

THE FOGO ISLAND CO-OPERATIVE:
ALTERNATIVE DEVELOPMENT STRATEGY?

CENTRE FOR NEWFOUNDLAND STUDIES

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THE FOGO ISLAND CO-OPERATIVE:
AN ALTERNATIVE DEVELOPMENT STRATEGY?

BY

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ABSTRACT

This thesis is a case study of the Fogo Island Co-operative Society. It examines the origins of the Society and the social and economic context within which it was formed and was compelled to operate. After outlining the social and economic context of Fogo Island and the North-east Coast, the thesis briefly outlines some of the early co-ops and development committees on the Island. It then traces the emergence of the present co-op from its infancy to the present. Particular attention is paid to the way in which the co-op has been attempting to deal with the present crisis in the Atlantic fishery and how it has struggled for financial stability while meeting the demands imposed on it by the community. The way in which the co-op is perceived by the membership and the community is considered in detail, as is the co-op's internal structure and decision making.

The thesis focuses on a particular co-operative but attempts to evaluate the co-operative 'model' in general and the Fogo 'model' in particular as an alternative way to facilitate social and economic development in other Newfoundland and Labrador communities.

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A special thanks to working and unemployed Newfoundlanders and Labradorians who are ultimately responsible for funding much of this and other University work but who often do not get to share the benefits (if there are any). I sincerely hope that this thesis and future work that I do will help usher in a new society based on more equal ownership and control over our resources and lives, and more equal sharing of the fruits of our labour.

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CHAPTER I
INTRODUCTION

Many Newfoundland and Labrador communities are experiencing a severe social and economic crisis. Combined with uncertainty and layoffs in the mining and forest industries; closure of the province's second oil refinery, departure of a major airline, and declining employment opportunities in other parts of Canada, there is a crisis in the fishing industry. Some of the largest fish companies have recently gone into receivership or voluntary liquidation, resulting in plant closures, loss of employment and fish markets. This has had negative effects on employment in the service sector and on Provincial Government revenues. Rising costs of production and relatively low fish prices (among other things) have forced many fishing people out of the industry, and many are technically bankrupt.

Problems in all the industries and particularly those in the fishery have created very critical social and economic problems for much of rural Newfoundland and Labrador. The fishery has never been a stable nor problem-free industry; communities which depend on it have always been plagued by uncertainty, low incomes and lack of local control. But the present crisis is

probably the worst since the demise of the salt fish trade approximately four decades ago. The crisis is so deep and widespread that it calls for a critique of past and present government and corporate fisheries policy, and indeed, a critique of the structure around which the industry is organized.

Fisheries policies and general government economic strategies (which have been largely oriented toward support of private companies as generators of development and around short term 'make work' programs as employers of last resort) have been anything but successful in most areas. There are very few examples of strong, vibrant locally controlled economies in rural areas, few communities which have full and stable employment or sufficient incomes. Evidently, there are also very few communities which have either the vitality or economic structures necessary to implement such long term development.

It has become increasingly evident that present models or theories of development and the kinds of structures which they promote are problematic. Decisions made in Ottawa and St. John's by government policy makers have often proven to be contrary to the interests of fishing industry workers and their communities.

Centralized government decisions are frequently supposedly made in the provincial or national interest but often have a significant negative impact on local areas and fail to deal adequately with the diverse needs of those areas. The recent closure of the Burin fish plant and change of status of the St. Lawrence and Fermeuse plants from offshore to inshore-seasonal operations are clear examples. Local people had little or no input in the decisions.

Similarly, decisions made by corporate executives have been based primarily or solely on company profits or viability rather than on social need. Their decisions have reflected little knowledge or concern for the wishes of industry workers or the long term interests of their communities. Fishery Products' initial decision to close the Burin and St. Lawrence plants and the Lake Group's decision to close the Grand Bank plant are examples. Private companies have not attempted to solve major social and economic problems and in many ways they have contributed to or helped perpetuate problems, (by exporting capital, centralizing facilities, and using labour eliminating technology for example).

Despite critical problems with the dominant development theories and strategies, they have changed.

very little. Government and business leaders continue to operate on the assumption that chronic problems in rural communities stem from a lack of private business activity. They tend to maintain that solutions lie in increasing the amount or the pace of development, usually through government sponsorship of private enterprise or government creation of an appropriate climate for investment capital. The Newfoundland and Labrador economy is seen to be in poor condition largely because it is unable to attract investment.

There is increasing evidence that the dominant features of the Newfoundland and Labrador economy relate more to a specific kind of 'development' rather than to the amount of activity.¹ This evidence indicates that such features as heavy orientation around resource extraction, export of raw or only semi-processed materials, export of capital, relative poverty, high unemployment and underemployment relate more to dependency and underdevelopment than to lack of activity.

Indeed Newfoundland and Labrador have experienced a considerable amount of 'development' activity. There have been many mines and some of them such as the ones at Bell Island, St. Lawrence and Wabush - Labrador City

have produced large volumes of ore for long periods of time; the province has had large scale pulp and paper industries for many years; it is a large producer of hydro-electricity and the fishing and sealing industries have been exploited for centuries. The province has had other industries such as two oil refineries, a linerboard mill and a boot factory. There is no doubt that it is well endowed with natural resources, but despite this and despite all the economic activity, the region remains the poorest in all of Canada. The adage 'poverty in the midst of plenty' seems to apply.

If the province is underdeveloped the question then becomes how can that be changed? How can we 'reverse underdevelopment' and facilitate real development? Dependency theorists see this situation of 'poverty in the midst of plenty' as stemming from the way in which the provincial economy is oriented toward, reliant upon, and controlled by external capital, external governments and individuals. Conservative theorists believe that solutions lie in, among other things, substituting local capital for foreign capital, replacing foreign control with local control, and policies of import substitution.

More radical dependency theorists maintain that underdevelopment stems not only from external control and dependency but also from the inherent nature of capitalism.² Marxists suggest that real social and economic development or 'reversal of underdevelopment' can only occur in conjunction with significant structural change. This usually involves abolition of capitalism and replacement with socialism, partly by developing a conscious, strong and militant labour movement and eventually revolution.

The strategies of both the more conservative dependency theorists and the more radical Marxists have fundamental problems. The Marxist critique of 'nationalist capitalism' seems to be legitimate: that capitalism, whether local or foreign, necessarily entails a high degree of inequality, concentration of social and economic power in a few individuals and corporations, and pursuit of company profits as a primary motive in society. For example, Fishery Products, the Lake Group and other companies were owned and controlled locally but this did not prevent them from making decisions against the interests of local fishing people and their communities. Nor did it prevent them from exporting profits from the communities and the province. Local private companies are not necessarily more conducive to promoting social

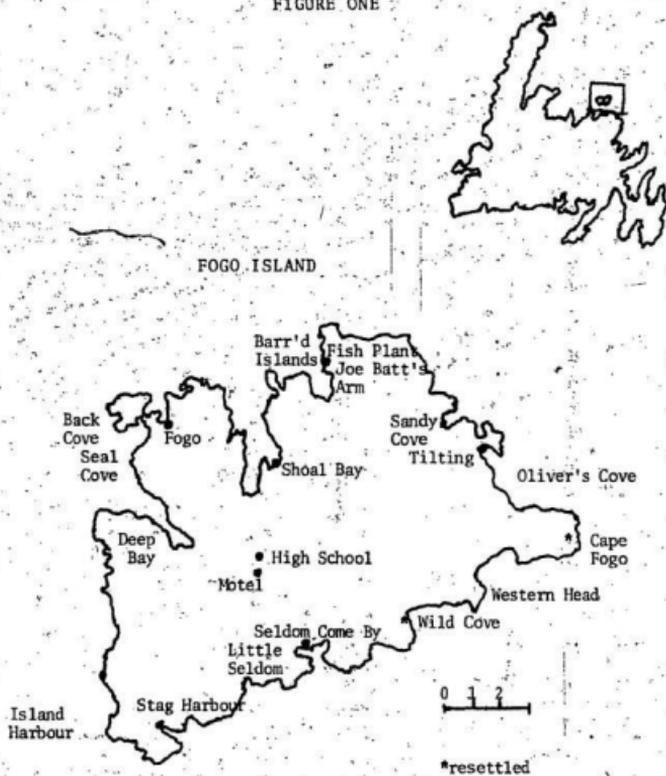
and economic development, and many are opposed to such worker organizations as the Fishermen's Union.

On the other hand, the Marxist tendency to attempt to build revolution through the labour movement is also problematic. For example, many revolutions which have occurred in the world to date cannot be mainly attributed to the organized labour movement. Indeed, much of that 'movement' (the AFL-CIO for example) has become enormously centralized, bureaucratized and reactionary. Unions in capitalist societies have tended to work for improved working conditions and better incomes within the framework of capitalism. The Canadian labour movement has attached itself to the federal and provincial New Democratic Parties (NDP) which also have policies aimed at improving capitalism rather than at its abolition. To date the Newfoundland NDP has been able to elect only one of its members in a federal election and none provincially. In short, 'revolutionary consciousness' is rare and the possibility of a successful revolution taking place in Canada in the near future is slim. It must also be noted that where revolutions have occurred, significant problems remain such as aggression from one or more super-powers, over-centralized government and authoritarianism.

Certainly there are enough problems with present developmental strategies to warrant closer examination of alternatives. The social and economic situation is so desperate for many people that it requires provision of immediate benefits, but the situation also requires that the 'seeds be sown' for fundamental change toward fuller, more stable employment, more local control and a more egalitarian society. Among the many things required are alternative structures for organizing production.

This thesis is concerned primarily with an attempt to create social and economic development through limited (localized) and non-revolutionary structural change - change which aims at altering local social and economic structures - within the wider context of capitalism. It is a case study of how people on Fogo Island (see map on page 9) developed a community owned co-operative as an alternative to private enterprise, and to government sponsored resettlement from the Island. The thesis considers the successes and failures of the co-operative, its advantages and limitations. It is a look at a model for social and economic development, to determine how suitable or applicable the model is for development elsewhere in the province. For example, could a network of such co-operatives represent a viable and preferred alternative to

FIGURE ONE



Source: Adapted from Decks Awash, Vol. 7, No. 4, August 1978, p. 6, Memorial University of Newfoundland Extension Service, St. John's, Newfoundland.

private enterprise and centralized government?

Theoretically, co-operatives provide many advantages to the present system. Control of local facilities could remain in the area and be more equally distributed throughout the community. Decisions on local issues could be made by the people most affected and decisions affecting larger areas could be made through an association of co-operatives. Profits from industries could remain in the area to either increase workers' incomes, or be reinvested in local industry. Co-operatives could facilitate integrated community development better than private companies whose primary interest is in making company profits.

Several attempts have been made at forming fisheries co-ops in the province, particularly on the Great Northern Peninsula, the West Coast, North-East Coast and in Placentia Bay. Focusing primarily on pooling and marketing of fish, but also venturing into supplying gear and equipment, these co-ops have had varying degrees of success. Some have been short-lived and virtually ineffective but others have reaped significant advantages to members in better fish prices and lower gear and equipment costs.³ The most successful existing fishery producers' co-op (the Fogo Island Shipbuilding and Producers Co-operative) was instrumental in reversing a trend of resettling from

Fogo Island. The United Maritime Fishermen's co-op operated successfully in Newfoundland for more than four decades and in the past few years, several new attempts have been made to organize fisheries producers' co-ops in the province. These include the Torngat Co-op, the Petite Forte Co-op and the Petty Harbour Co-op.

Despite the importance of these co-ops and their real and potential contribution to social and economic development in the province, literature on these and other co-ops is indeed sparse. Only one major general work exists on the co-op movement in Newfoundland and this is out-dated.⁴ Similarly, there are few studies of specific co-operatives. Much of the work that does exist on co-ops, dates back to the 1940s and 1950s when attempts to organize co-ops were at their peak, and when government played an active organizing role.⁵ This material stresses the need for co-operative development; it outlines government policy toward co-ops and government's involvement but it does not contribute much in the way of critical analysis. Similarly, some later work such as that published by Newfoundland Co-op Services offers no analysis and contributes little except certain facts about co-op history. It presents a rather romanticized view of co-ops and does not delve into their limitations and problems.⁶

There is a small amount of sociological material associated with specific Newfoundland co-ops but it is mainly outdated or deals primarily with problems which are not unique to co-ops.⁷ McCay's work, for example, deals primarily with the question of appropriate technology.⁸ Several reports of proceedings of meetings and conferences on the Fogo Co-op and fishery exist and there is a substantial volume of films made by Memorial University's Extension Service and the National Film Board. Two very brief and limited studies of the Fogo Co-op were done by a Fisheries Co-op Training Class and CIDA students.⁹ As well as being outdated, these studies are reports from a very cursory glance at the Co-operative; a brief history of the Fogo Co-op by Sheppard is similarly limited.¹⁰ Some of this material can provide valuable data for a critical sociological analysis, but in its present form it does not contribute much to an understanding of co-operatives or the co-op movement.

It is clear then that there are important inadequacies with existing local co-op literature. Not only are important areas left untouched, but of the literature that does exist, much is outdated, limited in scope, based on cursory observation and lacking in critical sociological analysis. A contribution to filling this gap could be important to the co-op movement.

As well as making this type of practical contribution, a study of fisheries co-operatives could make a significant contribution to understanding some of the processes, values and structures at work in rural Newfoundland. This might be important, particularly for persons interested in "reversing underdevelopment" and students of rural social and economic development.¹¹ By including structural factors in the analysis (or considering co-operatives in the wider social and economic context) some contribution could be made to the study of Newfoundland political economy.

Much of the literature on fisheries co-operatives in other regions points to the necessity of dealing with this wider social and economic context.¹² While some writers focus on lack of competent management as the major factor in the failure of co-ops, others (more appropriately) consider the socio-economic, cultural and political context.¹³ Poggie for example, argues that co-operatives are likely to fail if they are incompatible with the members' cultural values or psychological characteristics.¹⁴ Sabella suggests that co-operatives which do not consider the structure and organizational patterns of target populations are more likely to fail, and Pollnac focuses on the opposition of middlemen as a cause of failure.¹⁵ McGoodwin shows that failure can result from such factors

as unstable international markets, conflict with local people, competition and lack of autonomy.¹⁶

This thesis will attempt to deal with major internal aspects of the Fogo Island Co-operative but always with reference to the wider social and economic context. Internal factors such as the co-operative's structure and quality of management are important but these need to be viewed in the context of pressures and constraints exerted on the organization by the local and broader environment.

The Fogo Island Co-operative was chosen as a focus largely because it was apparently quite successful at implementing local development in the context of a relatively hostile environment. Some of these environmental factors were unique to the area, others were quite common among rural areas of Newfoundland and Labrador. For example, like most rural areas in the province, Fogo Island suffered chronically from the effects of underdevelopment. Like much of Newfoundland and Labrador, Fogo Island suffered from high dependence on a single industry (fishing), seasonal migration for employment, high unemployment and underemployment, and welfare dependency. It appeared that the Fogo Co-operative was able to successfully address many of these problems. The Fogo case is also a good example of outside agencies' (MUN Extension and the National Film Board) involvement

in local development issues.

The thesis examines the Fogo co-op's past and present role in fisheries and community development on Fogo Island, and considers the suitability or applicability of the Fogo process and structure for other areas of Newfoundland. It is important to discover what made the co-op actually succeed to the extent that it has and to assess what the co-op has been able (and not able) to do. It is also important to know whether there is something peculiar to Fogo Island which facilitates the co-operative process, something which can not be found outside the Island.

Investigation of the co-op's origins and its social and economic setting should help us understand what really made the co-op the success that it is. The degree to which it is successful may be established through members' perception of success or failure, and of such things as control over their workplaces. Investigation of the internal structure and decision making process should help us understand why this co-op has persisted while some others have failed, and permit some evaluation of the co-op as a democratic institution.

The question of how the co-op has fared in the present fishery crisis is of major importance; has it been beset by the same problems and to the same extent as

Have the private fish corporations? Has the co-operative structure permitted a degree of flexibility not afforded by the private corporations? Or has it been more limited by this structure? Did the co-op experience a crisis, and if so, how was it able to deal with this crisis? Has there been a pattern to crises in the co-op, and has it been similar to those of the private corporations? To what extent has the co-op been limited by participation in a capitalist economy, depending as it did on a private corporation for marketing its products? To what extent has the co-op been able to reduce its dependence on private companies?

