500 people on their rolls.

The focus for the Army's activities was the Common Good Co-operative organized in January, 1932. It was not a typical co-operative since its starting point, somewhat like Mondragon, was the creation of jobs. Its articles of incorporation envisioned its members running farms, importing and exporting goods, operating stores, entering into manufacturing, undertaking mining, fishing and logging enterprises, managing hotels and owning a printing press. Like the Rochdale pioneers of nearly a century earlier, the leaders of the Army saw no reason to place restrictions on their dreams.

**Vancouver workers organize themselves co-operatively in the 1930s.**

**Photo: Vancouver Public Library.**

### Barter system

One other feature of the Army's activities was its system of currency. The Army paid its members for whatever work they did through the use of script called "work units." In return for hours of labor, members would receive units which they could then exchange for goods at the co-operative's stores. The development of this script system owed something to the originality of the Army's leaders, but it was also an adaptation of script systems used in

municipal relief programs and was similar to labor exchange programs among organized unemployed groups in such American cities as Portland, Chicago and Liano, California.

Whatever the origins, the system initially worked well enough so that, by 1934, the Army was operating three stores in the Vancouver area, a farm near Ladner and several farming plots scattered throughout the city. The municipal government, particularly Mayor Lyle Telford, had become an enthusiastic supporter; the premier and some members of cabinet were intrigued. Two professors from the University of British Columbia had prepared a plan, which theoretically would advance the promising beginnings to more complete fulfilment. The Vancouver Stock Exchange had loaned the Army an office without charge in its rather splendid building on Howe Street. B.C. Telephone had installed a telephone and usually neglected to send its monthly bill. Policemen never seemed to notice that the Army's two dilapidated trucks — proudly displaying rather garish "Army of the Common Good" signs — never had up-to-date license plates.

Starting in that year, however, the Army began to lose momentum. Despite the efforts of many people, it could never find more than a few hundred jobs, many of them really part time, at any one time. The two levels of government became wary of

enterprises relying on the leadership of individuals with little managerial experience. Telford to some extent co-opted one of the Army's key initiatives and hired a number of unemployed people to produce food products that were marketed under a "Plenty for All" label in stores throughout the city. The co-operative never developed sufficient cash-flow to become a viable operation, and some local merchants complained about the preferential treatment given the co-operative's stores.

It is easy to dismiss the Army of the Common Good as just another lost cause in the Depression. One should not do so for at least four reasons. First, the Army showed the remarkable staying power of the broad co-operative enthusiasms of the nineteenth century. Robert Owen, Charles Fourier, and George Holyoake would have warmed immediately to the dreams of the desperate Vancouverites; they would have instinctively understood the Army's preoccupation with job-centered co-operativism.

Second, because the leaders of the Army took such a broad approach, they created a store network that led to the development of co-operatively owned

wholesaling in British Columbia. Third, some of the individuals within the Army became aware of the credit union idea, as it was being promoted by the Antigonish movement in Nova Scotia. They were responsible for bringing that idea westward, and they can therefore be correctly labelled the pioneers of the B.C. credit union movement. Finally, the Army demonstrated to a less imaginative later generation the full potential of co-operative entrepreneurship. In an age when the question "What business are we in?" becomes an excuse for restricted agendas and institutional lethargy, the Army was a model that people within co-operatives should consider more carefully. ■

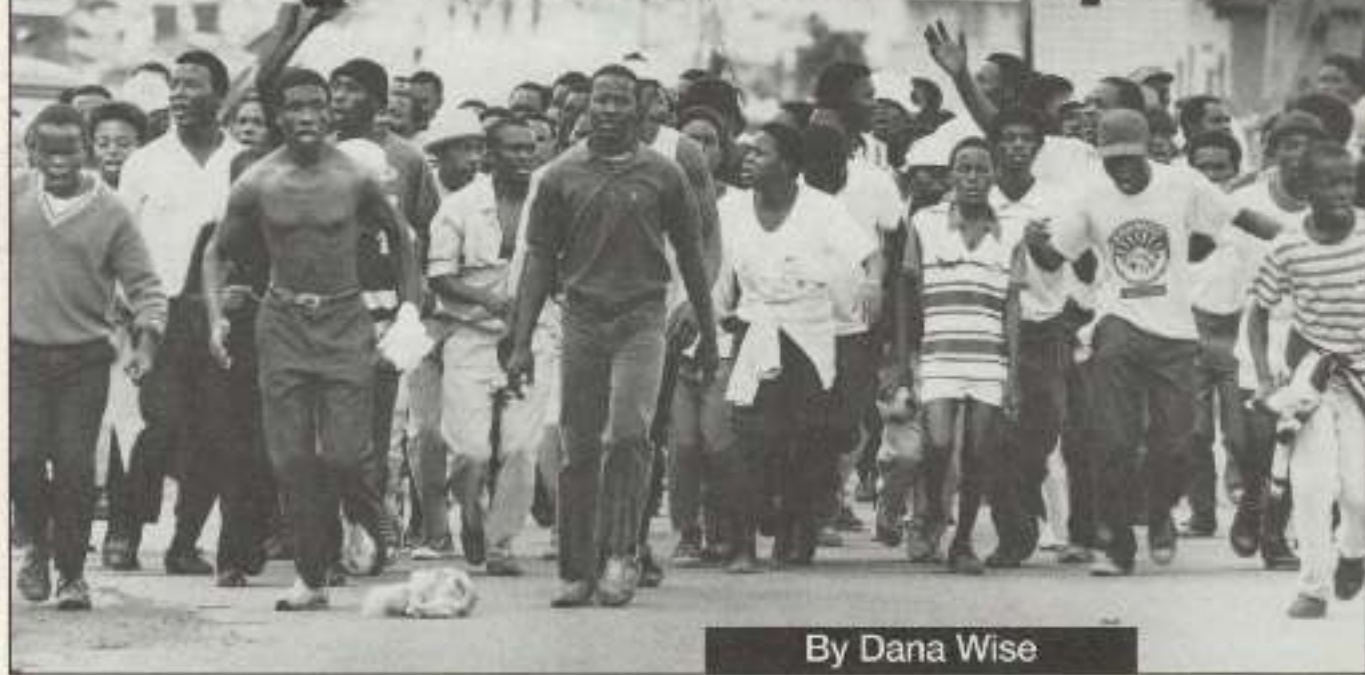
**Ian MacPherson teaches history at the University of Victoria and is President of the Canadian Co-operative Association. He is author of *Each for All*, a history of Canadian co-operatives to 1945.**

**Lessons of the 1930s still relevant today.**

**Photo: Vancouver Public Library.**



# From protest to development



By Dana Wise

## A South African community organization building economic democracy

Since February 2, 1990, when State President F.W. de Klerk announced the unbanning of the African National Congress and other anti-apartheid mass-based political organizations, the face of South African society has been changing at a feverous pitch. Alliances are fluid as parties struggle to shape the terms of a post-apartheid society. For example, in the Alexandra township in Johannesburg, a community organization is seeking to join the legacy of popular resistance to apartheid's injustices with a coherent strategy for democratic economic development involving co-operatives and community-owned businesses. One aspect of this program involves studying the feasibility of starting a local bus service under community control.