Out of these discussions, insights should be attained which can help us make projections and suggest guidelines for the co-op's future, and which should be valuable to the co-operative movement in general. The discussions should also contribute to a badly needed political economy of development in Newfoundland and Labrador.

It will be argued here that the Fogo Island Co-operative has implemented or facilitated substantial local social and economic development despite the numerous constraints imposed on the organization by the social and economic context in which it has had to operate. The co-operative has been successful in many important respects. For example it has succeeded in stopping a trend toward de-population

of the Island; it has diversified the economy and made it increasingly vibrant; it has increased incomes, the amount of employment and the number and quality of services to people in the area. The co-operative has proven to be a relatively democratic and stable organization and has been generally responsive to members and the communities' demands and problems.

It will also be argued that many important problems remain - among them seasonality, under-utilization of facilities and lack of capital. Also, the co-op suffers from the many pressures and constraints emanating from an environment which is un-conducive to co-operative development. The society has been remarkably capable of working within the constraints posed by a capitalist economic system but it has been less capable of altering this system outside of Fogo Island. New approaches to co-operative development will have to be found if the type of development experienced on Fogo Island is to occur more broadly. One possibility for new approaches to development might be to merge the co-operative and labour movements.

This thesis is the product of a combination of original research including participant observation, formal and informal interviews, library and archival research and review of secondary literature.

The first step was to search for and examine primary and secondary sources of information related to the Fogo Island area, the Fogo Co-op and the co-operative movement in general. Most of this research took place in the Centre for Newfoundland Studies at Memorial University's library and at the Newfoundland Provincial Archives. The Archival research focused on old files of the Newfoundland Government's Co-op Division. These files contained several hundred letters and reports by government co-operative field workers, auditors, inspectors and other Co-op Division personnel; it also contained correspondence between people in various co-ops and government agencies. This material helped form the basis for a brief history of previous co-ops and a background to the present co-op.

Research at the Department of Rural, Agricultural and Northern Development's Co-op Registry provided Annual Reports of the Fogo co-op, a copy of the constitution, information in the form of reports, and correspondence between the co-op and government. This provided valuable information on the history of the present co-op and the context in which it operated. A series of films made by MUN Extension and the National Film Board contributed information on the background to the co-op and its early years.

Interviews with co-op officials and community residents were done during two visits of several weeks duration to Fogo Island (one in May 1982 and one in March 1983). A total of approximately one hundred interviews on Fogo Island provided information on the co-op in the present fishery crisis and on the way in which the organization is viewed in the community. Interviews were done with a cross-section of Fogo Island residents and co-op members in every Fogo Island community.

Interviews with plant workers, fishermen and community residents were chosen with a view to ensuring a cross-section of respondents. Each plant was visited (some of them several times) and an attempt was made in each case to interview persons from each member category: management, foremen, quality control people, production people, fishermen etc. Most interviews with fishermen and plant workers were informal and were not tightly structured. In some cases notes were taken during the interview; in other cases notes were made immediately after the termination of the interview.

Interviews were held with most senior management people and several past and present board members. Again, care was taken to ensure representation from a cross-section of the board. Interviews with management and board officials were relatively formal and more structured.

Questions were asked from a list and notes were taken during the interviews.

Chapter Two discusses the socio-economic context in which the Fogo Island Co-operative was formed. Chapter Three outlines the history of previous co-operatives in the Fogo Island area and the Fogo Island Improvement Committee which was instrumental in forming the co-op. Chapter Four is an outline of the Fogo Island Co-op's history from its origins to 1981. The Co-op's internal structure and the decision making process is dealt with in Chapter Five. Chapter Six is a brief account of the community's perception of the co-op. The co-op in the present fishery crisis is discussed in Chapter Seven. Chapter Eight is a summary and conclusion. References, tables and the bibliography can be found after the text.

CHAPTER II SOCIO-ECONOMIC CONTEXT

The Fogo Island Co-operative can only be understood with reference to the political, social and economic context in which it was formed and under which it was forced to operate. Most previous studies of this co-op fail to give due consideration to this context.¹

The first sections of this chapter will be an attempt to place the Fogo co-op in historical perspective. The first will deal briefly with the broad context of Newfoundland's socio-economic and political situation in the 1940s, 1950s, and 1960s. Then the focus will be narrowed, with concentration on the Northeast coast and the Fogo Island area. An attempt will be made to contrast and compare this area with others in Newfoundland. Particular emphasis will be placed upon the fishery which was then and is now the major industry in most of rural Newfoundland and Labrador.

Background to the Co-operative: Rural Decline in an Underdeveloped Area

In the 1950s and 1960s, most of rural Newfoundland and Labrador were in a state of decline. Fogo Island

was no exception.

The decline of many rural communities was largely due to federal and provincial government policies which favoured centralized, urban development over development of rural areas. These policies themselves were rooted in the context of Newfoundland's situation in the 1950s and 1960s. The urban-oriented policies were a response to, as well as a cause of rural decline.

The salt fish trade (which in the 1950s and 1960s was the economic mainstay of rural Newfoundland) was in a state of chaos and was on the brink of total collapse.² The failure of the industry (and consequently rural decline) were partly due to government neglect and lack of concern.³ It was also due to the unfavourable position of the region's economy in the larger national and international context.

The decline of free trade after World War II and its replacement with bilateral trade agreements caused problems for Newfoundland because it had little to offer in return for fish purchases by other countries. This left Newfoundland in a poor bargaining position, partly due to its small internal market. The post-war devaluation of European currencies also caused problems since Europe had been the major export market, while

most imports came from the United States. The devaluation meant that there was less money in Newfoundland to pay for the more expensive imports. Partly as a result, commercial and government policy changed to selling on the American market. This meant changing from a salt product to fresh frozen fish, a major factor in the decline of the salt fish industry.⁴

The economy of post World War II Newfoundland was largely dependent on corporations and governments in other areas for capital, entrepreneurship, technology and markets. It was becoming increasingly dependent:

"...upon crude, capital intensive resource extraction for the North American industrial man, largely financed, engineered and operated outside the local and national economies."⁵

After Confederation with Canada in 1949, many of the businesses in Newfoundland became agents of mainland Canadian or American manufacturers and service companies. "They moved out of manufacturing and out of the fishery to become a group of middlemen agents who profited by the new consumerism."⁶

The Smallwood government which came to power in 1949 made some attempts to develop local industry through a scheme of 'import substitution' but the strategy was

largely unsuccessful; later attempts at industrialization through large scale resource extraction were similarly not successful at stimulating long term economic development. The salt fish trade and the inshore fishery were largely neglected.

The Smallwood administration's industrialization plan included an attempt to resettle people from outport (rural) communities to a relatively small number of "growth centres." The Household Resettlement Program was initiated in 1953 and administered by the Provincial Department of Public Welfare. It and a revised (1965) Program administered by the Provincial Department of Fisheries had at least two major motives: to decrease the costs of supplying services to communities and to "...turn a peasant, subsistence-level society into a market-oriented, industrial one."⁷ This included transforming the inshore fishery into a more industrial, market-oriented trawler fishing industry.⁸

The Resettlement Program made it clear that federal and provincial governments' priorities did not lie in the development of outports or the inshore fishery, and it contributed to the decline or disappearance of hundreds of communities. While some communities may have been in favour of resettlement, many others weren't, and

while the Program was said by government to be voluntary, in fact it was not. Government could "...entice people to volunteer to move by cutting off their local services."⁹ Many communities which may have wanted to oppose resettlement were unable to, partly because they lacked formal local leadership and organizational resources for dealing with governments' proposed changes.¹⁰

Government pressure on families to leave the outports, withdrawal of many merchants from the inshore fishery, and poor market conditions contributed to the undermining of the rural Newfoundland economy. There were a few cases of successful opposition to resettlement in the 1950s and early 1960s, but there were few or no examples of successful rural development except in a few centres where large trawler fed plants were built to process fresh frozen fish.¹¹ These plants were centred on the South Coast and Avalon Peninsula. For the rest of rural Newfoundland there was little apparent alternative to despair, unemployment, migration and poverty.

Rural Decline on Fogo Island and the Northeast Coast:
1945-1971

Demographic Change

Between the years of 1945 and 1966, the population of Census Subdivision 8 increased by approximately 50 percent, slightly lower than the percentage increase in the provincial population (53 percent) for the same period.¹²

Between 1966 and 1971, the population of Subdivision 8 increased by 1.8 percent compared to 5.8 percent for the province.

The population increase of Subdivision 8 declined each census year between 1945 and 1971, except between 1961 and 1966. Except for this five year period, the population increase of Subdivision 8 was consistently lower than that for the province as a whole. Table 1 (page 213) shows that while the population of the Northeast coast increased between 1945 and 1971, population growth is considerably lower after 1966. Between 1966 and 1971 the population growth in Subdivision 8 is nearly 10 percent lower than it was between 1945 and 1951.

Within Subdivision 8, Fogo Island and vicinity experienced the lowest population increases between 1945 and 1961. Table 2 (page 214) shows that in terms of

population, Fogo Island and its neighbour Twillingate Island, were in a state of stagnation between 1945 and 1961. Change Islands, Fogo's nearest neighbour, experienced negative population growth. Meanwhile, other areas of the Northeast coast (particularly Lewisporte, Springdale and the Baie Verte areas) were growing quite rapidly.

Table 2 shows that while the population of the Northeast coast in general was increasing, it varied widely among specific areas. It appears that people were leaving some of the islands off the coast and some of the smaller communities, and that the population was becoming centralized in certain areas of the mainland.

On Fogo Island itself, some communities grew while others experienced substantial population decline between 1945 and 1966. Most population growth occurred in the southernmost communities, nearest to and with easiest access to the mainland. While some communities such as Barr'd Islands and Shoal Bay experienced population decline, and while the two largest communities (Fogo and Joe Batts Arm) experienced little change, the southern communities of Seldom Come By and Stag Harbour had growth rates of more than 60 percent in the twenty year period. (See Table 3, page 215.)

Prior to the Resettlement Program, some Fogo Island

communities experienced population decreases of over 15 percent in a five year period. The Resettlement Program hastened the population decline. Between April 1, 1965 and December 31, 1968, almost ten percent of Fogo Island's population was resettled from the Island as part of the Smallwood administration's Household Resettlement Program. The program was responsible for the relocation of approximately 81 families or 400 persons in that period. (See Table 4, page 216.)

The effect of the population loss must have been severe on some of the communities. Table 5 (page 217) shows that some communities lost more than a quarter of their population, and one community lost more than a third. Even the southernmost communities, which had grown in previous periods, were hard hit by the Resettlement Program. Fogo Town and Joe Batts Arm were least affected.

In 1966 the percentage of the population which was generally of labour force age (15 - 64) was slightly lower on Fogo Island than in the Newfoundland total. While 50.3 percent of Fogo Island's population was between the age of 15 and 64, the Newfoundland percentage was 53.7.¹³

While these figures probably indicate resettlement of some of the potential labour force, they probably do not do justice to the fact that many of the people of labour force age were leaving Fogo Island temporarily to find work, but were counted in the census as residing on the Island.

Several commentators state that many of those of labour force age were leaving Fogo Island for temporary employment. Poet Arthur Gill in his poem "March Thoughts in Fogo" remarked:

"The mail plane soon will end its winter labour
The "Fogo Flyer" soon will start its year
'Twill bring us eggs and fresh, as well as mailbags,
'Twill bring us bacon, friends and even beer.
The fishermen will soon return from winter's
Work in lumberwoods and mines and Great Lake boats
To live once more in happiness a-fishing
To help their sons keep chicken, sheep and goats.

We talk of men returning to their homeland
We think of wedding rides around the town
We long for times and dances in the schoolhouse
We dream of fishing boats all loaded down.
In March it's easy to be optimistic
In May we'll witness much activity.
In August we'll ship codfish to the Indies
Next Christmas we'll engage in gaiety."¹⁴

The Eastern Newfoundland Settlement Survey of 1953 states that a few men from Fogo Town and Joe Batts Arm leave for woods work with the pulp and paper companies and that practically all the able-bodied men from Tilting leave for this type of employment.¹⁵ Woods work

was a seasonal activity, carried out primarily during the winter, and was usually supplemented by fishing in the summer. By the late 1950s many of those seasonal loggers were no longer needed by the companies, due to mechanization and professionalization of the woods industry.¹⁶

Formal Organization

Most people on Fogo Island were living in formally unorganized areas until the 1970s. Except for Fogo Town the communities had not organized local governments and according to some commentators little was initiated and determined locally on the Island. "When grievances and dissatisfaction arise, lines of redress in almost every field are felt to lie outside the communities..."¹⁷ As we shall see later, the major exceptions to this pattern of 'external decision making' were the various co-operative organizations in the area. With respect to lack of municipal governments, Fogo Island was similar to much of rural Newfoundland and particularly to other areas of the Northeast Coast. As Table 6 (page 218) shows Subdivision 8 had the largest percentage (43.2) of its population living in un-organized areas in 1971. Between 1951 and 1971, Subdivision 8 had the sixth largest percentage increase in the number of people living in organized areas.

Housing

In 1966, 93 percent of the occupied dwellings in Subdivision 8 were owner occupied, a percentage similar to that of most of rural Newfoundland.¹⁸ A study conducted in the early 1970s found that about 58 percent of the homes on Fogo Island were heated by fuels other than wood. Most of the residents using wood, used it as a supplement to other fuels.¹⁹ This suggests then, that most of the residents were reliant upon the market economy for home heating, adding to their cash needs.

Education

In 1951, 1.4 percent of the population of Subdivision 8 was attending high school, the lowest of any subdivision except Labrador. This compared to a provincial figure of 2.3 percent. In 1971, 0.5 percent of the population of Subdivision 8 had University degrees, compared to a provincial figure of 1.3 percent. (See Table 7, page 219.) Regarding students leaving school a teacher remarked in 1970.

"...what would happen to the senior students, or those who would simply leave school? Few would turn to fishing, even less would go on to university ...most of them would simply be unemployed, even unemployable, and would drift to St. John's and Toronto..."²⁰

Labour Force and Earnings

In 1961, males in Fogo Town were earning approximately 88 percent of the average annual wages of males in Subdivision 8; they earned 62 percent of the median wages of males in Newfoundland and only 45 percent of the median wages of Canadian males. Females in Fogo Town earned slightly more than the average for females in Subdivision 8. They earned 74 percent of the median Newfoundland female wages, and only 47 percent of the median Canadian wages for females.²¹ Compared to wage earners in other parts of Newfoundland and mainland Canada, Fogo workers were substantially underpaid.

The majority (75 percent) of wage earners reporting earnings in Fogo Town, earned less than \$2,000 in 1961; approximately 28 percent earned less than \$1,000. Sixty-four percent of the wage earners reporting earnings in Subdivision 8 earned less than \$1,000.²² Approximately 20 percent of Fogo Town's labour force had full time jobs. Another 20 percent worked between 27 and 39 weeks a year.²³

The Fishery

Since 1965 the total number of boats used in the fishery in Statistical Area B (Cape St. John to Cape Freels inclusive) decreased each year. Between 1965 and 1968 the total number decreased by 20 percent. The decrease is accounted for by smaller boats, as the number of long liners increased by 305 percent in the same three year period. (See Table 8, page 220.) This resembles what was happening in the whole Newfoundland fishery. The total number of motor boats in the Provincial fishery fell from 19,865 in 1965 to 16,630 in 1968. The total number of long liners increased in the same period from 498 to 1,169.²⁴ Between 1967 and 1968 the number of boats on Fogo Island decreased by almost ten percent, with the largest decrease in boats between 20 and 35 feet long. About 90 percent of the Fogo Island boats were under 35 feet in 1967 and 1968.²⁵

While the number of boats decreased between 1965 and 1968, the value of capital equipment employed in the fishery in Area B increased by 50 percent. The average value of boats used in the fishery almost doubled in this period, from \$478 to \$905. (See Table 9, page 221.)