### An introduction to Alexandra

The Alexandra Township has a history of anti-apartheid and anti-capitalist militancy. During the wave of unrest which swept South African Townships in 1986, Alexandra became a "liberated zone" under the exclusive control of the street and area committees which form the base

of popular structures. For six days, barricades barred the South African Defence Force and police from entry into the narrow streets and densely populated neighborhoods of Alex. For a brief period, the "Peoples' Courts" and Area Committees exercised absolute authority within the borders of Alexandra. From events like this, Alexandra became known as a stronghold of anti-apartheid resistance.

In addition to its militancy, Alexandra is also known for being one of the poorest and most densely populated townships in the Johannesburg area. Alexandra was never the target of township "upgrading" like Soweto or Wattville, yet it is surrounded by one of the most affluent white suburbs in South Africa. Environmental problems in Alex are immense, and the mean monthly income is just over R400 per month (US \$160). The housing crisis is marked by severe overcrowding and shortages. An estimated 60,000 of Alexandra's 300,000 residents live in council housing shacks, either as "squatters" or as sub-tenants in the backyards. There are three single-sex, migrant worker hostels (two for men and one for women), each accommo-

"Mass Action" is still a principle tactic of the liberation movement. People on the ground or in the townships are militant about the rapid transfer of power. Winnie Mandela leads a large demonstration. Photo: Afrapix

dating more than 5,000 occupants. Many families live in one-room houses.

### **Civic organizations**

In the 80s, a growing trade union movement, a declining economy, popular resistance and international sanctions opened new political space. Mass-based civic organizations (called "civics") were formed during this period in direct opposition to the corrupt black local authorities in the townships across South Africa. The Alexandra Civic Organization was formed in January 1986. Civics have been instrumental in organizing the powerful rent boycotts against the apartheid government and in seeking to address the environmental concerns of township residents. Nationally, these organizations, together with the trade unions, form the backbone of the popular, progressive forces in South Africa.

The Alexandra Civic Organization is currently formulating an integrated and democratic development plan for the township. The ACO is the principle agent motivating the establishment of the Alexandra Community Development Trust, an organization whose aim is to ensure local control over the economic life of the township. It can also act as a mechanism for enabling community participation throughout the development process by promoting co-operatives and community businesses.

The CDT model seeks to ensure the democracy and sustainability of development projects by building capable, permanent, locally based institutions.

Current development proposals of the CDT in Alexandra include the provision of low-income housing on land won by the community through its rent boycott, meeting the education and healthcare needs of residents, and the formation of a community-controlled transport company. For the ACO, development means not only the provision of needed houses and services, but also the development of local human resources and managerial capacity and local control. The development plan will ensure that all future projects will involve the community, address the needs of the low-income residents, promote co-operatives, maximize job creation and build the skills and capacity of representatives organizations to control their own environment.

### **The Alexandra Peoples' Bus Company**

Over a year ago, the bus service between Alexandra and central Johannesburg ceased operations because of a strike. As a result, the residents of the township have suffered from severe disruption in the quality and availability of transport.

In response, the ACO is investigating the feasibility of restarting the service as a joint venture with South Africa's transport

**The Alexandra Peoples' Bus Company reflects the changing South Africa. Photo: Afrapix**





giant, Putco. The proposal includes the building-in of a transition to community-based ownership and management and democratic relations of production.

In the most general terms, the ACO's proposal expresses the growing sentiment within the township that the process of economic development in Alexandra must somehow be coupled with the community's desire for a greater voice and democratic control over the process.

In the words of Moses Mayekiso, the President of the ACO and the Metalworkers General Secretary, "The program of action adopted by ACO will demonstrate a shift away from the protest action of the civic organization, to affirmative developmental action whereby ACO would actively embark on various campaigns to effectively bring about the transfer of power to the people in Alexandra township." In this way, the project with Putco goes beyond the need to address the basic needs of commuters and begins to address the larger questions of building economic and political democracy in post-apartheid South Africa.

To this point, the negotiations between the ACO and Putco have been investigatory in nature, seeking to explore how a basic agreement on the size and structure of the proposed bus service could be developed following a careful study of its

economic feasibility.

#### Constraints and problems

During the weekend of March 9, the long-simmering faction war between the ANC and Inkatha broke out in the Alexandra Township. The violence was triggered by the ongoing conflict between the civic and the local face of apartheid, the Black Local Authority. The dissolution of a racial government, tax bases and services had been a demand of anti-apartheid activists throughout the rent boycotts of the 80s. Path-breaking negotiations between the civics and the regional government in Soweto in September of 1990 and in Alexandra in February of 1991 paved the way for the end of apartheid's urban form. One of the first casualties of these agreements was the corrupt and detested Black Local Authorities. The transfer of 150 hectares of extremely valuable land adjacent to Alex for housing to "community control" was a second victory of the accord. But following their dismissal by the apartheid state, the councillors joined Inkatha, the organization which has been at the heart of the recent violence in South Africa.

Less than two weeks after former Alexandra councillor, Prince Mokoena, physically threatened the Alexandra Civic's executive at the signing of the accord, war broke out between Inkatha and the ACO's

The civic movement is a principle vehicle for organising in the townships.  
Photo: Afrapix

supporters in Alexandra. Through early April, more than 80 people died and over 500 were wounded in bloody fighting in the streets of the township; at this time no end is in sight. The violence underscores the complexity in the current environment of moving from the unifying politics of opposition to the politics of development. Needless to say, the entire project of community-based development is jeopardized by the violence in Alex.

### Conclusion

The program for community control over the terms of development is spreading to other townships across South Africa. Apartheid capitalism has reached its limits, and as it seeks to transform itself through penetration into the untapped markets of townships, civics are trying to control the terms of that access. On the local level, this strategy seeks to ensure that the entry of capital into the townships occurs on terms which enable rather than destroy the popular organizations of resistance. The violence in the townships, the relative weakness of national political organizations and the entrenched legacy of apartheid stand in the path of realizing the civics' popular development vision. Yet, the civics have proved to be a well-organized and a capable adversary to present and past political challenges, but the present environment requires tremendous programmatic analytical power and flexibility; huge changes are occurring both on the

**Apartheid has created a unique urban form which often located workers far from sources of employment. As a consequence, transport has always been a source of major problems. The mode of transport remains a highly politicised and contentious issue.**

**Photo: Afrapix**



surface and beneath the political and economic environment. New forms of resistance for new challenges must be developed in an incredibly hostile environment. At the moment, this process is testing the capacity and vision of the civic organizations. The outcome will play a major part in determining the face of the "New South Africa." ■

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**The mini-bus (combi-taxi) has been a major innovation in transport in South Africa. It is also a major outlet for black entrepreneurial investment and small business.**  
**Photo: Afrapix**



# Labor organizes 15-store buyout

By Shane Simpson

On July 27, 1990, the United Food and Commercial Workers Union (UFCW), local 1439 in Spokane Washington, finalized the employee buyout of the Rosauers supermarket chain in eastern Washington, Oregon, Idaho and Montana. The buyout, which cost \$25.5 million, is the largest of its kind in North America, involving 15 stores and 1100 employees.