The volume of landings in 1965 was down by 39 percent from those of 1960 and down 50 percent from 1955. Given the decreased 'real' value of the dollar in 1965 compared to 1955, the real value of 1965 landings was considerably lower. We see then that there were rapid increases in the average value of boats and equipment, but real decreases in earnings from fishing.

Due largely to over-fishing offshore, the volume of landings of most species were lower in 1968 than they were in 1955 and 1960, and it appears that small boat fishermen were particularly hard hit. Inshore fishermen depend very heavily on cod, and cod landings decreased dramatically (38 percent between 1955 and 1968). (See Table 10, page 222.) Lobster landings also decreased (by 40 percent) in that period. The volume of landings of some species (such as turbot, plaice, greysole and redfish) which are caught primarily by longliners, were on the increase, or only became marketable after 1955. For longliner fishermen these increased volumes could have helped offset the effect of lower landings of the major species - cod.

In 1968, 649 Fogo and Change Islands fishermen fished for cod, compared to 152 for salmon, 209 for lobster and

152' for seals.²⁶ In 1968, the average annual earnings for a (cod) trap crewman on Fogo Island was about \$850. The average annual earnings from other species varied from \$33 through sealing to \$89 through salmon and \$89 through lobster fishing.²⁷

The situation on Fogo Island in the 1960s closely resembled that for much of the Northeast coast. While the number of fishermen was decreasing, the average annual cod catches decreased even more rapidly, resulting in lower catches per fisherman. This is illustrated in Table 11 (page 223). The number of fishermen on Fogo Island decreased from 780 in 1964 to 579 in 1969.²⁸ The number dropped in one community by 30 percent and more than 20 percent in three others. (See Table 12 on page 224.)

Approximately 80 percent of Fogo Island fish was processed off the Island. Fogo Town had no public landing facilities, no community stage, and the facilities that were there, were privately owned and deteriorating.²⁹ Arthur Gill of Fogo wrote that "Fishin's A Helluva Job":

"The washin' and makin' of cod
Is gettin' me down, be God.
If it weren't fer me baccy
I'm sure I'd go wacky
-Attemptin' to live on this sod.
By jabbers I'll never be happy
With maggots and livers and slob.

I'm sorry, I'm sick and I'm sappy
Fishin's the helluva job.

The problem of keepin' me boat
In fair shape is gettin' me goat.
With tar, paint and oakum
And codtraps. I soak 'em
In ochre; I'm red to me t'roat.
A feller'd be next to St. Peter
Not to cuss and to swear, yes, begob
I longs for work that is neater.
Fishin's one helluva job.

When I'm tryin' to finish me nap
Me son on the door gives a rap.
Though I prays for a win' starm
I knows we won't get narn
I got to go haul me cod trap.
How I envies the clerk and the culler.
They's paid more to sleep and near rob
While we works harder than any fuller
Fishin's a helluva job."30

Withdrawal of Merchant Firms - Fogo Island Area

A major factor which was in part a result of the declining inshore fishery (lower landings, lower incomes, etc.) and the decline of many rural communities (population decline or stagnation, decreasing opportunities for earning income in other occupations etc.) also helped cause or hasten rural decline. The pull-out of many merchants meant a loss to fishing families of both markets for fish and sources of provisions, gear, equipment, and credit.

From the early 1800s Fogo Island had been a major exporting centre for much of the Northeast Coast. The

earliest merchants on the Island included John Slade and Company of Poole, England, and Muir and Duder. Earle and Sons took over from the Slade Company in the 1860s. Prosecuting both the local and Labrador fishery, some of the merchant firms (including the Earles) were able to expand into other communities in the area. Earles came to own premises in several communities on Fogo Island as well as branches on Change Islands and in Twillingate.³¹ According to one researcher, all fish under the merchants' control were taken to Fogo for export. This export trade facilitated the growth of other small scale industries such as coopering, blacksmithing, tinsmithing and cod liver oil factories.³²

Earle and Sons bought fish, operated retail stores and supplied gear, equipment and credit. It let out boats to fishermen and owned schooners which participated in the Labrador fishery. It dried cod and seal carcasses, and barreled seal and fish oils. The company later diversified into such products as tinned fish and cat food.³³ In the 1940s the Earle Company was being watched by others who were also interested in entering the fish canning business.³⁴

During the early 1950s the Earle Company hired about fifty men and twenty women when in full production. At

that time the company was in need of about \$100,000 for mechanization.³⁵ The company apparently made some attempt at moving into the fresh fish trade as it did purchase freezers.³⁶ However, it gradually closed its operations in the 1960s, and finally ceased in 1967. It operated in its final year with government assistance.³⁷

Some of the Earles' commercial and residential premises still exist in Fogo Town. A teacher on the island remarked in 1970 that the Earle house "...was reminiscent of those colonial mansions of the South of the United States. It still dominated the harbour of Fogo."³⁸

The Newfoundland and Labrador Export Company operated in several communities on Fogo Island from about 1919. It had a large retail store and warehouses for handling bulk cod which it bought from fishing families from Hare Bay, Island Harbour, Stag Harbour and Change Islands. It also had a branch at Change Islands. In peak periods the company hired about fifty-five staff. It ceased operations in 1958.

Fishery Products, owned a filleting plant at Joe Batts Arm but ceased operations in 1946 at which time the equipment was removed. Until 1953 the buildings were used as storage space for dried fish. The buildings

were renovated for new machinery and reopened as a frozen filleting plant in 1953 but only operated for a few years.³⁹ The company preferred to buy fish from Fogo Island and process it in their other plants since their fresh operations in Twillingate and Greenspond were operating only at minimal levels.⁴⁰

The Fisherman's Union Trading Company (FUTC) stemmed from the Fishermen's Protective Union. It conducted operations from several communities on Fogo Island, including Seldom (where it had access to government owned artificial drying facilities), Tilting, and Joe Batts Arm. In the 1950s and 1960s the company became increasingly reluctant to extend credit (partly because many families had large debts) and began to phase out its buying of light salted, sun dried fish, preferring to take only heavy salted, semi-processed cod which was then shipped to Port Union.⁴¹

The Union Trading Company did, however, operate at least until 1970 in the community of Tilting. There the community's fisheries committee decided to lease fisheries facilities to the FUTC in 1970, largely because the company also had a consumer outlet and the committee felt the community could not do without it.

Apparently the traditional merchants were hurt by more readily available cash as well as by the enormous problems of the failing salt fish industry (such as low cod landings which made it more difficult for fishing families to pay their debts to merchants, and 'soft' salt cod markets). With more cash came a fairly rapid proliferation of small grocery shops run by former fishermen and their wives. Small consumer co-ops which also functioned as credit unions also helped decrease peoples' dependence on the merchants.⁴²

Due largely to the 'pullout' of the merchant firms, government had to assume the role of local entrepreneur. It built three new community stages on the Island and a drying plant at Seldom in the early 1960s.

According to Wadel, the pull-out gave the Fogo Island people: "...clear examples of their lack of control in the maintenance of crucial facilities and thus their dependence on the 'outside'."⁴³

Merchants in the Notre Dame Bay area had tended to spend their scarce capital and credit on short term market speculation rather than on long term investment in technological and organizational innovation among producers. When they did invest in technology in response to declining fish production, they invested

in their own vessels. Under the traditional merchant system fishermen had not received high enough fish prices to facilitate accumulating sufficient capital to invest in better technology. Most families had no savings and few possessions to serve as collateral for bank loans.⁴⁴

This may help explain the emergence of many buying clubs, co-ops and credit unions in the area - as an alternative way to raise money for operating capital and to purchase new technology. However, these organizations were unable to provide the relatively large amounts of capital needed to, for example, purchase long liners.

SUMMARY

Like much of rural Newfoundland, the Northeast coast in general and Fogo Island in particular were experiencing dramatic decline or stagnation in the 1950s and 1960s. The chaotic salt fish trade which had been the economic mainstay of the area was unable to provide residents with incomes sufficient to keep them in the fishery or even on the Island. Many people were leaving the Island, either for temporary work (in which case traditional opportunities such as woods work were on the decline) or permanently, to settle in more urban centres in Newfoundland or mainland Canada.

International factors such as soft saltfish markets and devaluation of European currencies contributed to the demise of the saltfish trade and its eventual replacement by fresh frozen production. Areas like Fogo Island which had relied heavily on salt fish, and towns like Fogo which had been centres of trade and commerce, experienced diminishing returns from the fishery and were not quick to 'gear up' for fresh production.

The exploitative traditional merchant system had not provided sufficient returns to most fishermen for

improvements in technology, so except for a few relatively 'well to do' fishermen, (some of whom were able to take advantage of government boat subsidies) fishermen could not combat lower landings with bigger boats. Nor did the merchants successfully transform their operations from the old salt trade to more modern fresh fish processing. The traditional merchant firms, and even a company which was established by and for fishermen, gradually ceased operations, thereby adding to the communities' problems. But, perhaps ironically, the pulling out of the merchants also forced a slow, painful solution.

Some of the groundwork for this solution had been laid in the years since 1940 when several 'peoples' organizations were formed. They were established, if not to rid themselves of the capitalist merchants, then at least to solve some of the many problems associated with functioning in an economy dominated by firms which had private profit as their main motive. Chapter III will deal with some of these organizations.

CHAPTER III

EARLY CO-OPS AND THE IMPROVEMENT COMMITTEE

"We fought hard to keep the selfish man down and to give praise to the Co-operative spirit."¹

Since the early 1940s the Fogo Island area has been one of the major centres of co-operative activity in Newfoundland. Most commentators on the present Fogo co-op seem unaware of this history, ignore it or regard it as being unimportant. Wadel for example, suggests that until recently (with the development of roads, telephones etc.) co-operation and communication on the Island were limited, due to poor transportation, poor communication networks and relative self-sufficiency of the communities.

He states that there was some ad hoc co-operation such as in the construction of schools, churches etc. but there were no permanent organizations. This he explained by factors such as inter-community rivalry, demoninationalism, family based economic activity, dyadic relationships between fishermen and merchants, and relatively simple fishing technology which did not require that large groups of people work together.²

Similarly, McCay states that:

"Until the mid-1960s, interaction among Fogo Island communities was restricted to occasional visiting, intermarriage, sharing of fishing grounds, and joint dependence on the several large merchant firms that controlled the trade."³

While McCay is aware of the "...co-operative buying clubs which sprang up on the island during the 1940s and 1950s" she, like Wadel, does not attribute much significance to the early co-operatives.⁴

The co-operatives were more than buying clubs; there were also credit unions and consumer stores which participated in a co-operative wholesale based on Change Islands, and relatively successful attempts at co-operative production and marketing. While it is important not to overstate the success of the co-operatives, a better awareness of their history is necessary for understanding the present state of co-operation on the island.

A complete examination of early co-op history in the Fogo Island area is not within the scope of this work. That would involve much original research which is not possible at present, and is not the major focus of this thesis. However, some archival research and interviews have provided the basis for a little more

detailed look than has been provided by other writers.

Early co-operatives on Fogo Island and in its immediate vicinity may have been important in several respects. A history of attempts to establish co-ops provided residents with a history of successes and failures, a set of lessons suggesting what and what not to do. It probably made people more aware of the advantages of co-operatives, of their limitations, and of the fact that there are alternatives to private enterprise. Depending largely upon people's experience, co-operatives were seen as a blessing or a plague. One leader in the present co-op movement on Fogo Island suggested that 'failure' of the earlier co-ops:

"...resulted in some people looking at the negative side. They haven't worked and, therefore, can't work. If somebody was negative towards co-ops, those were examples to show they couldn't work."5

The early co-ops were important in that some people were encouraged by their performance and saw them as being a workable alternative to resettlement in the 1960s. Some of the leaders of the early co-ops also became leaders in the Shipbuilding and Producer's Society. However, there is probably wisdom in the adage 'once bitten - twice shy'. Some people on Fogo Island

were 'once bitten' earlier by the Fishermen's Protective Union (FPU) of which many residents were members. Some members lost considerable amounts of money through failure of some of the branches.

Co-operation on the island probably has roots in the FPU which provided the basis for strong anti-mercantile associations between 1911 and the mid 1920s. Through the Union's co-operative buying system, members were able to attain a fair degree of economic independence from the local merchants.⁶ Some branches of the union continued operations on Fogo Island until the late 1960s, and its Tilting branch was operating in 1970 under the name Fishermen's Union Trading Company (FUTC). In its later years the company operated similarly to most private companies which it had been originally established to oppose.

Despite some bad experiences with the organization (and perhaps partly due to some good experiences) Fogo Islanders were willing to organize co-operative societies and to invest some of their scarce cash in the early 1940s. Part of the impetus for the co-operatives was provided by the Commission of Government which at the time had a policy of promoting the development of co-op societies.

After several relatively unsuccessful approaches to forming co-operatives, such as having government directly forming societies, lending money to philanthropists to form them, and a government sponsored 'land settlement' scheme, the Commission adopted an approach which borrowed heavily from the 'Antigonish Movement'. This new approach involved basing field workers in rural areas to help facilitate co-op development by spreading co-op education, assisting groups to get started, and assisting them to develop organizational and managerial skills. A standard tactic was to encourage the formation of study clubs, then thrift clubs (which were miniature credit unions) and consumer societies. Some of the consumer societies became 'general purpose' co-ops and involved themselves in producing and marketing members' agricultural and fish products.

The government fieldworker moved his headquarters from Bridgeport to Change Islands in September of 1945. With the assistance of this and subsequent fieldworkers, co-operative societies were formed in almost every Fogo Island community, and on Change Islands. Co-ops on Fogo Island were very much interconnected with those on Change Islands so there will be some discussion here of the Change Islands societies.

One of the earliest co-ops to be formed in the area was the Viking Credit Society on Change Islands. It started in 1938 with six members. By 1945 it had a membership of 127 and had made \$15,438 worth of loans. In 1944 it paid a 30% percent patronage dividend to its membership and by October of 1945 had doubled the loan business of the previous year.⁸

The Seaway Co-operative Society was also formed on Change Islands by the early 1940s. It became one of the most active and successful societies in the area, but in 1944 was suffering from lack of share capital and heavy debts. The government fieldworker reported that:

"The co-op runs too much in debt to be a sound concern and should raise more share capital. It has been as much as \$28,000 in debt during the season, sixteen to Water Street and twelve to the fishermen."⁹

At that time the society was constructing a large two storey fish store with sixty hours of free labour from each member.

In June of 1946 Seaway was having problems paying for a carload of flour worth \$5,000 which was at the dock in Change Islands. The society was not in a position

to pay but was aware that if it didn't pay, there would be no flour. The manager wired to St. John's for a loan of \$10,000 from a private merchant. The loan was a matter of great concern for the society's board, as the amount due to creditors would have been equal to its share capital.¹⁰

Later that summer, Seaway helped organize a co-op conference with Fogo Island societies with which it was doing business. One of the major topics of discussion was the fact that the Fogo societies were not registered under the Co-operative Societies Act, and therefore could not be considered actual members of Seaway, although they could still do business. Problems were experienced because sales to non-members were subject to higher rates of taxation than were member sales. It was agreed that each non-member society would pay for its proportion of income tax which Seaway would have to pay the government.¹¹ Other problems arose over price differentials between selling on a retail and wholesale basis to Fogo Island Societies. Seaway attempted to solve this problem by encouraging the Fogo co-ops to buy only large amounts on a wholesale basis.¹²

Despite these and other difficulties, the relationship between Seaway and the Fogo societies appears to have been

healthy and progressive. Seaway volunteered part of its educational fund for co-op education on Fogo Island for example, and helped organize and fund other meetings and conferences involving Fogo and Change Islands societies. Delegates from the various societies worked together on establishing a regional co-operative council. Societies on Fogo and Change Islands combined with Seaway to buy salt and other supplies in bulk orders, and Seaway became a marketing agent for societies in several areas along the Northeast Coast, selling (among other things) fresh salmon and tinned lobster to the United States. In 1946 for example, a group in LaScie had 350 quintals of fish picked up by Seaway for sale on the international market.¹³ A group attempting to establish a consumer's society in Rirchy Bay stated that they intended to purchase from and do business with the co-op store at Change Islands.¹⁴ In 1947 Seaway stated its intentions to join other fisheries co-ops and become a joint member of the Fish Exporters Association.

By 1947 it was recognized in the co-op movement that the Fogo - Change Islands area was a leader. A fieldworker stated:

"I can visualize Cow Head, for instance, as another St. Anthony or Change Islands. I think the North West Coast is ready for a get together like Change Islands, St. Anthony area."15

In the early 1950s Seaway installed artificial fish dryers at it's Change Islands' premises. In 1952 another Change Islands' co-op, North Eastern Co-op (possibly a re-incarnation of Seaway) had fish dryers, a chill room, and was considering establishing a fresh fish plant on the Island.¹⁶ It is not clear why the Change Islands' societies eventually disbanded, but problems were likely caused by the failure of the salt fish trade upon which the co-ops were heavily based. Other private businesses and co-ops alike had difficulties with moving into the new, more capital intensive fresh frozen industry. For example, a Placentia Bay co-op based at Kingwell and Long Harbour had much success in marketing fresh lobsters and some salt fish but the attempt to move into the fresh frozen industry contributed to its failure.¹⁷

The Fogo Island Co-ops

Most of the early co-ops on Fogo Island were organized between 1944 and 1947.

"In the mid forties residents of Joe Batts Arm, Barr'd Islands and Shoal Bay got an aching in their stomachs for the birth of a Co-operative movement. The cause for this was mainly due to the reports of benefits received from the members of "Seaway Co-op" at Change Islands."18

In September of 1944 the co-op field worker for the area spent time in Fogo, Joe Batts Arm and Tilting. He reported that there was:

"...much desire by people to learn about Co-operative Societies and how to organize them."19

He left co-operative literature in the communities and people 'promised' to start study clubs. In December of that year he reported that interest in Tilting was still alive and that the Joe Batts Arm and Barr'd Islands groups were still holding meetings.

The Fogo Thrift Club was organized in December of 1944 with sixteen members. The Joe Batts Arm based Atlantic Thrift Club was organized in March, 1945 with sixty-two members and in one year accumulated over \$400 in share savings. This Club and most other thrift clubs also formed buying clubs. They usually accumulated savings made from co-operative buying in the thrift

clubs for making loans to members.

The Seldom Thrift Club, the Hamilton Thrift Club on the Indian Islands, and the Iceflo Thrift Club at Barr'd Islands were all organized in 1946. The Tiltonia Thrift Club was organized in Tilting in 1946.

In 1945, total business for the buying clubs was approximately \$5,500. The fieldworker expected the volume of business in 1946 to be about \$20,000, depending in part on the fishery. All the buying clubs did business with Seaway Co-op on Change Islands. Seaway charged the clubs a commission of 2 percent for all purchases bought on a wholesale basis. Seaway marketed the clubs' produce on the same basis as it did for its own regular members. In 1945 the Fogo Island clubs received a rebate of 53¢ per quintal of salt cod from Seaway. The fieldworker reported that one fisherman who was a charter member of both the Fogo Thrift and Buying Clubs and who had a "small boat and a large family, this time for the first year does not owe money to local suppliers."²⁰ The man purchased all his necessary supplies through the buying club, borrowed from the thrift club and paid back the loan with money earned from a co-operative herring pack.

The first herring pack on a co-operative basis

at Fogo appears to have been in the fishing season of 1946. About nine members of the Thrift and Buying Clubs there worked together at catching and barrelling herring. Labour was divided among group members with some making nets, others preparing barrels and performing other duties. In the spring of 1946 the group bought a house which they intended to float to another location for use as a herring factory, meeting house and office. The Fogo Buying Club bought barrels for packing herring on a contract with UNRRA. (This herring was to be used as 'relief packages'.)²¹

The Snap Rock Consumers Co-op was formed by a small group of fishermen in Joe Batts Arm in 1945. It got started by obtaining supplies from the co-op at Change Islands and built a store in 1947. For several years it bought fish and sold it to the best buyer: "...which brought in a few dollars extra to its members above the normal price."²² In ten years of operation it made refunds of approximately \$30,000 to its members. Ironically, it ran into difficulties partly due to the formation of the Shipbuilders and Producers Co-op. Eveleigh states that:

"Now with so large a fish business being handled by the (Shipbuilding and

Producers) Co-op on the island, and with more money available, it is regrettable that the members are not making use of their store."23

In the spring of 1946 the government fieldworker suggested that Joe Batts Arm:

"...is an ideal spot to build a good sound credit union, due to the fact that a fresh fish plant is in their midst and the fish can be turned into ready cash at the close of every days catch."24

In 1946 one of the prominent merchant firms on Fogo Island turned a large degree of control over to one of the family's sons. According to the government fieldworker the son was:

"...favourably inclined towards the co-operative movement and would welcome and even assist any effort by a Co-operative Fieldman to organize his employees into some sort of a co-operative group...He hates credit trading and the credit system and will readily see the advantages of a Credit Union. Deep down in his heart he is not greatly interested in making money through the handling of supplies but it would probably be premature just yet to expect him to see the advantages of a Buying Club among his own workers."25

This seemingly enlightened attitude on the part of one

of the most powerful merchants appears in sharp contrast to the situation in many other communities where the private merchant was one of the major obstacles in the way of co-operative organization. A typical tactic used by merchants in opposing co-ops was to temporarily raise prices paid for fish, give fishermen better culls and charge lower prices for supplies. In some cases merchants could make the 'deals' attractive enough that people would lose interest in co-operation, only to find that when the 'danger' of co-operation was no longer existent, neither were the favourable prices. Occasionally, however, these tactics backfired. For example, in St. Anthony a man who had been selling cod livers to a merchant, stopped selling them to him when the merchant raised his prices. The fisherman saw it as a ruse to break the co-op.²⁶

In 1951 a co-op group attempted to assume operation of fish plant facilities which were built and vacated by Fishery Products at Joe Batts Arm. Fishery Products informed the group that the plant cost them close to \$100,000 and "that plant is available to anyone who wants it for a fraction of the cost."²⁷ Fishery Products also informed the Deputy Minister of Fisheries that the cost of improvements at Joe Batts Arm was approximately \$140,000. According to Snowden, the Joe Batts Arm group

began raising money for the plant but Fishery Products re-opened and dealt in salt fish, destroying the co-op. (Previously, the plant was a fresh fish operation.)²⁸

By the early 1950s fishermen in several communities on Fogo Island began forming a regional fisheries co-op. Many meetings were held with representatives of the various Fogo Island co-ops and sometimes had Change Islands co-operators in attendance. In 1954 and 1955, regional co-op conferences were held on Fogo Island, sponsored by the co-op division of the Provincial Government. Among the items discussed at these conferences was pooling of purchasing power by combining registered consumer co-ops and unregistered buying clubs. A regional co-op wholesale was established at Fogo in 1956 and by 1958 was doing business with an agricultural co-op in Western Newfoundland.²⁹

The Stag Harbour Co-operative society reported having a "very successful" year in business during 1969 - 1970. Sales had increased, despite the fact that some members had moved away. The remaining forty-six members received 6 percent on their purchases, of which 3 percent went back into the business.³⁰ It was still in operation in 1976, according to McCay partly due to the fact that the community's "...self-image is one

of thrift and co-operation."³¹

The Central Consumer Co-op Store in Fogo has been in operation for about twenty-one years and operates now with approximately seventeen members. While the store is run on a co-operative basis, it is not registered under the Co-op Societies Act.

Fogo Island Improvement Committee

In 1968, the Fogo Island Improvement Committee was the only agency, government or otherwise which functioned to counteract resettlement tendencies on Fogo Island.³²

Most observers and persons responsible for establishing the Shipbuilding and Producers Co-operative feel that the Improvement Committee was instrumental. Wadel for example, called the co-op a "...child of the Improvement Committee."³³

Prior to the Improvement Committee there were, except for the co-operatives in the 1940s and 1950s, few associations or organizations established to deal with social and economic problems on the Island. The Fishermen's Protective Union had ceased to exist as a political group. The Fishermen's Union Trading Company which stemmed from the Protective Union still had a branch at Seldom in the 1960s but it acted as a fish

company rather than a lobby group. In 1968 the Fogo Town Council was the only official political body on the Island.

Local Road Boards had existed until 1963 at which time the provincial government assumed responsibility for roads. Several fishermen, clergy, teachers and merchants were dissatisfied with the abolishment of the Road Boards and formed the Fogo Island Road Improvement Association. Its initial concerns with road improvements were expanded to include pressuring the provincial and federal governments for other major improvements. The Committee collapsed in its first year, largely due to community rivalry, conflicts, and feelings of futility.³⁴

In 1964 the Fogo Island Improvement Committee was formed, largely to seek alternatives to resettlement. According to Wadel, the committee was responsible for creating an 'enlarged sense of community' on the island, partly by stressing that all communities had to stand together.³⁵ Two years later a major topic of discussion within the committee was whether to attempt forming an Island-wide fisherman's co-operative.

In 1966, two members of the Improvement Committee attended a fisheries conference on Newfoundland's West

Coast. There they became acquainted with the United Maritime Fishermen (UMF), a co-operative marketing union based in Nova Scotia. In 1967 a similar conference was held on Fogo Island and members of UMF attended. A strategy of organizing under the UMF was generally approved at the conference and the Improvement Committee presented 'A Plan for the Development of Fogo Island'.

The 'Plan' was developed with the assistance of Memorial University's Extension Department. It stated that the major reason for the depressed state of the economy on the Island was "...lack of local organization and capital investment on the part of fishermen, merchants and Government."³⁶ It stressed the need for investment into improved fishing technology and more efficient exploitation of fish resources other than cod. It suggested that long liners were necessary to catch more species and higher volumes in order to increase fishermen's incomes.

The area already had government owned facilities for storing and salting fish. This included a salt fish drying plant at Seldom, abandoned fish plants at Joe Batts Arm and Change Islands, and community stages located at Island Harbour, Deep Bay and Tilting. The

'Plan' stated that:

"...these facilities should be improved and operated under one management which would be locally controlled...Should such an organization operate under co-operative principles, there would be a smaller profit margin than a private concern and, local fishermen would have operational security and control."³⁷

The Improvement Committee was mainly responsible for the circulation of a petition calling for the establishment of a co-operative. The petition met with some resistance. Some people remembered the failures or poor performance of earlier co-ops and some were bitter over the failure of a Joe Batts Arm co-op to operate a salt fish plant in that community in the 1950s. The strongest opponents were people who had applied for resettlement assistance.³⁸ However, faced with the prospect of having no supplier of fishing equipment and no buyer of fish in Island Harbour, Deep Bay and Fogo Town, and the fact that the FUTC had begun to cut off credit, many people believed they had no choice but to form a co-op.³⁹

The Committee did obtain approximately 1,000 signatures on the petition and sent a delegation to the then Premier Smallwood. He denied the Committee's request

for a guarantee of a loan making it possible to organize under the UMF, and discouraged the group from organizing under that co-operative. One effect of the decision was that if a co-op was formed, it would exist independently from other co-ops and hence would be more vulnerable to early failure.⁴⁰

Partly due to pressure exerted by the Export Association of private merchants, the provincial government decided to allow the Spanish-Japanese owned, Yellow Fish Company to operate on the Island. It also assisted the Earle Company to remain open for the 1967 fishing season.

The Improvement Committee was advised to redirect its efforts to the Rural Development Division of the Department of Community and Social Development and to make a request for funding to this agency and in effect: "...to allow the agency to take over decision-making."⁴¹ The Rural Development Department provided funds for Committee members to travel the northeast coast in search of private markets for Fogo Island fish. Meanwhile, the Department was investigating the problem and making plans. Essentially, the Department narrowed the many problems of the Fogo Island economy to lack of an adequate supply of fish.⁴² The Improvement Committee

was less interested in increasing the ability to catch fish than it was in improving the Island's economy by obtaining the facilities and organization for a centralized fish processing and marketing co-operative. It was felt that a regional co-op which could centralize the fishing operations would be viable at existing levels of fish catches whereas smaller operations with separate facilities would not be. The Committee was concerned about jobs, dependable marketing, and maximum prices for fishermen, and sought to increase producer control of the profits from processing and marketing fish.⁴³

According to McCay, the Improvement Committee wanted an institutional change to solve the problems, but in the process of obtaining assistance from government, the leaders of the co-op movement lost control over decisions and the provincial government reacted to the problem with primarily technological solutions. The Government defined the problem as being a technical one, the solution being to improve the technology - by building a long liner fleet. "The plan was that with consequent increases in fish catches, private industry would be encouraged to come back onto Fogo Island."⁴⁴ However, when it became obvious that private companies could not be persuaded to stay on the Island, the Government had little choice

but to give the Committee assistance and access to fishing facilities. However, Government did insist that the Fogo Islanders were to sell through private firms, rather than through UMF.

In the fall of 1967 the Provincial Department of Community and Social Development, through Newfoundland Co-op Services agreed to build a shipyard for longliners on the Island. Several meetings were held across the Island in December of 1967 and the co-op was established with 127 charter members. They contributed \$635.00 in share capital and elected a Board of Directors. Almost all of the Directors were Improvement Committee members. The co-op was officially registered on December 17, 1967.

Few people doubt that the Committee was instrumental in helping establish the co-op. The Committee was largely responsible for articulating the wishes of the Fogo Island people, for pressuring government into acting in the Islanders' interests and for obtaining the involvement of MUN Extension and the National Film Board. It encouraged people to work for the benefit of the whole Island by stressing co-operation among communities rather than inter-town rivalry. As a result: "The major change that has occurred on Fogo Island would seem to be that some people from all the settlements are committed

to an Island-wide community."⁴⁵

According to leaders in the co-op movement success was contingent upon a spirit of co-operation and a great deal of public involvement.

"Development could only come... with the involvement and participation of many interested people on an Island-wide basis."⁴⁶

The Improvement Committee continued to operate and in 1978 saw itself as playing:

"...a multi-faceted role as sounding board, conscience, intermediary with government, even soul of the island... (It) is the one organization that works on behalf of the entire island and represents all communities, religions and occupations through its members and the composition of its executive."⁴⁷

The Improvement Committee still exists in the form of a Rural Development Association and often works 'hand in hand' with the co-op. The two organizations maintain a close relationship which appears to be beneficial to both, and to the community. That the two are closely related is shown by the fact that some of the leaders in the co-op organization are also among the leadership of the Development Association. On one occasion for example, the chairman and vice Chairman of the Development

Association were also respectively, vice-president and president of the co-operative. The Development Association's Co-ordinator was also on the co-op's Board of Directors and recently became the co-op's president.

Whereas the Development Association was largely responsible for establishing the co-op, the co-op is now instrumental to the success of the Development Association. The co-op provides funds of approximately \$5,000 per year to the Association and these funds are matched by government. The co-op also provides the Association with free office space in its head office building.

The Association often acts in conjunction with the co-op to lobby for such things as changes in government policy and assistance for particular projects. The Association can obtain some funding for which the co-op is not eligible, and often uses this funding to develop the fishery or for community infrastructure - both of which contribute to the co-op and the community. Some of the assistance obtained by the Association for fisheries development on the Island include grants of approximately \$22,000 for completion of a herring plant at Seldom; \$14,000 for completion of the plant at Deep Bay; \$162,000 for the purchase and installation of blast freezers and

cold storage at the Fogo plant.⁴⁸

The Development Association has always attempted to have representation from each community on Fogo Island. At present there are two representatives from each community on the Regional Board. Each community has a local committee which, among other things, elects members for the Regional Board. The Regional Board then decides upon its executive, and is the body to which the Association's co-ordinator is responsible.

In the Spring of 1983 the Association erected a 'multi-purpose' building with a government grant of \$45,400. It also investigated the possibility of establishing a consumers co-op store in the centre of Fogo Island.

SUMMARY

The present co-operative on Fogo Island was preceded by several decades of co-operative activity in the region. The FPU (which had co-operative features) and small credit unions, consumer stores and marketing co-ops were formed to address some of the problems associated with dependence on and control by local merchants. While some people had negative experiences with these organizations, they did make people aware of the alternatives to private enterprise and of the advantages and limitations to co-operatives. Some of these societies existed in the mid-1960s when the area was thrust into the severe crisis and some of them had either been involved in or had attempted to enter the fishing industry. It is probably not surprising then that many people saw co-operation as a way to deal with this crisis.