The union spearheaded the buyout because of fear that the owner of the supermarket chain, URM Ltd., a large food wholesaler, would sell the company to a nonunion owner, jeopardizing the jobs of its members.

## Lengthy negotiations

Following a long series of negotiations involving the union in partnership with the existing management, an agreement was reached with URM in which the employees would purchase 15 of the 24 Rosauers stores along with the company name for \$25.5 million (U.S.). The purchase is being facilitated through an employee stock ownership plan (ESOP), which will be financed by payroll deductions over a six-and-a-half year period. The payroll deductions are on a graduated scale ranging from 4 per cent to 11 per cent for each employee, with those workers who earn larger incomes paying a greater percentage. This graduated approach was adopted to ensure that the hardship of the deductions would not be prohibitive towards lower waged worker-owners. Eighty-five per cent of the company is being purchased by union workers and the remaining 15 per cent by management. Each store manager has made a \$20,000 investment in the buyout. While the price tag for Rosauers was \$25.5 million, tax advantages linked to the ESOP program entitled the employees to approximately \$13 million in direct tax breaks, bringing the real cost under \$12 million. The feasibility of the buyout was researched for over a year by financial analysts, the lenders and the store's own accounting department. While the Rosauers chain appeared to be losing some market share, one to two per cent per year for the past couple of years, it was deter-

## 1100 employees involved



mined that this reflected overpricing and an apparent conflict of interest for its parent company URM. URM is primarily a food wholesaler and was supplying not only Rosauers, but also its main competition, Safeway and Albertsons. Not wanting to be perceived as giving preferential treatment to its subsidiary, URM kept the prices at Rosauers above those of its two competitors. The feasibility analysis showed that with a repricing strategy, Rosauers could recover its lost market share and be successful.

## Stakeholder board

Rosauers is directed by a board of 11 members consisting of four union representatives, four management representatives and three outside directors selected by the rest of the board. While the outside directors tend to support the interests of management, the structure, with its requirement of a 'super majority' for major decisions, gives the union a veto over many key issues.

The super majority means that major decisions such as selling the company, acquisitions of other businesses, or major financial decisions, require eight votes to be approved. This allows the union members with their four votes to block these

decisions if they feel that they would not be in the best interests of the workers.

Union representation on the board is made up of three workers from the stores themselves and one person who is selected by the five union locals involved. The five locals, three from the United Food and Commercial Workers and one each of the Teamsters and Bakers, meet to choose one representative who is usually a senior union official. To date this has been Sean Harrigan, President of the UFCW Local 1439 in Spokane. Management representatives are made up of the president of the company, Larry Geller, two other senior managers and one store manager selected by their peers.

Membership voting for directors and on other business at the annual general meeting is based on shareholdings. It is not by a one person, one vote system. This creates a system where higher paid employees who have a greater payroll deduction are more influential in the decisions of the company

**The United Food and Commercial Workers Union has organized a 15-store buyout.**



than lower paid employees.

Communications between the worker-owners and management are handled in two ways. Board meetings which focus on employee issues and input are held quarterly, and the workers are encouraged to participate at those meetings. Also, Larry Geller has started a practice of meeting monthly with the employees of each store to talk about local issues and to improve communications. In addition, an education program has been established for new employees, including management staff, to orient them to the ESOP model and the unique aspects of employee ownership.

### The union

There is unanimous agreement that without the active involvement of the United Food and Commercial Workers Union this buyout would never have happened. So, how does the union feel about the arrangement nine months later? Past Secretary-Treasurer, Al Roberts, who was a key participant in structuring the deal, has mixed feelings about the agreement. "I am disappointed with management and their attitude towards the union and the employees," Roberts said. "Nothing much has really changed in terms of the adversarial approach of management. This was reflected in the collective bargaining which was carried out and only settled after the union took a strike vote and threatened job action." In addition to the difficulties with Rosauers itself, the union has faced lawsuits and tough bargaining from Safeway and Albertsons because of the agreement involved in the buyout.

Safeway, who was in the middle of a 70-day strike with the UFCW when the Rosauers deal was finalized, slapped the union with an unfair labor practices suit for attempting to undermine negotiations by going into competition with them. This lawsuit is still pending, but it is expected that it will be dismissed.

Further, both Albertsons and Safeway forced the UFCW into concessions because of the Rosauers buyout. One of the aspects of the Rosauers' agreement is that new employees will forgo initial pay increments and will receive no company-paid pension contributions for the first six months of employment. Instead, this money, which would amount to approximately \$2,500 per employee, will be used to purchase shares in the employee's name. Safeway and Albertsons were able to get a similar agreement from the union without, of course, any shares in return for the lost wages and pension contributions. To make matters worse, the management of



Rosauers itself then came back to the union demanding additional concessions to compensate for what it saw as an advantage now going to their competition. To date, the union has been able to deflect this most recent demand for concessions by the Washington Rosauers stores. This issue is still undecided, however, concerning the Montana, Idaho and Oregon stores.

### A pawn in their game

While the union has kept its collective agreement in place, with the exception of deductions for share purchases, it believes that it has been used as a pawn of sorts by the management of Rosauers and that the good faith and trust which was evident at the outset of the process has begun to wane.

When asked whether he felt that the union should or would involve itself in another purchase of this kind, Roberts was cautious. While he personally would have difficulty supporting another buyout, he saw the value and felt that the concept should not be discounted if the circumstances are right.

"There is no question that this buyout saved at least 450 union jobs in Spokane and upwards of 1100 across the board. That makes it worthwhile in itself. There is also great potential for increased productivity, an end to the adversarial approach to labor relations and real tax advantages under the ESOP structure," Roberts said. "However, it is important that in any future deal the ground rules with management be clearer. They need to make a commitment to a more co-operative approach that has greater respect for the ownership role of the workers," Roberts also felt that any-

one considering this type of purchase cannot look simply at the company but also has to consider the dynamics of the whole industry. "If the workers can't get a 12 to 15 per cent return on their investment, it is probably not worth their while. Also, you need to ensure that you are not buying losers. Safeway has tried to involve us in a number of ESOPs with their smaller, older stores in poorer communities, and we have said no every time. Workers are better off to walk away from that kind of deal and look for another job than to invest their money in a failing business."

So while Rosauers is successful and making money, there still exist many of the problems inherent to a conventional company and to traditional labor relations. Rosauers may be an excellent example of the need for comprehensive ongoing educational programs for both management and workers within an employee-ownership structure. This example demonstrates how easily much of the value of co-operation that is possible within the worker-ownership model — pride in ownership and related productivity increases — can be lost. ■

Shane Simpson is the Director of the Worker Ownership Resource Centre (WORC), 102-713 Columbia St., New Westminster, British Columbia V3M 1B2; (604) 520-3341; Fax (604) 520-3161.

**Controversial Rosauers buyout makes waves in the U.S. labour movement.**

# Unionized worker ownership

Manitoba Federation of Labour backs worker ownership

By Sherman Kreiner

The Manitoba Federation of Labour (MFL) is poised to undertake a major initiative to promote capital retention and assist economic recovery in that province. The Manitoba Labour Sponsored Employee Ownership Fund, which is being created pursuant to enabling legislation for labor-sponsored venture capital corporations, is designed to facilitate industrial restructuring through worker ownership and control. The fund will be capitalized primarily by individual worker investments, which will be eligible for provincial and federal tax credits, as well as by pension and other institutional investments. Worker investments are projected to exceed \$11 million by the end of five years. The fund will commence operations in September, 1992. Prestart-up activities are being funded by the MFL and by a \$500,000 grant from the federal Canada Employment and Immigration Commission (CEIC). In addition, seed money of up to \$4 million is being arranged by the provincial government of Manitoba.

The Employee Ownership Fund is a direct outgrowth of work undertaken as a part of the CEIC-funded Canadian Co-operative Association's Worker Buyout Project. That project, completed in late 1990, was designed to evaluate a variety of feasibility assessment approaches, intervention techniques and policy initiatives in the context of plant closures and enterprise restructuring in two urban areas, Toronto and Winnipeg. This initiative is among the many results of that two-year effort. While the current initiative is centered in Manitoba and focused on unionized firms, predominantly in manufacturing sectors, the mechanisms being created are viewed as prototypes, which should be readily adaptable to other regions of the country, other sectors of the economy, and other constituencies.

## Background

The focus of the new Manitoba initiative is predicated on a number of research findings of the CEIC project:

1. Worker ownership is not a means to rescue seriously declining industries, but is most effective when concentrated in industries with medium- to long-term growth potential.

2. Firms with a single product, and which are usually domestic firms or divisions of firms manufacturing products not manufactured elsewhere by the parent, are strong worker ownership candidates. A new worker-owned company in these circumstances would be more likely to main-



Headquarters of the Manitoba Federation of Labour. MFL has developed a worker investment fund. Photo: Manitoba Federation of Labour

tain existing markets.

3. Workforce unionization increases the prospect for a successful worker ownership transition in situations where the union and the workers have a strong interest in pursuing the worker-ownership option. Union involvement can make organizing workers easier and often provides access to improved technical resources, leverage with lenders and vendors and access to some special financing sources, as well as some useful experience in democratic decision-making.

4. Certain other conditions can also help facilitate a worker-ownership transition, including a high wage structure, a generous severance agreement, substantial advance notice of a shutdown, and the worker right of first refusal of the physical plant.

5. Worker ownership transitions are also more likely to succeed in transactions involving friendly vendors and offering special financial inducements to vendors, lenders and/or other significant financial participants. Tax and other financial advantages to the newly created worker-owned company are important to success.

In light of these findings, the new Manitoba initiative, rather than focusing on distress situation buyouts, is focused on:

- gradual, orderly transitions to worker ownership of successful, unionized retiring-owner businesses, with no succession plan;
- gradual worker ownership of stable, unionized, relatively large local employers, especially those which may be targets of non-local leveraged buyout attempts;
- start-ups in select market sectors.

## The financing problem

Even within these relatively viable contexts for substantial worker ownership, the



Recession has hurt Manitoba. Through its venture capital fund, MFL will keep jobs in the province. Photo: Manitoba Federation of Labour

ability to structure financing in a manner which creates adequate worker equity and avoids over-leveraging, while at the same time maintaining significant worker control, has remained a special problem. To date, various vehicles proposed to hold worker equity have either required substantial worker out-of-pocket investment for little equity, or offered substantial equity but little worker control. Moreover, even where desirable worker equity vehicles are proposed, in many situations, substantial non-worker equity is needed to avoid excess leveraging. Existing sources for such equity are limited and often have incompatible goals.

The new Manitoba initiative, by contrast, will facilitate ownership transfer with the following characteristics:

1. maximization of worker control through a collectively held intermediary allowing block voting of worker holdings;
2. adherence to co-operative principles, including one worker, one vote and allocation of surplus based on labor participation;
3. an ability to transfer ownership gradually or all at once;
4. limited or no worker out-of-pocket investment and no individual worker tax liability until cash is actually received;
5. the use of corporate assets to secure financing;
6. sufficient non-worker, non-participating equity to assure that the transaction is not overly leveraged;

7. an ability to repay money borrowed in a tax-advantaged fashion.

#### The plan

In order to facilitate these transfers, the Manitoba initiative will use a specially designed investment fund. While many details remain to be worked out, general fund parameters have been developed by project consultants working closely with a special committee of the Manitoba Federation of Labour. A single large fund model will reduce individual risk, leverage additional funds, and keep administrative costs manageable, while providing the benefits of direct employee ownership and control.

A portion of the fund's assets will be invested in the stock of large companies providing substantial employment in Manitoba. Once invested, control of the stock will pass to the employees of the targeted company, through the use of a specialized legal entity. Employee-controlled holdings will be structured to permit them to be used to increase employee ownership by leveraging funds from conventional lending sources.

A smaller portion of the fund's assets will be invested in smaller, privately held Manitoba companies. The fund will make loans to buy out retiring owners. Stock will be transferred to employees.

The primary investors in the fund will



Delegates to the MFL congress discuss strategy. Photo: Manitoba Federation of Labour

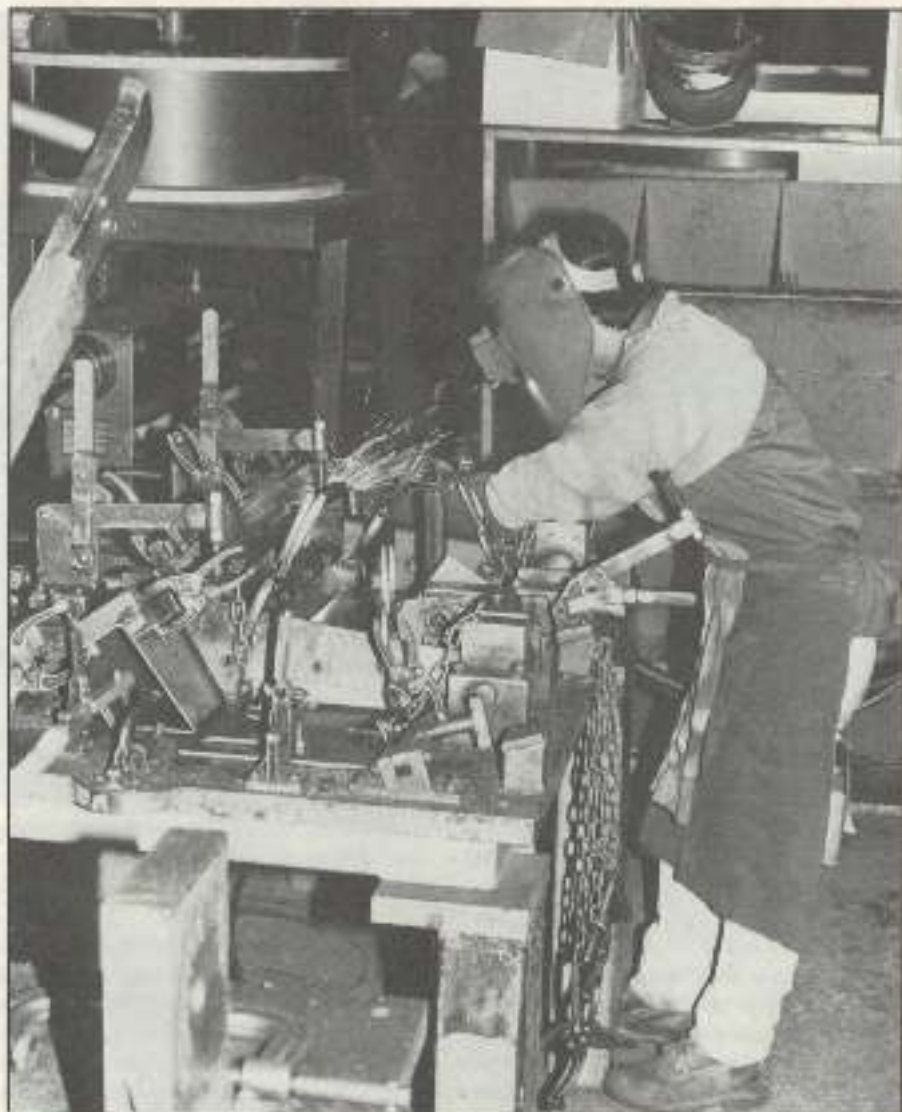
be unionized employees making tax-advantaged investments through payroll deductions. Other sources of capital may include pension funds, collectively bargained employer contributions and investments by members of the community.