The present co-operative was also partly the product of a series of boards and committees which had been established to deal with such matters as roads development and general development on the island. By 1967 the Fogo Island Improvement Committee was working toward island-wide co-operation as a way out of the crisis, since it felt that private enterprise could not make either the fishery or the communities viable.

CHAPTER IV

THE FOGO ISLAND CO-OPERATIVE 1967 - 1981

In the winter of 1968 a shipyard was built in Shoal Bay, an area chosen by the Improvement Committee as being central, as favoring no single town and as being least likely to induce inter-community rivalry or jealousy. It was funded by the Federal Fisheries Department and the Provincial Department of Community and Social Development. The provincial department provided a \$75,000 loan to the co-op for working capital or revolving funds, with no time limit. This money was guaranteed by Newfoundland Co-operative Services (NCS). One of the organization's first tasks was to obtain other sources of credit. One Director recently suggested:

"We had 127 members and we had \$635 in share capital. We had no credit. It almost sounded foolish. The Bank of Nova Scotia in St. John's laughed at us when we applied for a loan."1

The co-op found a partial solution to the problem of credit in a private brokerage company - Earle's Freighting of Carbonear. The firm advanced supplies on credit and guaranteed the co-op approximately \$80,000; in return the co-op had to market its fish through the company.

For collateral the co-op had 'first call' on members' fish produced at any time within one year from the date when fishing supplies were advanced or money was lent.² The Society did business with Earle's for several years and then terminated the relationship because, according to one Director, "They were taking advantage of us."³

In the winter of 1968, construction began on four fifty foot longliners. Four inshore fishermen applied for government assistance (bounties, loans and other subsidies) to purchase the boats. At that time approximately 90 percent of new, fully equipped longliners could be met by government funding, and part of the down payment could be paid to the co-op by providing labour and materials at the shipyard.⁴ In the first year of operations, about 45 percent of the down payments was met by credit for labour and timber. Until 1973 the co-op made ten year low interest loans available to cover all or part of the down payment.⁵

Prospective long liner owners could set up accounts receivable with the co-op for the amount which was not provided by either government or by members' labour or materials. Apparently, collateral was not required. According to its constitution, the co-op was not to act as a credit union and members were legally permitted to

borrow only up to 75 percent of their own share capital. The only legal exception was the necessary outfitting of fishermen before the fishing season.⁶ In this matter the co-op continued to ignore its constitution and the Co-op Societies Act. "This procedure has frequently come under scrutiny and has been a subject of concern. For example, the registrar warned the co-op that:

"...the maximum credit you may extend to members under the act is 75 percent of each member's share capital unless you have chattel mortgages, conditional sales agreements, contracts or other such like documents."⁷

The co-op itself could not legally borrow more than 50 percent of its total paid-up share capital without the approval of the registrar and the minister responsible for co-operatives.⁸ This regulation has meant government scrutiny and control over the co-op's borrowing activities. However, every appeal to the registrar and minister for approval of increases in borrowing power seems to have been granted. This does not mean that government guaranteed the loans, and this was always clearly specified on the approval notifications.⁹

In April of 1968, with a membership of more than 200, the co-op planned a program of activities for the coming fishing season. In addition to building longliners

it would operate the community stage at Deep Bay as a pilot project, purchase fish from fishermen in the area, and provide fishing supplies on a limited basis to all fishermen who agreed to a sales agreement giving the co-op first right to the fish. Five percent of fishermen's gross catch income was to be used to purchase shares in the co-op. All employees at the shipbuilding yard would also pay 5 percent of their wages to buy shares in the co-op. Apart from loans, this percentage of members' earnings has been a major source of capital for the organization. Any profits stemming from sales were also usually credited to share capital.

The co-op made an agreement with the Fishermen's Union Trading Company at Seldom to use its salt fish drying facilities on a short term rental basis. This activity created about \$40,000 worth of labour during the 1968 season. The co-op did about one-half million dollars worth of business in its first year.¹⁰

In March of 1969 a conference was held on Fogo Island, sponsored by Memorial University of Newfoundland Extension Service at the request of the Improvement Committee. At the conference, Island residents discussed problems of co-operatives, fisheries and agriculture. An Extension person sent a copy of resolutions passed at the Conference

to the Co-op Division Inspector, stating:

"I believe you will be interested in them as they represent the consensus of a large group of Newfoundland residents who believe they can contribute to any planning for rural development."11

The resolutions indicate that the conference participants were interested in much more than promotion of a single co-operative - they were also interested in reversal of government policies which supported centralization and other policies which were problematic for rural areas. While some resolutions called for improvements in freight, educational and marketing services, others went beyond and called for fundamental changes in Government's approach to rural communities. One resolution asked that the Federal and Provincial Governments:

"...reconsider their policy of investing in large processing facilities only and investigate the possibilities of investing in small diversified-plant facilities suitable to local needs."12

Another asked the Governments to:

"...involve local people at all stages of planning and decision making related to resettlement."13

The co-op requested permission from the minister to borrow up to \$200,000 from a commercial bank. He gave approval to the co-op to:

"...borrow an amount not to exceed the commitments which the Bank of Nova Scotia or other lending agency offers to the Society..."¹⁴

The Bank agreed to lend the co-op an amount up to 40 percent of the market value of fish on hand, to a maximum of \$95,000. This was subject to members' authorizing the co-op to use their fish products as security for the loan. Members authorized this at an April Annual General Meeting and also gave the Board of Directors power to freeze all share capital for sixty days.

In April of 1969 the co-op requested and received permission to lease the Seldon facilities from the Provincial Department of Fisheries. The co-op had arranged terms for financing the plant, marketing for cod, salmon, lobster and turbot, and a probable market for lumpfish roe in Germany.¹⁵ The conditions of the lease included: that the co-op purchase to plant capacity at competitive prices, all commercially acceptable species of fish offered by fishermen in the area; that the co-op, as far as possible, perform all primary processing; and obtain written approval from

the minister before making any changes to the plant. During the 1969 season the co-op was able to borrow more money from the bank and gain credit from some wholesalers.

By 1969 the co-op was being seen in many circles as an example or model of successful community development and as a possible alternative to resettlement. An Evening Telegram Editorial claimed Fogo had been 'brought back to life'.¹⁶ The Western Star declared:

"Fogo seems to keep itself well out in front when it comes to new ideas. For an island which was all set to be deserted under the centralization program it is very much alive and kicking. It is, in fact living proof that many of the communities wiped out by officially sponsored resettlement could possibly have survived to become prosperous, self-sufficient places."¹⁷

A Daily News editorial suggested that:

"In many respects Fogo Island lends itself to becoming a pilot plant for experimentation in a comprehensive plan of rural development."¹⁸

The Wayfarer felt that Fogo was:

"...a symbol of a society in transition and what happens there

may be the key to what we
may expect in many other
places..."19

That writer realized that the Fogo Islanders (and 'rural
'developers' in general) faced enormous problems since:

"...the changing pattern of social
thought and aspirations in
Newfoundland is opposed to the
concept of the development of
viable and viable communities
on the offshore islands."20

It seemed that people closer to the Fogo situation were,
if not less optimistic, then at least more concerned,
both for the Fogo Islanders and for the model itself.

A co-op field worker felt that the government had to:

"...concentrate on the operation
as much as we possibly can, for
if this one fails, the people
on Fogo Island may as well pack
their bags, and any other
fishery proposition that may be
in the offing might as well be
forgotten."21

Some Fogo Island residents were not convinced that
government really intended to let them stay, and they
attempted to convince government to facilitate development
on the Island. The Fogo Island Profile commented that:

"There is good reason why the
government should put as much
drive and effort into helping

those who wish to remain where they are as it does in helping those who wish to relocate. This may not fit the prophet's (Smallwood's) dream, but it does fit many of the peoples."22

Other people requested government statements on its long range development plan for Fogo Island.²³

Success of the development attempts was less than certain but the co-op did facilitate significant improvements relatively quickly. For example, between 1967 and 1972 the co-op added approximately \$800,000 to the incomes of Fogo Island fishing families. The co-op's annual sales volumes increased from \$440,000 in the first season to more than \$1,510,000 in the 1971 - 1972 season, and between 1968 and 1971 the co-op made small profits each year. It made profits of: \$6,704 in its first season (1968 - 1969), \$3,906 in its second season and \$2,080 in the third.²⁴

By its second fishing season the co-op had launched four longliners, built fish boxes, run a saw mill throughout the winter, marketed cod, lump roe, salmon and partridge berries.²⁵ Approximately sixty full time and forty part-time jobs had been created at the saltfish plant in Seldon, and about eighteen people worked at the shipyard. Twenty longliners were in use and work

associated with longliner development accounted for about 44 percent of the wage labour force on the Island.²⁶

In its second season the co-op re-opened the old Fishery Products plant at Joe Batts Arm and used it to land and re-ship over six million pounds of Fogo Island fresh fish to Carbonear for processing. Twenty-five hundred drafts of heavy salted cod were split and salted at Joe Batts Arm, and then taken to Seldom for drying, grading and packaging for export.²⁷ Since the Seldom plant was working under its full capacity, the co-op negotiated with the Canadian Salt Fish Corporation in an attempt to purchase more fish. A fishermen's landing wharf and breakwater were constructed at Fogo Town and the Fogo Town Council bought the old Newfoundland and Labrador Export Company premises and built a community stage with a Winter Works Project.

Leaders in the co-operative movement appeared to see co-operation as part of a mechanism which could help bring about 'total development' of the Island. Persons attending a 'mini-conference' stressed the need for:

"Total development of Fogo Island, ie. fisheries, education, health, transportation, utilities, etc. If the government has no definite

and clearly defined policy regarding the above matters, then we want to help formulate it. This would be a democratic expression of local people working with the government."²⁸

The Provincial and Federal Governments were invited to tour Fogo Island, view developments there, and to assess potential future development. The governments were asked to make an investment in development on the Island. There is evidence that leaders were seeking to come as close as was possible to a self-help process. One leader stressed that:

"We do not want handouts or charity but we want the Federal Government to make an initial investment in Fogo Island of one million dollars for a centralized educational system, for harbour and marine development, for fish plant improvement and equipment, and for an improved transportation and communications system."²⁹
(Emphasis in original)

By now the governments appeared to be looking more favourably towards development on the Island. Provincial and Federal officials stated that their governments were interested in and able to invest money in areas:

"Which have already initiated a development program and are well underway. Fogo Island is one of them."³⁰

By 1971 the 'tide of resettlement' had been largely stemmed and there were other indications of significant development on the Island. Between 1968 and 1970 the number of people leaving Fogo Island declined by 89 percent and the amount of money granted for resettlement fell by 79 percent, from \$75,750 to \$15,254. Between 1967 and 1971 the number of people receiving able bodied social assistance declined by 57 percent; six new businesses were established on the Island and seven existing ones were renovated.³¹

However, despite some major improvements in conditions on the Island, the population did decrease by 5.1 percent from 1971 to 1976 (from 4,074 to 3,867).³² By 1971 the co-op began to experience major problems. Neither the co-op nor the community were through the crisis.

Before beginning the 1971 season the co-op had to request permission to borrow \$50,000 to cover operating expenses at the shipyard. Approval was given and the Bank of Nova Scotia gave the co-op a loan to pay salaries and purchase materials for boat building. The withdrawal of shares was again prohibited and the loan was secured by assignment of government subsidies and bounties due to fishermen.

Problems with the co-op's system of accounting were beginning to emerge by the spring of 1971, causing concern at the Provincial Government's Co-op Registry office. The registrar was also concerned that the co-op was acting as a credit union; he suggested that:

"Credit to members is the business of the credit union to enable cash purchases because co-operatives are seldom provided by members with sufficient capital to finance credit. Our great concern is that a fishery failure could seriously handicap a co-operative..."³³
(Emphasis added)

The establishment of a credit union was recommended by the registrar, both to enable the co-op to operate on a cash basis and to eliminate discrimination between cash and credit patrons. The lack of a credit union has caused problems from the beginning and has been a major reason why many co-op movement leaders have called for an integrated system of co-ops on the island.

By October of 1971 the co-op had to borrow an additional \$100,000. By the end of the 1971 season it had become increasingly clear that the crisis was not over. The registrar expressed that he was "very much concerned about the financial affairs... (of the co-op)." ³⁴ The Bank of Nova Scotia was advancing

\$100,000 for boat building on the security of subsidies, bounties and loans; also the society was making loans to members which was contrary to the Co-op Societies Act, and issuing nets, and supplies which was contrary to the co-op's constitution and beyond the limit provided in the Act. As an example the registrar cited one prospective longliner owner who supplied \$3,000 in labour and materials and got a loan of \$3,700 from the co-op which constituted his full down payment. "If this were carried to the extreme, any man could get a boat without a down payment."⁵⁵

The co-op suffered a loss in the 1971 season of approximately \$110,000; \$42,750 of this was attributed to fish spoilage. Fish spoilage resulted from lack of fresh processing and freezing facilities on the Island and the co-op's weak bargaining position vis a vis the larger private fish firms. This weak bargaining position was seen as a major problem by co-op leaders on the island and they stressed the need for strong organization to stabilize and increase prices and to deal with the private companies. The co-op manager stated that:

"Without strong fishermen's organizations the fishermen have no bargaining power they are at the mercy of the larger

fish buyers...I have made many trips to St. John's... (mainly to)...exercise our bargaining power...This as you can well imagine, required negotiations with various Fish Companies... Negotiating with the large companies was a new experience for us, and it was a new experience for them...It was obvious that they were not used to bargaining with representatives of fishermen. It was more like - "This is what we will do and if you don't like it, we will do it anyway."³⁶
(Emphasis in original)

The co-op was able to negotiate a 'deal' with Earle Freighting Services Limited of Carbonear to collect Fogo Island fish and take it to Carbonear for processing. The 'deal' stipulated that any fish lost by spoilage en route from Fogo Island to Carbonear was at the co-op's expense. Regarding the agreement with Earles, the registrar remarked that the co-op was: "...at the mercy of the carrier and the processor..."³⁷

The fish spoilage and the financial loss made it more evident that fresh processing was required on the Island, and that the co-op would have to try and do its own marketing. The co-op presented a proposal to government for a fresh fish plant; asking government to help raise \$2.5 million for a plant at Shoal Bay.

This proposal was not acted upon by government. A new proposal sought \$400,000 from government to convert the Seldon Plant into a fresh operation. Again the co-op was not successful in obtaining assistance.

It had also become evident that the co-op's management left something to be desired. A Newfoundland Co-op Services report blamed the co-op's loss in part on the: "...cost-be-damned attitude of the co-op manager and his staff."³⁸ Other deficiencies were found in the co-op's method of accounting and control of funds; supplies and shipments.

The Board of Directors announced to the members that it had:

"...found itself in an awkward position of having to make some unpopular decisions."³⁹

The Board felt that in addition to problems identified by the NCS report, problems were arising from other sources, such as competition from private buyers (which was increasing as the co-op grew and exercised more influence in the community) and lack of sufficient operation capital. The Board felt that problems were also due to the: "...utter disregard that some members have for their Co-operative..."⁴⁰

The Board recommended that the co-op charge interest on accounts which are not paid-up after December 31 of any year, that fishermen's settlements be every two weeks instead of every week and that stricter quality control procedures be introduced. These recommendations were passed by the general membership.

8 A management consultant was hired from NCS to help put the co-op's financial affairs in a better condition. However, these measures were not sufficient to cause a 'turnaround'. By mid-summer of 1972 NCS was worried about its own interests which were being affected by the Fogo situation. Since NCS was responsible for the \$75,000 provided in 1968 by the Department of Community and Social Development, it now began considering ways in which to protect itself. One proposal suggested segregating the shipyard from fishing operations, separate accounts for the two, that all decisions relating to the shipyard should have the approval of NCS, and that longliner owners invest 50 percent of their share capital into the fishery and 50 percent into the shipyard operations.⁴¹

The Annual Report for 1972 reported that the boat building operations had lost more money but that the shipyard would be upgraded to ensure against any future.

deficits. Negotiations had been ongoing between the co-op and an American firm, W. R. Grace Limited which indicated interest in building a single centralized frozen fish processing facility on the Island. It was announced that the Canadian Salfish Corporation would provide a splitting machine for the Joe Batts Arm plant and that Fishery Products would collect fish from that plant and the one at Fogo.