The project will also utilize a specially designed deferred benefit plan to serve as the repository for worker equity. Under this model, an employee benefit trust will be created which will hold employee stock. A bank loan will be used to purchase stock from a company shareholder. That stock will be placed in the trust. Certain particulars of the transaction will permit the loan to be repaid in pretax dollars. Control of the company will be exercised through voting the shares held in the trust. The stock held in the trust may be allocated to the employees based on labor participation and may be voted on a one worker, one vote basis.

Labor-sponsored investment funds developed to date in Canada have not been designed to provide for direct ownership or control by employees of the companies into which investments are made. The funds themselves own the stock. The Quebec Solidarity Fund is the prototype of this model.

By contrast, the model being proposed for Manitoba uses the size and economic power of the large fund model to reduce individual risk, obtain additional funds from third party sources and keep administrative costs manageable while providing the benefits of direct employee ownership and control.

This project is unique in combining the labor-sponsored investment fund mechanism with the worker equity vehicle. In some instances, the fund will serve as an equity partner, permitting the leveraging of corporate assets to secure debt from banks, which will pass through the worker equity vehicle and serve as the basis for creating substantial worker equity. In other



instances the fund will serve as the lender, securing its loan with corporate assets and passing its financing through the worker equity vehicle. No such combination exists in any other jurisdiction.

In short, the proposed labor-sponsored investment fund is unique in its purposes (particularly its focus on relatively low-risk employee ownership investments), the

direct control of its investment by affected employees, and its ability to obtain funds from third parties to dramatically increase the degree of a company's direct employee ownership. The worker equity vehicle has no parallel in Canada. It is a powerful financing tool, permitting debt repayment in pretax dollars. It is also a powerful tool for worker control, permitting the creation of substantial worker holdings with no out-of-pocket investment. Use of the two vehicles in combination substantially lessens the risk of worker ownership initiatives by limiting leveraging and permits initiatives to be undertaken in circumstances where they have traditionally been abandoned because of the absence of an equity partner for the workers. ■

**Sherman Kreiner is a Philadelphia-based consultant who took a leading role in designing the Manitoba Labour Sponsored Employee Ownership Fund. He can be reached at 213 East Sedgewick St., Philadelphia, PA 19119; (215) 247-6905.**



**Susan Hart-Kulbaba, president of the Manitoba Federation of Labour, interviewed by the press.**

# Feng Huo, A Chinese Co-op

By Gordon Yearsley

The Communist Party promoted state-organized co-ops in China from the early 1950s, when teams of the People's Liberation Army introduced the principles of co-operative organization to the peasants in an honest effort on the part of the central government to activate the grassroots while maintaining administrative control at the center. Once the principles were understood, co-ops developed and eventually challenged the monopoly of private enterprise in retail trade. Inevitably the poorest people were the first to form co-ops. As they saw their collective efforts progress, these people developed strength and confidence and uncovered latent creativity.

Feng Huo (Beacon) Brigade is just north of Xi'an in Shaanxi, one of the poorest areas of China. By 1969, the average household income in Feng Huo was 650 yuan per year, and starvation was unknown. All children received an education, medical services had been vastly improved and the housing problem was well on its way to being eliminated. The success of this co-operative community rested on the unique combination of good leadership and the enthusiasm of the peasants who saw how much more effective their community was when everyone worked together for common goals, and all took part in decision-making. This was during the Cultural Revolution, a movement with the stated goal of preventing China from taking the capitalist road.

## Changin' Times

Today the pursuit of wealth for its own sake has almost destroyed the social consciousness which developed so naturally along with collective responsibility. With Deng Xiaoping's reforms, the anti-collective landlord class has crawled out of the woodwork to take advantage of the government's program of privatization. William Hinton, an expert on China, writes, "When the time came to distribute collective assets, people with influence and connections . . . were able to buy, at massive discounts, the tractors, trucks, wells, pumps, processing equipment and other property that the collectives had accumulated over decades through the hard labor of all members. Not only did the buyers manage to set low prices for these assets (often one third or less of true value), but



they often bought them with easy credit from state banks. . . . It is doubtful if, in the history of the world, any privileged group ever acquired more for less. The scale of these transactions and the depth of the injury done to the average co-op member boggles the mind."

Given the rapid liquidation and preferential treatment of the privileged few, it is hardly surprising that survival panic caused a landslide rush to adopt reform. When collective order was suddenly shattered, disorder reigned and the people were forced to shift back to traditional cut-throat competition. Communes that resisted reform became besieged islands surrounded by desperate people. A handful of the more successful collectives did

manage to find means of giving the appearance of conforming to the new regulations, but most had been sabotaged from within and had nothing to defend. Because of the long-range advantages of well-organized co-operative communities, a few chose to preserve their integrity, but defending themselves was very difficult.

Feng Huo survived. When we visited the community in September, 1988, we found a thriving economy, happy people and co-operation still the preferred lifestyle. Each of the 326 families had a two-storey house, built since 1970, and the annual income per worker was 1,400 yuan, three times the national average.

What have we learned from this quick glance at co-op experience in China? Adversity exposes the weaknesses of efforts which are supposed to be from the grass root but are organized with a command structure instead of participatory democratic decision-making. The commune system in China was very uneven in the degree to which the peasants were actually free of the old Confucian hierarchy. Participatory democracy did emerge and the process of nurturing psychological freedom was real in some communes. The potential was and is undeniable. Unfortunately, many of the communes never cultivated sufficient internal cohesion to survive.

Feng Huo is a striking exception to this rule. ■

Gordon Yearsley lived in China for many years. He can be contacted at RR 1, Little Britain, Ontario K0M 2C0; (705) 786-2045.



# New Vision

## From troubled times in Atlantic Canada

By Tom Webb

Co-op Atlantic and Atlantic Canada both face a threatening and challenging future. Free trade leaves them little control over the future of their communities and economy. Federal cuts in military bases, rail service, unemployment insurance and regional development have hit the region hard. Deregulation, so-called tax reform and privatization have added to the impact. In spite of high employment, the region has had to endure excessive interest rates designed to slow the over-heated economy of Central Canada. Cuts in federal transfer payments are leading to reductions in the level of services provided by the provincial governments. The federal government has served notice that its social policies will no longer be used to protect people from the worst impacts of the international marketplace.

The economic policies of our first hundred years produced large "Canadian" multinational corporations which now are demanding that government change the rules so these corporations can better play in the global economy with other huge multinationals. The changes they are seeking and getting will harm the future of millions of Canadians and will create an economy which will more and more be controlled by these huge corporations. While most "Canadian" multinationals are located in Central Canada, the regional economy of

Atlantic Canada is increasingly dominated by fewer and fewer large corporations. These corporations have received and continue to get massive amounts of public funds.

Crisis in the economy of the Atlantic region was the midwife of Co-op Atlantic. Regional disparity compounded by the Depression spawned hundreds of co-operatives. As the years passed, many of those co-operatives prospered. Most grew, some amalgamated and some slowly faded into history. The co-operatives which prospered created second-tier co-ops, like Co-op Atlantic, to serve their needs. Together the few hundred co-operatives and Co-op Atlantic, the central they owned, developed into a strong regional network. Today the network has more than 5,000 workers, wholesale sales of over \$400 million, retail sales of more than \$1 billion and assets exceeding \$300 million.

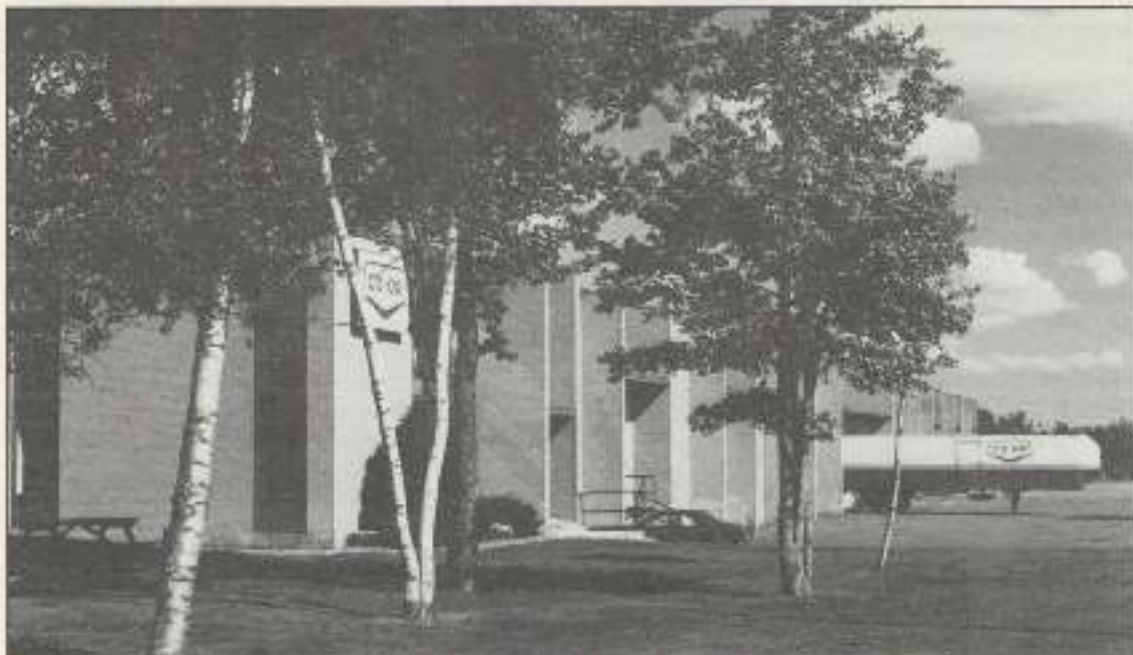
### Changin' economy

As the seventh largest regionally-owned business in Atlantic Canada, Co-op Atlantic has considerable strength to protect its owners' co-ops from predatory competition and to foster the development of new co-operatives. But Co-op Atlantic and its owner co-ops have recognized that the world around them is rapidly changing. Thirty years ago the retail sector was com-

posed of independent wholesalers and independent retailers. That day is gone. The independents, both wholesale and retail, are gone. In Atlantic Canada today there are basically two large chains which dominate the wholesale/retail trade.

These multinationals are not only integrated like Co-op Atlantic but also have carried that integration a step further. They have diversified as well. What have mining, livestock, flour mills, hotels, construction, dry cleaning, pulp and paper and real estate in common? The answer is simple: the Weston Group. What is the link between metal fabrication, fish processing, printing, sugar refining, construction, grocery retail, mortgages and textile industries? Again the answer is simple: Sobeys' holding company, called appropriately, Empire Corporation.

What is the future of our retail, wholesale and agricultural co-operatives if the trend toward vertical integration and diversification continues? If the farms, fishery and processing industries are owned by huge multinationals, which also own our competitors, where will we buy our products 25 years from now and what can we expect in terms of quality, assured supply and price? These were some of the questions going through the minds of the directors and management in the Co-op Atlantic network. The conclusion was that Co-op Atlantic had to rethink its vision, rethink



Co-op Atlantic, the central organization for Atlantic Canada's retail co-ops, has adopted a controversial plan for change. Photo: Co-op Atlantic

where it was going. Part of the rethinking was the realization that we were not really in the grocery business, though we sell groceries. Nor are we in the clothing business, though we sell clothing. Our real business is providing people in local communities and the Atlantic region with the tools they need to solve the problems they face — solutions that are owned and controlled by them, that is, by ourselves. Another realization was that either co-operatives had to accept the challenge to enter into every part of the economy, into every type of business activity, or our future would be vulnerable. A third realization was that social and economic goals were not separable. The economic actions of businesses have social impacts and social actions have economic consequences.

### A new vision

"A Proposal for Renewal," including a rationale to support its key directions, was drafted. The proposal and rationale were distributed, in September, 1990, to directors of the local co-operatives which own Co-op Atlantic. At the zone meetings held across the region during October and November, 1990, the proposal and rationale were the main focus of discussion. The results of these discussions were then reviewed by the Vision Statement Implementation Committee so that concerns and questions could be responded to and suggestions incorporated. A second set of 22 local meetings was held during February and March in preparation for the 1991 Co-op Atlantic Annual Meeting and a revised proposal, in the form of Resolution 11-1991, was prepared for the meeting. "Resolution 11-1991" reaffirmed the existing Vision Statement of Co-op Atlantic and added to it a Mission Statement which read:

We will extend co-operative values to all parts of our society and economy through the creation of an interdependent network of co-operative enterprises whose operations gain their vitality and business strength through the innovative application of co-operative values and principles.

The action plan set out six key objectives and strategies needed to carry out the Vision and Mission Statements.