The Board recommended a freeze in all members' shares until January 31, 1974 except for members deceased, retired, disabled, or who have left the area, that the manager of the Bank of Nova Scotia at Fogo be elected to the Board, and that no permanent co-op employees be elected to the Board.⁴² (This final recommendation arose mainly out of difficulties with having top management people on the Board. Since it also prevented plant employees from Board positions it helped create a sense of alienation among those workers.)

By 1973 major problems were being experienced with the co-op's ship building operations. It had built twenty-five longliners from thirty-five to fifty-eight feet, four of which were tied up due to difficulties obtaining crews and/or credit. Some owners were unable to pay their debts to the co-op and the Fisheries.

Loan Board. The co-op had accumulated debts from longliner owner accounts and suffered losses from other sources at the shipyard.⁴³

In 1973 the co-op ceased advancing loans to members for the purchase of longliners, 'at least until some of the money was repaid'. Also, the manager felt that the fleet had grown: "almost large enough considering available local grounds."⁴⁴

According to McCay, fishermen using longliners had experienced diminishing returns between 1971 and 1973, despite increased fishing effort. Problems with declining earnings were most significant for those fishermen who had bought boats in the 1971 and 1972 seasons, since higher costs of construction meant larger debts. Some of the owners experienced severe losses and at least two were expelled from the co-op because of defaults in payments and landing fish elsewhere.⁴⁵

By the fall of 1973 the co-op was on the verge of bankruptcy largely because of losses at the shipyard. Profits from the salt fish business were being used to cover losses at the yard and according to McCay the yard was being:

"...mismanaged under the assumption that orders for new longliners would continue to come in and help cover previous losses...As the longliner fleet experienced diminished returns, no new orders came in, and the losses finally appeared on the accountants' books."⁴⁶

McCay felt that the problems stemmed from the fact that the success of the co-op was: "...tightly constrained by a development policy that placed greater priority on technological modernization than on institutional change."⁴⁷ Other reasons for the poor condition of the co-op included its inability to expand into its own processing. Unable to significantly increase the value of its fish the co-op was thus forced to increase the volume of fish landings in order to remain viable. The inexperience of the Board of Directors and management did not help the situation. One director admitted that:

"The Board was bad - and I was a part of it. We didn't have any business experience. We had inexperienced people in management and supervising positions. We underbid on boats and it cost more to build them than we could get for them. The manager was on the Board then. We changed the constitution after that to not allow any employees on the Board."⁴⁸

On the brink of bankruptcy the co-op was: "rent by political factionalism, and losing the support of its shareholders."⁴⁹ The factionalism appeared partly in the form of a feud between the manager, who the Evening Telegram dubbed: "... a merchant prince of the Change Islands' clan," and the shipyard foreman who also acted as the co-op's secretary (he had been manager of the old Fishermen's Union Trading Company and was one of the first to have a longliner on Fogo Island).⁵⁰ The foreman was fired by the manager which caused a walkout at the shipyard and caused members to take one side or the other. A vote was taken by the membership which turned out in favour of the foreman. The manager offered to resign but this was not accepted by the Board. The Board supported the firing and apparently acted against the membership's decision.⁵¹

In late summer of 1973 the co-op was being viewed by some people as a business failure although it was recognized that it had contributed much to the development of the Island. An Evening Telegram reporter stated that:

"In absolute financial terms - in direct benefits to the people of Fogo Island - the co-op is a high success. But in its ability to diversify its operation

and take full advantage for profit, it is a manifest failure...

That the co-op movement has brought massive tangible and attitudinal changes to Fogo Island is above dispute. It stemmed the tide of a destructive resettlement scheme... It has helped warp the strict religious lines that have kept the people apart for centuries. And, in meatier terms, it has meant a substantial injection of government dollars.⁵²

Despite the fact that the co-op was in a crisis, it had helped create significant positive development in the community. Importantly, it was largely responsible for convincing governments of the possible viability of development on the island. One indication of this was the amount of government money being spent on the island. Between 1968 and 1973 the Federal and Provincial Governments spent approximately 3.6 million dollars on marine facilities, a post office, a sea-plane landing float, roads and a new high school.⁵³

Still, having come a long way, the co-op and the development movement were in a very uncertain and precarious position. Early in 1974, the registrar feared that the Fogo co-op had taken the 'four steps to eventual failure and liquidation' - a good start,

premature expansion, loss of member confidence and support, and financial difficulties.⁵⁴

As a way out of the crisis the co-op and NCS signed a management agreement which gave NCS all authorities normally vested in a general manager. NCS appointed a manager which was acceptable to the Board, and the manager was an employee of NCS. Because of this agreement NCS was able to terminate the former manager's contract and to place restrictions on the co-op's credit policies. In February of 1974, NCS presented a brief to the Provincial Government which outlined plans for future expansion. It requested that immediate financial assistance of \$200,000 be made available - \$100,000 as a long term loan and the remainder on a two year basis. At the time the co-op was owed \$110,000 by fishermen with "...many of those outstanding debts being very poor accounts."⁵⁵ It was reported that the co-op now wished to:

"...divorce itself entirely from shipyard operations and concentrate on fish handling and processing."⁵⁶

In response to the request, the Minister of Fisheries stated that the:

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... continuation of the fishing effort in 1974 is dependent upon a Provincial involvement and the enticement of private enterprise at this late date is totally unrealistic. The only recourse is to grant the requested financial assistance for the fishing season 1974."57

The minister recommended that government lend the co-op \$200,000 subject to certain government controls, that the co-op take all necessary measures to recover the money owed to it, and that the granting of credit be discontinued.

While the co-op was waiting eagerly for government financial assistance, some government officials were not yet convinced that support for the co-op was the proper strategy. At a meeting of the Fisheries Department in April, four 'rough proposals' were discussed: that government would appoint a Board to "take the co-op out of the picture;" that the Canadian Saltfish Corporation be responsible for disposition of fresh cod and other species; that Newfoundland Quick Freeze take over and be the agent of the Saltfish Corporation (in which case it was suggested that government would not have to provide any working capital); and that government establish a management board which would work with NCS and the local co-op.

board. In this case it was estimated that \$250,000 would be required to pay creditors and afford the new management sufficient working capital.⁵⁸

It was decided a week later that the co-op would be permitted to continue operations, with a provincial government guaranteed loan of \$200,000. One half of the loan was on a two year term, one half was on a ten year term. The loan guarantee was granted on the condition that the co-op liquidate its accounts receivable as soon as possible (collect the money owed by fishermen members); that the co-op provide the government with quarterly audited financial statements; that for each year of the ten year period, 25 percent of the co-op's net profits were to be placed in a reserve fund; that government reserve the right to impose remedial action; and that the Minister of Fisheries, the Newfoundland and Labrador Development Corporation (NLDC) and NCS consider establishing a management committee.⁵⁹

The 1974 fishing season was plagued by severe ice conditions which permitted only two and one half weeks of fishing. Despite the shortness, the co-op had a relatively successful season and made some payments on the loans. A letter to the Minister of Provincial

Affairs described the value which some Fogo Island residents placed on their co-operative. They described the co-op as being;

"...God-sent...and is the only thing that has kept the 4,700 residents...in a sane frame of mind, and has also kept most of them off welfare."60

By April of 1975 the Provincial Government had established an Advisory Committee which consisted of people from the NLDC, the Canadian Salt Fish Corporation, the Fisheries Loan Board, the Departments of Fisheries and Finance, the Registry of Co-ops and NCS. Clause 5 of the agreement made in May of 1974 between the Department of Finance and the co-op provided for the:

"...said committee to have the ultimate management authority and control over the Co-op. All management and management decisions shall be subject to the ultimate control and direction of the said Management Advisory Committee and no change shall be made by the Co-op in the management or management policies without the consent, in writing, of the Management Advisory Committee."61

The agreement was to be in place until the loan was repaid (scheduled for 1984). There were infrequent meetings between the Board and the Committee and it appears that

the relationship was not particularly close, and deteriorated over the years. One constant problem was that Advisory Committee members had difficulty finding mutually convenient times in which to meet. Another was that the co-op's Board did not (according to the Committee) consult the committee before making major decisions. Nevertheless a government committee had ultimate legal control over management decisions. Ordinarily these are the responsibilities of a co-op's directors and management.

Out of the Crisis

By 1976 the co-op was seen by the Advisory Committee as: "...one of the shining lights in the fishing industry of Newfoundland."⁶² Much was attributed to the new management and board. The Registrar reported that the co-op had made considerable progress during the past two years and that the ratio of members' equity to liabilities had risen to four to one. The co-op was then given permission by the Minister and Registrar to borrow \$30,000 from NLDC for equipment.⁶³

In the 1976 season the co-op was plagued by more problems stemming from lack of facilities and having to sell semi-processed fish to a private buyer. For example,

Fishery Products rejected a shipment of about 50,000 pounds of iced fillets which cost the co-op approximately \$48,000. According to Fishery Products the problem stemmed from lack of ice at Fogo, with spoilage resulting on route to Twillingate (where Fishery Products further processed the skin-on fillets). However, there was evidence to show that the problem also stemmed from inadequate icing at the Twillingate plant. Fillets that were sent to B. C. Packers at Harbour Breton and to H. Hopkins, Port Moriens, Nova Scotia, were being accepted.

Discoloration of fish fillets was also being experienced due to shipping in the 'skin-on' state prompting management to attempt to raise money for a skinning machine. In August of 1976 the co-op made submissions to Canada Manpower for funds under the Local Initiatives Program (LIP) for construction of a warehouse, fish boxes, offal disposal barges and upgrading of facilities.⁶⁴

In September of 1976 the co-op's Board of Directors met with the government Advisory Committee, partly to discuss whether government would turn over its plant facilities on the Island to the co-operative. They also discussed a proposal made by Bay Bulls Sea Products

offering to construct a freezer plant on the Island, and to purchase the co-op's fillets. It was decided not to accept the offer and to attempt to build their own freezing facilities.⁶⁵

In January of 1977 the co-op board was presented with a petition from Island residents, disapproving of a recommendation made at the Annual General Meeting. The Board had recommended that 3 percent of everyone's gross earnings be paid to the co-op, up to a ceiling of \$3,000. This was an attempt by the Board to raise sufficient operating capital, but it met with resistance. About two hundred people signed the petition which stated that though they did not lack confidence in the Board, they would make other arrangements to sell fish if the recommendations went into effect. It was found that some of the people signing were not co-op members; some were minors and apparently some were of the understanding that the petition was circulated by the Board of Directors.⁶⁶

In the Spring of 1977 the co-op made a proposal to the Department of Rural Development for funding of a new fresh fish plant at Fogo. The building alone would cost \$120,000 and would be funded by a LIP grant of \$100,000 with the remainder being paid equally by

the co-op and the Provincial Department of Fisheries. LIP was also granting \$71,000 for a refrigerated warehouse at Seldom.⁶⁷

At about the same time the co-op was having discussions with Witless Bay Fishmeal Limited, regarding that company establishing fishmeal operations on Fogo Island. The company agreed to establish the meal plant if a feasibility study showed that it would be profitable. It proposed that a new company be formed to run the meal plant, to be jointly owned by the co-op, other fishermen and the E. W. Twohig family which owned Witless Bay Fishmeal.⁶⁸ The co-op was informed by the registrar that co-operatives are prohibited by law from holding shares in a corporation, however, any individual member could buy shares.

Fish spoilage again plagued the co-op in 1977 and again it showed the necessity for proper facilities. By August it had lost more than \$33,000 worth of fillets. The Fishery Products plant at Twillingate was experiencing good landings and could not handle the co-op's production in time to prevent spoilage. Some fillets were trucked to Catalina and Trepassey but spoilage was also experienced with this arrangement. The Fishing Industry Advisory Board was asked to contact Newfoundland

Quick Freeze, Nickersons, and Booth Fisheries to attempt to get a better arrangement for the co-op. Whereas in previous years the co-op had a contract with Fishery Products, in 1977 it had no such contract. United Maritime Fishermen's co-op was also contacted and it expressed an interest in marketing Fogo's fresh products.⁶⁹ The registrar supported Fogo going with UMF to: "...remove dependency on the competition", and, being a member of another co-op it would have a measure of control and receive patronage refunds, ensuring that people on Fogo Island received maximum returns for their labour.⁷⁰ The arrangement between the two co-ops did not materialize, and in September Fogo sent trial shipments of fillets to Booth Fisheries at Fortune. Booth indicated an interest in buying the entire Fogo production in 1978.

In November of 1977, NLDC did a report on the Fogo Co-op's finances with reference to its ability to purchase freezing capacity. It was found that the co-op's debt to equity ratio was:

"...favorable in terms of the industry average... (however) a high amount of capital expenditure at this time might impair the ability of the co-op to meet... (peak working capital requirements)." ⁷¹

It was concluded that at that time the co-op could not safely borrow the amount necessary to purchase freezing facilities. A loan of \$100,000 could be supported; however, additional debt of \$200,000 would increase the debt to equity ratio so much that the co-op would be in a precarious financial position in a down year.⁷²

The problem of lack of facilities and dependence on a private company for marketing caused more concern for the co-op in the spring of 1978 when the Lake Group bought the Booth Fisheries plant and indicated it was not interested in purchasing fillets from Fogo. The main reason given was that because of the long distance involved in transporting the fish, most of it had to go into blocks and the block markets were soft. National Sea Products at La Scie also stated that they were not interested in Fogo Island Fish.⁷³

In November of 1978 the co-op requested permission to be able to borrow up to \$400,000 on a short term basis because large amounts of cash were necessary to pay for fish and labour between June and September. Returns for products sometimes took several weeks, leaving the co-op with cash flow problems. In December the co-op requested extension of credit for an additional

\$711,000 in long term loans for freezers, cold storage, and processing equipment. NLDC advised the co-op that it was willing to lend the money and the equipment was installed during the 1979 season.⁷⁴

In 1980, the co-op was perceived by the Government Advisory Committee as attempting to meet 'social' needs without due consideration for the 'economic' consequences. At a meeting between the Advisory Committee and the Board of Directors:

"...considerable discussion was held on the issue of running the Co-op to meet both social and economic needs. With social needs of the Island having taken a tremendous boost, it is felt that the economics of the business must be given greater consideration for the future."⁷⁵

Between 1981 and 1983 several letters were sent to the Board by the Committee asking for closer communication, for copies of Board meeting minutes and for consultation before the co-op made decisions.⁷⁶

By 1981 the co-op was skinning, freezing and storing its own filleted products but was still dependent upon Fishery Products for marketing. In 1981 the Board hired a new general manager and a new divisional manager.

One of this new management's first tasks was to change the co-op's structure. It also began an extensive upgrading and expansion program with assistance from the Departments of Rural Development, Fisheries, and Canada Works. These departments provided grants of approximately \$350,000 but there were cost over-runs of almost \$800,000 on the projects. As a result the co-op had to request permission from the Minister to borrow an additional \$739,000. With this permission granted, the co-op's credit limit now stood at \$2,250,000.