**1. Integrated Co-operative Development:** *We need to invest co-operative capital so that it would contribute to the interdependence of the co-operative network and create practical business links between single interest co-operatives such as worker, agricultural, fishery and retail co-oper-*



Delegates to the 1991 annual general meeting of Co-op Atlantic. Photo: Co-op Atlantic

*atives. This objective recognizes the need for co-operatives to create mutual support links to each other so that their businesses would co-operate in a practical way.*

This recognizes that we must be as effective in mutual support as the integrated corporations are effective in supporting each other. It is clear, for example, that an Irving pulp mill would not purchase gasoline for its trucks from a competitor.

**2. Facilitating Co-operative Development:** *We need to facilitate the creation of local co-operative development councils which will identify local needs, opportunities and priorities. To support the work of these councils by creating a regional co-operative development mechanism or mechanisms which would provide expertise and assist in capital development. To systematically use the purchasing power of existing co-operatives to expand existing co-operatives and identify opportunities of new co-operatives.*

These strategies are designed to ensure local control of the development process while ensuring that opportunities are identified and that the necessary expertise is available to keep failure rates low. Experience in other countries has taught us that the failure rate is directly related to the availability of expertise in the development process. The zero per cent failure rate of the

Mondragon co-operative system is not merely a function of culture but the rational outcome of good planning and available expertise and the co-operative nature of the enterprises.

**3. Capital Formation:** *We need to create new investment vehicles. To raise the level of commitment of co-operative owners to co-operative investment. To change the way co-operators think about the relationship between net savings, investment capital and the value of co-operative community investment.*

We know that our competitors raise capital from us each time they provide us with goods or services. That capital, generated by our work and purchases, flows out of Atlantic Canada at an alarming rate. This has been most recently documented by Charles McMillan's report to the Maritime premiers. That capital is not available to meet our needs for co-operative development at a time when our needs are increasing daily.

Historically we too have generated capital by providing goods and services to the people who own our co-operatives but we have chosen to return all that capital to them as individuals or co-operatives. We have not given them the opportunity to use that accumulated capital to solve community



"A Proposal for Renewal" was discussed at 22 local meetings of Co-op Atlantic. Photo: Co-op Atlantic

McEwen Co-op  
Centre in  
Moncton, New  
Brunswick.



problems by starting more co-operatives. It is our belief that in the difficult times that lie ahead for Atlantic Canada, the opportunity to use the capital generated by our co-operatives to ensure the future of our families and communities will be an attractive alternative. It is surely a more attractive alternative than contributing to the excessive pools of capital which are in the hands of the multinational corporations over which we have no control and which serve us and our communities less and less.

**4. Stakeholder Control:** *To identify the key stakeholders in our co-operatives and provide them with ownership opportunities. To recognize the value and necessity of having workers in our co-operatives included as key stakeholders. To change the under-representation of women as participants in our co-operatives. To develop innovative linkages between key stakeholders.*

It was recognized that one of the key strengths of worker co-operatives is worker ownership. It is an enormous source of productivity. It was also recognized that the co-operative values of equity and equality push us to recognize that workers in our co-operatives have a tremendous stake in their health and survival. The vitality of the retail co-operatives in the Mondragon co-operative system, which are owned by both consumers and workers, attests to the workability of such arrangements for all of our co-operatives. If we are to hope to achieve a strong presence of co-operatives in all sectors of the economy, we cannot ignore the potential of worker participation in ownership.

**5. Responsibility to the Environment:** *To systematically examine the operations of the organizations which make up our co-operative network which affect the environment. To develop policies, programs and projects to increase environmental awareness and minimize our negative impact. To*

*lobby government to ensure that we are able to operate in an environmentally responsible manner without destroying our ability to be competitive. To base our initiative on co-operative values instead of using the public's environmental concerns to market products.*

This objective recognizes that we cannot be successful in meeting our co-operative goals for better communities without respecting our interdependency with the environment in which we exist. It also recognizes that as a society we cannot continue to pass on the social and economic costs of the destruction of our environment by making economic decisions as if there were no costs.

**6. Communication:** *To increase co-operative ownership and control of a variety of communications vehicles. To review the democratic structure and process of the co-operatives which make up our co-operative network to create an improved democratic system which will allow informed decision-making and ensure real control.*

It is understood that we will have to place great emphasis on communication if we are to achieve our first five objectives. Each objective will depend for its success on a communications plan. It is also understood that we are limited in our ability to communicate by the current ownership and control of communications media by capital based corporations, often multinational corporations with links to our competitors. We recognize that it is not an accident that, for example, the Irving empire controls almost all the newspapers and television and radio stations in New Brunswick.

It became clear during the Vision Statement consultation process — at zone conferences, local meetings and our annual meeting — that those who own the Co-op Atlantic network do not understand how to exercise their control or do not have the level of faith in that control structure that is

necessary to move forward with complete confidence. Our democratic control structures and process must not only work, they must be seen to work. Our democratic process and communication are two sides of the same coin. We cannot have one without the other.

### Conclusion

The Proposal for Renewal and Resolution 11-1991 were discussed fully at the Co-op Atlantic annual meeting. The result was a unanimous vote in favor of the resolution. The result was a clear mandate to proceed.

It must be remembered that acceptance of a Vision and Mission Statement does not mean there will be instant changes. These statements represent the choice of a direction for the next 25 years. The process of implementation must be done carefully and with much consultation. Massive changes cannot be put in place overnight.

It is recognized that co-operative values are not held by all who belong to co-operatives and that those who do share them, do not do so to the same degree. We may never achieve a full consensus within our co-operatives. It will not be done through courses but through the learning that accompanies action.

But the process has already started. For example, even before the annual meeting approved the new direction, local co-operatives in the upper Saint John River Valley formed the Carleton Co-operative Council. They were convinced that the new direction was the direction of the future. Their council joined other councils that had been formed across the region in previous years and which had formed the model for the committee's recommendation. We expect the process to continue and to accelerate until local co-operative development councils exist in almost every community across Atlantic Canada. They will seek support for their work on co-operative development and ways to support that work will be found.

Co-op Atlantic and the co-operatives which own it have launched themselves on a new and challenging course. Their success will be determined by the wisdom and business acumen which they show over the decades to come. Their success may well determine the future of our children and the communities in which we live. ■

**Tom Webb is the Manager of Member and Public Relations at Co-op Atlantic. More information about Resolution 11-1991 and the Proposal for Renewal is available from Member and Public Relations Department, Co-op Atlantic, P.O. Box 750, Moncton, N.B. E1C 8N5.**



# REVIEW

## Towards a Social Economy

**Beyond the Market and the State**  
Edited by Severyn T. Bruyn and James Meehan, Temple University Press, Philadelphia, 1988, 257 pp., \$37.95, cloth.

Review by Frank Lindenfeld

Is there a viable co-operative alternative to corporate capitalism and state socialism? Can post-industrial societies transcend both the market and the state, balancing profit with social considerations and limiting managerial power through worker ownership and participatory democratic management? Severyn Bruyn and James Meehan believe such an alternative is possible, and I certainly agree.

In their anthology, Bruyn and Meehan bring together essays on this co-operative alternative, which they call the social economy. The most intriguing contributions to this book are Bruyn's thematic essay, "Beyond the Market and the State," and Meehan's chapter, "Working toward Local Self-Reliance." According to Bruyn, both capitalist market systems and state socialist economies are seriously flawed. He points to the faint outlines of an alternative that has been emerging: a self-reliant community-based social economy.

The flaws of corporate capitalism as well as those of state socialism are well known. Capitalist economies provide great profits for the wealthy and supply middle income groups with food and consumer commodities, but they have notoriously neglected the poor. Furthermore, under capitalism, greed, unbridled competition, and concentration of power and wealth in



the hands of a small capitalist class have destroyed local communities. Giant bureaucracies in command economies have substituted heavy-handed central government policies for the market. But as the revolutionary ferment in Eastern Europe illustrates, state socialist economies have not been able to "deliver the goods." Moreover, central planners have been seemingly oblivious to local problems and environmental concerns.

### A Third Way

Bruyn's third way is not to eliminate the market or the state but to begin to reverse their character and function. The purpose of the state, he says, should be to enable the economy to regulate itself by supporting those firms that provide accountability systems based on social justice and equity, as well as profit and productivity. Through changed public policies such as tax incentives, the state can become more active in guiding the economy toward social self-

regulation. Bruyn believes the market system should be redesigned to reduce existing tendencies toward corporate monopoly and dominance. This could be done

by promoting decentralization, employee ownership and democratic participation in the workplace. Such a modified market economy would be based on workers' self-management, corporate social accountability, industrial self-regulation, countervailing consumer power expressed through organized consumer groups and inter-industry social planning.

Can the ill effects of capitalism be overcome without greater government regulation? Bruyn's answer is affirmative, provided land, labor and capital are emancipated from the competitive market. This can be done with land by establishing land trusts, with labor by setting up worker co-ops, and with capital through social investment, that is, through alternative financial organizations and worker-controlled pension funds.

Meehan sees the need for communities to develop local self-reliance to free the community from dependence on large capitalist firms or government aid. This is *not* the same as trying to be totally self-sufficient. Local communities can become more viable through a combination of innovation and import replacement, substituting locally made products and services for those previously purchased from outside the community. To attain greater self-reliance, Meehan says communities should try to create a diversity of small worker-owned businesses that make maximum use of local resources and are tied together with other local organizations in an interdependent trading network.

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# REVIEW



The other contributions to *Beyond the Market and the State* ably discuss various aspects of the emerging alternative, or third way. Especially noteworthy are White and Matthei's analysis of community land trusts, Turner's discussion of how worker co-ops can contribute to community economic development and Zdenek's chapter on local development, which shows that community development corporations increasingly have been encouraging the development of worker-owned businesses and industrial co-operatives.

I agree with Bruyn and Meehan that the development of self-reliant communities based on worker co-operatives is both desirable and possible. My own vision of an alternative is a mixed economy, with room for small and medium-sized capitalist enterprises and for publicly owned industries, side by side with a large and demi-

nant co-operative sector.

The editors of *Beyond the Market and the State* are perhaps overly optimistic on the prospects for a social economy in North America. The capitalist class probably cannot be deprived of its monopoly of capital and its disproportionate influence over government without an enormous and continuing political struggle. The giant corporations and banks will allow co-operative networks to flourish only to the extent that those networks do not seriously endanger their own interests; otherwise they will use their political pull to impede them. For this reason, I believe, co-operatives need to go beyond preoccupation with the problems of their own individual enterprises and to become part of a continuing political movement for economic and social justice.

This is an excellent, thought-provoking anthology. Publication of a paperback edition might help it to gain the wider audience that it deserves. ■

**The Roslyn O&O in 1982 was a union-organized buyout of closing A&P in the Philadelphia area.**

## Recent Publications

*Charting a New Course*: a 21-minute video on community economic development in Cape Breton. Produced by the Centre for Community Economic Development, P.O. Box 357, Sydney, Nova Scotia B1P 6H2; \$25.

*The Cheticamp Experience*: a 32-minute video of the Acadian community in Cape Breton that has created an integrated system of co-operatives for such services as finance, fish processing, food and dry goods and tourism. Produced by the Centre for Community Economic Development, P.O. Box 357, Sydney, Nova Scotia B1P 6H2; \$25 (available in either English or French).

David P. Ellerman, *The Democratic Worker-Owned Firm: A New Model for the East and West* (London: Unwin-Hyman, 1990), 200 pp.

Jon Wiseman (ed.), *Worker Empowerment: The Struggle for Workplace Democracy* (New York: Bootstrap Press, 1991), 166 pp.

Christina Lemieux, "The Sunrise Co-operative Farm Community: A Collectivist Utopian Experiment," *Communal Societies*, 1990, Vol. 10, pp. 39-67.

Cornell University School of Industrial and Labor Relations, *Attitudes of Labor Union Leaders Toward Labor Cooperatives* (Ithaca: Author), 1991. For copies, free of charge, contact Cornell's Institute for Industrial Studies, Dun Building, 110 Pearl St., Buffalo, New York 14202.

*Employee Ownership and Corporate Performance*, an updated report from the National Center for Employee Ownership, 2301 Broadway Ave., Suite 807, Oakland, CA 94612 (Members — \$10; Non-members — \$15).

Anthony Scoggins, *Local Savings and Credit Organizations: Towards an Innovative Approach for Rural Zimbabwe*, IRECUS (Sherbrooke: l'Université de Sherbrooke), 1990, 133 pp., \$10.50.

Alain Briault, *La renaissance des coopératives de travail*, IRECUS (Sherbrooke: l'Université de Sherbrooke), 1990, 109 pp., \$9.50.

Ann Collins, "Producer Co-operatives in the Northern Region of South Africa," SALDRU Working Paper No. 77, 1990. Order from Box 1895, Gaborone, Botswana.

Brett Fairbairn, Jane Bold, Murray Fulton, Lou Hammond Keilson, and Daniel Ish, *Co-operatives and Community Development: Economics in Social Perspective* (Saskatoon: Centre for the Study of Co-operatives, University of Saskatchewan), 1991.

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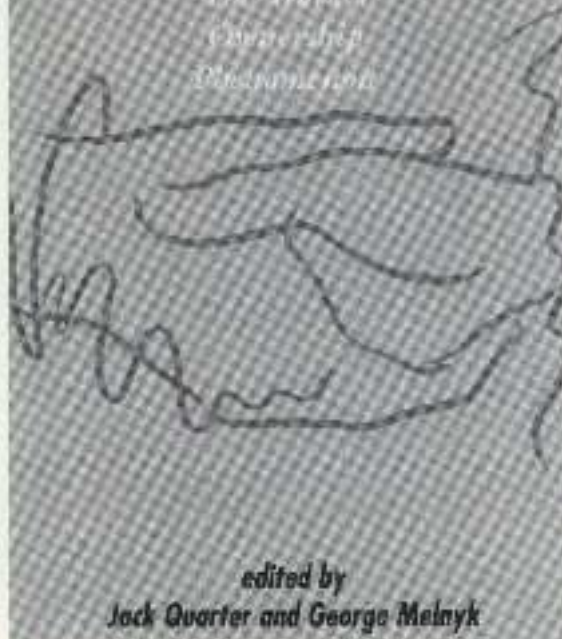
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