As at August 31, 1981 the co-op had a long term debt of more than a million dollars. The cost over-runs raised the long term debt to approximately one and three quarter million dollars. In addition, the co-op had current liabilities of approximately half a million dollars. The 1981 fishing season was so bad that many fishermen were unable to pay for gear purchased from the co-op, adding to the co-op's costs and cash flow problem. Co-op members and the co-op were confronted by serious problems. The co-op reported that:

"...the past season of the fishery on Fogo Island was extremely poor due to poor landings of some species and poor marketing conditions for others. On top of everything else we too are

victims of the high interest rates, and consequently we are seeking all possible avenues to relieve our burdens."77

At that time the co-op requested that government forgive the remaining \$60,000 of the 1974 loan. Government refused, one reason being that the Advisory Committee would lose any authority over the co-op. Dissolving the Advisory Committee, according to the Committee Chairman would:

"...in light of the financial problems...during the past year,...appear to be very undesirable at this time. Indeed, the Department of Finance tends to perceive a more active role by the Advisory Committee in the overall management process of the co-op in future years."78

The Advisory Committee suggested to the Assistant Deputy Minister of Finance that the Committee's terms of reference be re-examined. It was suggested that the Board of Directors of the co-op resented the Committee's authority and that there was little communication between the two parties. It was also suggested that the co-op could, with proper leadership and control, become a very profitable business. But:

"Alternatively, if the co-operative continues to make serious blunders such as in the past year, without proper consultation with the Advisory Committee, the co-operative could easily get into very serious financial difficulties."79

In January of 1983 the Chairman of the Advisory Committee suggested that the agreement between it and the co-op was not working and that the Committee be dissolved. The Provincial Government agreed to dissolve the committee, effective April 5, 1983, after which time any future monitoring of the co-op would be done by an existing Interdepartmental Monitoring Committee (which examined issues relating to Provincial Government loans or loan guarantees).⁸⁰

In the meantime the co-op was experiencing difficulties related to lack of capital. In February of 1982 it asked the Federation of Co-ops to examine the possibility of having government legislation changed to allow private investment into co-ops.⁸¹ A year later the co-op proposed to enter into a joint venture with a private Portuguese company. The deal would involve Portuguese boats landing fish at the co-op and Portuguese assistance in marketing salt cod. For the co-op this would mean increased catching capacity and an extension of the fishing

season.⁸² The co-op was advised that legislation did not permit direct joint ventures but it could start a wholly owned subsidiary company which could conduct this business.⁸³ Other attempts at solving the capital shortage problem included an unsuccessful request to the Fur Farmers' Co-op at Dildo for a loan of \$500,000, and in June of 1983 the co-op requested and was granted permission to borrow up to two and a half million dollars.⁸⁴

SUMMARY

From the beginning the co-op has been plagued by shortage of capital and has had to obtain expensive credit from private fish companies and banks. Shortage of capital also prevented the co-op from acquiring cold storage and other necessary facilities and made it dependent on the private companies. It placed the society in a weak bargaining position when it came to negotiating such things as marketing contracts. Despite numerous requests for government assistance to instal freezing facilities, no help came until more than ten years after the co-op was formed.

A serious crisis developed in the early 1970s due largely to financial problems at the shipyard, and by 1973 the co-op was on the verge of bankruptcy. As a way out of the crisis the society borrowed from the Provincial Government but at a cost of some of its autonomy. The terms of the loan stipulated that a Government appointed Advisory Committee would have some control over the co-op's operations.

Despite the financial problems of the co-operative, the social and economic situation on Fogo Island did improve considerably. Although the shipbuilding operations ceased, the co-op had built a fleet of longliners which

was able to substantially increase fish landings. Incomes and the amount of employment were also increased due to the society's operations, and the co-op acted as an important provider of services (such as credit for fishing supplies and equipment) to the membership and community.

CHAPTER V
INTERNAL STRUCTURE AND DECISION MAKING

The Constitution

The structure of the Fogo Island Co-operative, like all other co-operatives in the Province, is largely determined by the requirements of the Provincial Government's Co-op Registry. All registered co-ops must conform to the rules and regulations governing co-op societies (under the Co-operative Societies Act), but within these rules and regulations there is room for diversity. Each co-operative has some freedom to write its own constitution to suit local conditions. Thus the Fogo Island co-op's constitution conforms to the requirements of Provincial Government laws regarding producer and marketing co-ops, but there are components to its constitution which are specific to Fogo Island.

The constitution is an extensive document which establishes rules and regulations governing most aspects of the organization's activities. It states the Aims and Objectives of the organization, and the conditions under which people may become members, directors and officers. It outlines the roles and duties which these three play in the co-operative, and deals with

financial aspects such as share capital, audits, annual returns, investments, borrowing powers, marketing contracts and the utilization of surplus and reserves. Without intending to be exhaustive we need to state here some of the most important features of the constitution.

Aims and Objectives

The Fogo Island Co-op aims to promote the economic interest of its members by using their combined funds and efforts to develop the fishing industry. The organization acts as a selling agent for members' products; it leases and purchases boats, equipment and facilities which may be needed to promote the members' economic interest. It purchases and trades in equipment and goods necessary for the catching and processing of marine products, and conducts educational work among its membership to help attain its objectives. It also aims to promote the provincial, national and international co-operative movements.

Membership

The Fogo Island Co-op has expanded its membership from 127 persons in 1967 to almost 1,500 in 1983.

Approximately 750 members are fishermen; about 400 are plant employees and there are approximately 300 members at large. It is not strictly an organization for fishing industry workers, nor is it restricted to Fogo Island residents. Membership is open to any resident of Fogo Island or Change Islands who is eighteen years of age or older. However, steps were taken recently to restrict new membership to those who are either fishermen or people for whom there is a job. Also new is a period of probation before one can become a member. (Those steps were taken to reduce the number of members without jobs in the co-op.)

Applications for membership are considered by the Board of Directors, and any person who is approved must purchase at least three \$5.00 shares initially and, over time, purchase shares up to the limit. Longliner owners and trap skiff owners must pay 5 percent of their gross annual earnings to the co-op, up to \$700, at which point a 2 percent fee is charged annually, to a maximum of \$2,700. All other members must pay 5 percent of their gross annual earnings, to a maximum of \$700. Share capital is deducted from employees' salaries and from fishermen's earnings from fish landings.

The Board of Directors has the right to suspend

repayment of share capital to members wishing to withdraw, for up to two months. Any extension of this period requires the permission of the Government's Registrar. Members may be expelled by the Board if they are found to be acting against the best interests of the Society. In this case the expelled member is automatically refunded his or her shares, less any money owed to the Society.

Share Capital

The value of each share is \$5.00, and remains at par value (\$5.00). Shares can be used as security against members with outstanding debts.

Interest on members' share capital is paid by the organization but unlike with private companies, that rate is restricted by government regulations. The co-op's interest rate can not exceed that established in the Co-operative Societies Act. While the rate may fluctuate from year to year, the current limit is 9 percent. Interest does not have to be paid by the Society if such payment either creates or increases a deficit.

It can be decided at the Annual General Meeting to either credit interest to members' share capital

or to lend it to the Society, in lieu of payment. This of course would give the organization more capital with which to begin the next season.

Membership Meetings

The Society's Annual General Meeting is held near the end of its fiscal year. Other special meetings may be called at any time by the Board or upon the petition of at least ten percent of the members. If the Board does not arrange a meeting then the petitioners may convene the meeting. Providing a quorum (10 percent of all members) is present, all acts of the meeting are binding on the Society. If a quorum is not reached, a lesser number may meet within fourteen days, in which case all business is binding on the Society whatever the number of members present.

Only members who have satisfied the conditions of membership are entitled to vote and each person has only one vote. (This contrasts with private companies in which the number of an individual's votes is determined by the number of shares that individual owns.) All questions are decided by a majority vote.

Board of Directors

The co-op's president appoints a nominating committee which nominates one member to fill each vacancy. Other nominations may be received 'from the floor' at the Annual General Meeting. The Society elects a nine member Board, for different terms so that a full experienced Board is not replaced at the end of its term by a new inexperienced Board. Between 1974 and 1982 no employee of the Society was eligible to be a Board member. This rule was changed in 1982 to permit one employee to sit on the Board. Any member of the Board may be removed from office at any time by a two-thirds vote of the members present.

The Board may hold meetings as often as business requires, and a majority of members represents a quorum. All questions are decided by a majority vote, and in the case of a tie the chairman has the right to cast the deciding vote. The Board may delegate any of its power to one or more special committees.

The Board's duties include general management of the Society's affairs; such as reviewing applications for membership, preparation of reports for the membership, responsibility for products handled by the Society, and the Society's contracts. The Board acts in

conjunction with the General Manager to formulate the general trading policy of the Society. No Board member is remunerated for their services.

Officers and Manager

The Board of Directors elects its officers at its first meeting following the annual general meeting. The officers include a President, a Vice-President and a Secretary who may or may not be a Board member. The Board appoints a General Manager who is responsible for the day to day business operations of the Society.

Investment and Borrowing Powers

Always subject to the provisions of the Co-operative Societies Act, and Rules and Regulations, the Board may invest the Society's funds at its discretion. One of these regulations states that the co-op can not invest directly in private companies, can not participate in joint ventures with private companies, and can not accept private company investment in the organization.

The Board may borrow money from any source up to a total which does not exceed fifty percent of the co-op's paid share capital. Additional borrowing can only be done with the approval of the Registrar and the Minister

of Rural, Agriculture and Northern Development. In 1982, however, the total share capital in the organization was \$676,940. The total liabilities, by comparison, were \$1,627,544, approximately two and one third times larger than the amount of share capital.

To secure the repayment of any loan made to the Society, the Society may restrict the withdrawal of shares, payment of interest, patronage refunds etc.

Surplus and Reserves

At the end of each fiscal year the Society has to set aside not less than five percent of its net surplus to a general reserve (which is intended to guarantee the financial stability of the organization). Up to ten percent of the remaining balance of net surplus may be used as an Educational Fund for its members or be contributed to regional or provincial co-operative unions or societies (such as the Federation of Co-operatives).

Any surplus may be paid or credited to members on the basis of the value of produce processed and marketed for each member. However, this surplus may also be used instead to underwrite previous losses or for the common benefit of the Society. No dividend, patronage refund

or bonus is approved until the balance sheet has been certified by an auditor. (Some co-ops which have not followed this rule have lost money by paying out dividends on the basis of anticipated surplus, only to find a loss at season's end).

Marketing Contracts

The Society may make marketing contracts with any of its members, requiring them to sell their products to the Society. Any member who does not conform to this contract may be evicted.

General

The co-op must submit an audited annual return to the Registrar and to the members at the annual meeting.

Suggestions or complaints should be sent in writing to the Board of Directors. Any member with an interest in the society is permitted to inspect the co-op's books; the co-op is also required to have on hand a copy of the Act, Statutory Rules and the society's constitution, all of which are open to inspection.

Personnel Policy

In addition to the Constitution, the Fogo Island Co-op has a personnel policy which covers all its employees except Head Office staff, canteen and stockroom attendants, foremen and other supervisory personnel. The policy deals with most aspects related to employment, including: rates of pay, hours of work, holidays, seniority, disciplinary procedures and safety.

Structure of the Co-operative

In an attempt to improve the structure of the co-op, two 'divisions' were created in 1981 after the appointment of a new general manager. The 'east' and 'west' divisions each operate under a divisional manager and the divisional managers report directly to the general manager. The west division includes: Seldom, Fogo, Deep Bay and Island Harbour. The east division includes: Joe Batts Arm and Tilting.

The Seldom plant is primarily used for salt cod production but does process some other groundfish. All drying is done at Seldom in the plant's mechanical driers.

Until 1982 the Fogo plant was used to process groundfish and pelagic species. It has facilities for

freezing and is now mainly a crab processing plant.

The plants at Deep Bay, Island Harbour and Tilting are primarily collector and feeder units for the major plants. Salt fish is also prepared and stored there for either drying at Seldom or for shipment as salt bulk. While these collector/feeder plants add to the co-op's expenses, and are used for only short periods each year, they provide a convenient service for fishermen who would otherwise have to truck their fish to one of the major plants. They also provide some employment in the smaller communities and when there is a large amount of salt fish in storage, they act as convenient storage facilities.

The Joe Batts Arm plant processes fresh groundfish and pelagic species. It also has freezing capacity.

The organizational structure of the co-operative is illustrated in Figure Two on page 229.

The general membership is comprised of many different groups of people, most of whom are employed by the co-op or sell their fish there. It is composed of fishing people from Change Islands and Fogo Island, longliner owners, longliner sharemen, trap skiff owners and crews, and small boat owners. There are several categories of plant workers: cutters, packers, trimmers, quality control

people, salters, graders etc. from six different plants. In addition, office staff, forepersons, and managers are also part of the general membership. Somehow all these people with their different interests must elect a nine person Board of Directors and somehow the organization must attempt to accomodate each group's needs.

While any member may attend annual general meetings and (as non voters) some Board meetings, and while Board members are elected by the general membership, not all members feel that the organization is sufficiently democratic. Many people have felt that small boat fishermen and plant workers have been under-represented on the Board although they constitute the vast majority of members. In part this stems from the fact that employees (plant workers and supervisory staff) were not permitted on the Board between 1974 and 1983, however the co-op recently took measures to deal with this problem. The constitution was changed to permit one employee on the Board and the co-op introduced a system of 'elected delegates' in the plants and began a series of community meetings.

— Board members and management call public meetings in the different communities to deal with their particular grievances. According to one small boat fisherman:

"That's where the people really have their say, with the smaller crowd and all from the same place."¹

According to a manager, 'they're wide open meetings' and they increase communication, which is essential to prevent a build-up of grievances.²

In 1983 the co-op changed its policy from ensuring that all communities had at least one Board member. As one director suggested:

"Just because someone is from a certain community doesn't mean he is a good Board member."³

Now the co-op forms sub-committees in the communities from which there are no elected Board members. These sub-committees are largely comprised of people who were nominated for Board positions but who failed to get elected. They do not have voting powers but they can attend Board meetings, give input from their respective communities and increase communication between these communities and the Board.

In the three largest plants (at Fogo, Joe Batts Arm and Seldom) workers elect delegates to represent their interests vis a vis management and the Board. These delegates have a committee which can meet to discuss

issues of concern to the plant workers, management of the Board. Like the sub-committees in the different communities, the delegates' committee can request meetings with the Board. According to one manager:

"We want the workers to come to us if they have a problem. I want to deal with problems as quickly as I can, and I don't want them put on paper and not dealt with. The delegate system works well in that way."⁴

Like all other members the elected delegates should follow a designated procedure for voicing employee grievances. First they should approach the immediate supervisor such as the plant foreperson, then the division manager, the general manager and finally the Board if it needs to be taken that far. In reality the 'proper' channels are often not followed, and delegates and other members by-pass supervisors and management to voice grievances and suggestions directly to Board members. This of course may be difficult to avoid, particularly if a Board member is a relative, friend or next door neighbour.

Board and Management

One, constant problem for the Board and Management

is to know each other's role and 'stay out of the other's territory'. For example, the Board has been approached by members who feel they were unfairly laid off or fired. According to one Board member, the issue might come up in a Board meeting but it is management's responsibility. "The only one we hire is the manager and we have to let him do these things."⁵

In the area of general policy and other issues, the Board is the proper decision making body. According to one Director:

"The Board sets all policies, for instance to enlarge this plant or open that plant. Most major decisions are brought to the membership at the Annual Meeting."⁶

The Board must approve all major decisions, including decisions to spend large amounts of money. Management may prepare policy or help prepare it, but only the Board may dispense the resources needed for its implementation.⁷

According to one manager, management has to be strong and has to get the Board to support decisions which are sometimes even harmful to Board members. He stated that some Board members have been known to waiver on certain decisions (such as on the dock side grading program) and in cases like these there is need for strong management.

Also, he said, the Board has to be strong since it has to make decisions affecting their own relatives and friends. 'Everyone knows everyone else.' In some cases, such as dealing with over-extending credit to members, management has "had to lay down the law to the Board. They were wanting us to extend too much credit for the good of the organization."⁸

The Board members agree that management does, in many instances know best as far as business decisions go. But at the same time, Board members are pressured by their own immediate needs and those of the general membership to adopt measures which are not necessarily the best ones for the long term stability of the organization. Despite this, Board members and management people feel that they do have a good understanding and a good working relationship. As one manager stated, "We're given enough freedom to make decisions; of course we're ruled by Board policies, but they're not overly restrictive."⁹

Within the structure of management itself, the lines of authority and responsibility are similar to those in most businesses: private, co-operative or public. Foremen are responsible to divisional managers who in turn report to the assistant manager and/or the manager. The assistant manager reports to the manager, and lines of

authority run in the opposite direction.

Flexibility and Constraints

The structure of the Fogo Co-op (and of Co-operatives generally) creates some important constraints, but at the same time it contributes to the degree of success and stability. One manager suggested that: "If government pulled out its help for all the Newfoundland fish operations and let the healthiest survive, the co-op would survive while the big companies wouldn't."¹⁰ In the autumn of 1983 the co-op was, according to the press, 'near bankruptcy' and it requested and received financial assistance from the Provincial Government. However, the co-op's president stated that the organization would have survived with or without that assistance. The co-op had relatively large inventories resulting in cash flow problems but if government had not provided the requested assistance, the problem could have been solved internally: mainly by increased member investment.¹¹ Also, the organization can withhold payment of interest on share capital and patronage rebates to reinvest in the business or to help it survive short term cash shortages.

Because the co-op is owned by the people who depend on it for a livelihood there tends to be more dedication

to its long term survival. One member suggested:

"We're better fitted for a crisis than private enterprise. Because the people own it, we won't give it up because of a bad year or two. If we were shareholders in Toronto we'd pull out, but because we own it and depend on it we'll fight when our backs are to the wall."12

The co-operative has longer term and often different interests from those of many private fish buyers:

"They (private buyers) would come around if they knew they'd get good prices and if conditions were right for them. They'd come in, make a quick buck and then the next year we probably wouldn't see them. It's not like that with the co-op."13

Some factors can be better controlled internally in co-ops than in many private companies. According to a co-op manager: "Operation costs and labour costs are controlled internally and can stimulate a more competitive product price wise."14 In part, this internal control relates to the fact that the co-op operates without a union. Thus employee wages for example, can be 'adjusted' to other factors such as the prices received for finished products, rather than to an arbitrary union scale. Fishermen are paid the approximate union-negotiated fish prices but co-op employees are paid somewhat less

than union scale.¹⁵ The lower wage rates are a matter of concern to some employees and was a major cause of a wildcat walkout at the Joe Batts Arm plant in the 1981-1982 season. But the 'flexibility' and the competitive edge which it helps provide, does no doubt have certain benefits even for the employees. For one thing it helps guarantee the survival of the organization and the existence of their jobs. As one person suggested: "Most people realize that they're lucky to be working."¹⁶

In a sense, the issue is one of 'several hundred people unemployed at union rates or the same number employed at rates which are slightly lower.' Management does, however, appear to be in favour of raising the rates to the maximum affordable and could conceivably go above union scale. Employees have received at least a 5 percent increase per year over the last three years.

The co-operative system differs in many ways from that of confrontation between private companies and unions. For one thing, employees in co-operatives have certain controls over management which private company employees do not. Co-operative employees can for example, do more to prevent their employer from 'pulling out' than can private company employees. While unionized employees may have higher rates of pay, they often have less control

over the stability of their employment and communities. Also co-op employees are much less likely to lose income through strikes which is a major instrument for increasing union member wages. However, there is no doubt that recent improvements in wage rates for provincial fish plant employees are mainly attributable to the Fishermen's Union.

According to management, the degree to which the co-op is more flexible than private companies depends largely on member education about constraints on the organization and about required measures. For example, members have to be aware of the benefits involved in re-investing or lending monies such as interest on share capital to the organization.

Management and Board members feel that the co-op is more productive because it is owned by the fishermen and workers. They feel that people are more concerned about the business since they own it. Controls and supervision are still required, since not all people "...realize that since their own money is in the business they should look out to it."¹⁷ According to management, there are still some individuals who will take advantage of the organization for their personal gain or who might give a friend a 'break', but generally people 'take more

pride' in the organization than if they didn't own it. This 'pride' reveals itself in such things as the quality of the end products.

While the co-op is more 'flexible' than private companies in some ways, it is more constrained in other ways. For example, the demands from the community to provide services may put pressure on the co-op to establish unviable facilities.

"In private companies managers can do what they want but not in a co-op. Sometimes members want two times what the business can afford."¹⁸

Again the problem is largely one of education. As one manager suggested, these services have to come out of something - either the prices of fish or dividends, or the costs will make the organization more vulnerable. Members have to be aware of the implications of their demands.¹⁹

The co-op is also more constrained than private companies in that they have more limited access to working and investment capital. Most co-operatives, (including the one on Fogo Island) are mainly comprised of people who need money for subsistence rather than people who have capital for investment. It usually takes co-operatives a relatively long period of time to build up enough

capital to operate efficiently and effectively. The Fogo Island co-op for example, began with 127 members paying \$5.00 per person, giving it approximately \$600.00 with which to begin operations and to inspire confidence in credit granting institutions. The co-op's liabilities are still about two and one third times larger than its share capital, yet members do not have to pay into share capital above their required limits.

The amount of interest paid on share capital is restricted by government regulations, (partly to attract investment aimed at developing long term viability rather than for speculation or 'fast dollars') and does not attract people with large amounts of money to invest. Co-operatives cannot accept investment by private companies, nor can they invest in private companies nor participate in joint ventures with them. On several occasions, the Fogo Island co-op has requested changes in these government regulations as it has attempted to diversify (into fish meal production), to increase its fish landings and to extend the operating season. Although the co-op is constrained by such regulations, it must compete with companies which are not similarly constrained.

The Federation of Co-operatives

The Fogo Island Co-op is, like most non-housing co-ops in the Province, part of a central Federation. The Newfoundland and Labrador Federation of Co-operatives is funded by member co-ops and the provincial government to perform mainly educational support and promotional functions. The Fogo Island Co-op contributes approximately \$5,000 to the Federation each year.

Among other things, the Federation has produced a slide tape show about the Fogo Island Co-op and in the last few years has concentrated mostly on promoting co-ops in the worker/producer sector.²⁰ The Federation is a re-incarnation of the Newfoundland Co-op Union and Newfoundland Co-op Services which was largely responsible for establishing the Fogo Co-op, and for obtaining financial assistance with which to begin operations. The Federation has no authority over the Fogo Island Co-op and membership in the organization is voluntary.

The Co-op Division of Government

The Provincial Co-operative Registry dates back to 1939 when the Newfoundland Government enacted the Co-operative Societies Act and created a co-operative development agency within government. Under the Commission

of Government and originally under the Smallwood administration, the Co-op Division had promotional and regulatory functions. From Confederation until 1958 the Division was part of the Department of Fisheries and Co-operatives. In 1958 the Division became part of the Department of Mines, Agriculture and Resources, keeping its function of regulation and promotion. In 1962 Government withdrew from promotion and maintained only its regulatory function. Promotional activities were assumed to be the role of the co-op movement itself. From about 1972 to 1980 the Division was part of the Department of Provincial Affairs and Environment (later to become Consumer Affairs) and performed regulatory functions. In 1980 the Division was moved to the Department of Rural, Agricultural and Northern Development where it again assumed a "developmental support approach."²¹

The Co-op Division works closely with the Federation of Co-ops in providing assistance to new and established co-ops such as the one at Fogo Island. It helps provide information, consultative services, training programs and advice as well as regulating co-ops.

The Registry does have authority over the Fogo Island Co-op. Like other co-ops in the province, the Fogo Co-op must operate under a constitution which meets the

conditions, rules and regulations of the Registry and the Co-operative Societies Act. In some instances, (such as to borrow large sums of money) the co-op has to seek permission from the Registrar. The relationship between the co-op and the registry appears to be generally healthy and positive.

SUMMARY

The Fogo Island Co-operative has a mandate to develop the fishery in the area and to generally work in the interest of its approximately 1,500 members. Although it is oriented toward the fishing industry, the co-op is owned by members 'at large' as well as fishermen and plant workers. Benefits from the society's activities accrue even to non-members since the economy of the Island revolves around the co-operative.

Like all co-ops in the province, the Fogo Co-op has to conform to the Provincial Government's Co-op Act but it has had some freedom to introduce local rules and regulations to suit specific local circumstances. The Act outlines such things as the duties and responsibilities of the general membership, the Board and Management and requires that all societies conform to certain principles such as one member - one vote, 'open books', decision by majority vote etc. These general principles help differentiate co-ops from other organizations (such as private companies) and help ensure such things as co-op democracy. However, some of the general requirements restrict the co-op's ability to survive and develop. For example, government has restrictions on how and where the co-op can invest, and restricts it from accepting

investment from and joint ventures with the private sector. It also has restrictions on the extent to which co-ops can borrow, and limits the interest they can pay on share capital (which tends to act as a disincentive to investment).

Despite these general requirements the co-op has introduced some unique measures. For example it established a system of community meetings to ensure input from and communication with each of the communities on Fogo Island. The co-op also established its own business structure and system of delegate representation in the fish plants.

While the co-operative is restricted in some respects, for example in its ability to capitalize itself - it also has several important advantages over other organizational forms. Among these advantages is the fact that fishermen and employees own the enterprise and have substantial control over its operations. Members tend to be more productive and committed to the organization's long term viability.

CHAPTER VI
COMMUNITY ATTITUDES TOWARDS THE CO-OP

"The co-op is like feeding
hens - if you don't put
anything in you won't get
anything out."

The success or failure of a co-operative largely depends on the commitment of its members, on its relationship with the community at large, and on creating and maintaining a sense of legitimacy. In turn legitimacy depends largely upon the co-operative's ability to meet the perceived or real needs of the membership and of the community. Board and management decisions have to maintain a high degree of credibility.

In order to assess the Fogo Island Co-operative, it is important to understand how it is perceived by the community. This perception goes far toward evaluating the co-op's success or failure in the past and present, and undoubtedly, is an important factor determining its future.

One of the major differences between private companies and co-operatives is that co-op members expect to have control over co-operatives which employees do not typically expect to have over private employers. Employees in private

firms generally expect that the employer has the prerogative in determining the number of employees, who these employees will be etc. Private employers are seen as having that authority by virtue of the fact that they own the means of production. Some labour unions do attempt to influence company decisions but they recognize that private companies have certain rights by virtue of ownership. In co-operatives, members are the owners and in the Fogo case, some members feel that the co-op has a moral and legal obligation to provide them with such things as employment. For the Fogo Island co-op this puts pressure on management, on the Board and even on the general membership to address the social implications of any particular policy. An example of this, according to one manager was when:

"...one of the fishermen whose son was laid off at the plant stormed in through the plant, up to the office and started banging the desk, demanding that his son be given his job back."²

The first section of this chapter will deal with the more positive ways in which the co-op is viewed in the community. Then we will deal with some of the more important community and member complaints and conflicts.

The Co-op as Provider of Service

"You can call the co-op the heart beat of Fogo Island,"³

For many people on Fogo Island, an assessment of the co-op begins with the feeling that had there been no co-op, Fogo Island would be uninhabited. The older people vividly remember the situation in the 1960s and the decade before, when people were either moving from the Island or thinking about it. They remember that a large percentage of them did leave. Some of the people there now, had moved but returned to the island largely because of employment or optimism provided by the co-op. Comments such as 'there wouldn't be too many on Fogo Island now if it weren't for the co-op', or 'the co-op saved Fogo Island; if it wasn't here there'd be nobody on the island' indicate that most Islanders feel the co-op was instrumental in stopping the resettlement trend and in creating stability.

Many people compare the co-op to the old merchant system and private operations in general. Knowledge of the situation in many other rural Newfoundland communities where private plants have been closed, has caused many on the island to appreciate the stability that the co-op has so far provided. A fisherman in Seldom suggested that:

"If there was a private company here it would have left after the fishery last year. But the co-op won't leave. It can't leave; the co-op is the people."⁴

A plant worker in Pogo Town stated: "One good thing about it here is you never hear any talk about closing down."⁵

In comparison to the salt fish trade under the old merchant system, fishermen now feel that the co-op is better in that it has a system of hiring people to do the splitting, salting and drying:

"It's a big improvement on what we had before. We used to have to split and salt our own fish even if we got in late in the night. We used to have to store all our fish in our own sheds and everybody would have to look after his own. Now the co-op pays somebody to do that for us. Even when the community stage was built (before the co-op) the fishermen had to look after their own fish in the stage, and we had to look after the electricity and maintenance. Now the co-op does that and we don't have to worry about it."⁶

Many fishermen like the division of labour, preferring to concentrate on fishing. However, as we shall see later, some fishermen are also adversely affected by specialization since some want to cease fishing and take temporary shore jobs when the fish are scarce.

Many people suggest that a major advantage of the co-op over the merchant system is that the co-op pays cash for fish whereas the merchants took the fish and used it against fishermen's accounts. Fishermen would usually not know until much later the amount of profit they made from a season, or the extent to which they were still 'in the hole' with the merchant. One fisherman stated that:

"The co-op pays cash for even salt fish. With the merchants you had to wait for a long time to even know how much you would make."7

Another person suggested that:

"Under the merchants the fishermen would have to wait a long time for their money and even then they wouldn't get much; now they're paid every week."8

Other people compare the co-op to private operations with regard to the provision of employment. A plant foreman stated:

"A private company wouldn't have done what the co-op is doing. It wouldn't have looked after the people as well. For instance when this used to be private, the fish was shipped out salt bulk (un-dried). Now its

dried here and it creates jobs. We're even bringing salt bulk in to dry now. A Portugese dragger was landing here last year. It creates a lot of work for the winter months."9

A plant worker stated that although the co-op did not pay union rates, there are advantages to working in a system of non-confrontation:

"...the co-op makes up for it. There's more work. And we don't lose any time to strikes, when the union was on strike last year, fishermen in Change Islands and a few other places landed here."10

A town council worker suggested that a private company would not have served the people as well as the co-op does:

"It wouldn't have small plants around the Island. A private company would have centralized everything. Any profit wouldn't go back into the fishery like it does now, and they wouldn't do as much of the work locally."11

Some fishermen feel that the co-op is fairer than the private fish buyers. One fisherman who usually fishes on the Labrador coast brings much of his fish back to Fogo because of a better cull. He said: "twenty-five

quintals here is as good as seventy-five on the Labrador coast."¹²

Some people feel that the co-op is more democratic than a private company. A Fogo longliner fisherman stated:

"If you've got a problem here all you've got to do is go to the Board of Directors and tell them and they'll have a meeting. If what you're saying makes sense they'll do something about it."¹³

Indeed, leaders in the Fogo Island co-operative movement continue to stress the advantages of co-operation over private enterprise. An editorial in one of the Development Association's newsletters stated:

"There are fish companies, privately owned fish companies that won't even allow the fishermen to use their fresh water supply. Why? Because the fish plant owners look at the fishermen as businessmen too, and the businessman must provide for himself. All the fish plant owner wants from the fisherman is his fish and then pay him accordingly, that's all. The private companies don't feel an obligation to provide any service..."¹⁴

Similarly, another editorial suggested:

"The politicians gave us nothing in return for our votes and the merchants barely fed us in return for our fish. They got rich on our ignorance while we were conditioned not to expect any better."¹⁵

Others feel that the co-op is better because people work together and this enables them to improve their position more than if they acted as individuals:

"Before the co-op, each of the fishermen had their own stages all around the harbour and with low water you couldn't get near them in a boat; now everybody's together in the one stage and they don't have to worry."¹⁶

There is also recognition that the co-op: "helps people get gear and boats that they wouldn't be able to get with their own resources."¹⁷ The co-op is also seen as being able to get grants and loans for facilities which individuals would not be able to get.

In general, the co-op is seen as providing services over and above the level provided by private operations and the level which many people had come to expect. A plant worker stated:

"The co-op is great for the services it gives the people. Anything you want for fishing you can get it on credit. You can get paint, salt,

gear, anything. You don't have to truck the fish like they have to do in most places. There's a plant in every community. They take almost anything (any species); not much gets thrown away."18

Similarly a fisherman stressed that:

"The co-op gives us real good service. Anytime you want something like a bag of salt or some ice all you've got to do is call them, and they'll come and collect the fish even if it's only a small bit. We've got it alright here now; all we want is the fish."19

Another fisherman in another town echoed this same sentiment:

"There's nothing wrong with the system here now; all we want is something to guarantee the fish."20

Naturally, not everyone on Fogo Island nor all the members are entirely satisfied with the co-op's operations. As one man said:

"The co-op is doing a good job, but you know what it's like with three or four hundred fishermen together in a meeting - you can't please everybody. Even the fellow up above can't please everybody."21

Conflicts and Complaints

One of the major points of contention for many co-op members is that the Board of Directors has been dominated by longliner fishermen, and consequently, small boat fishermen and plant workers do not have equal control over management. "The small boat fishermen don't have that much say in how she's run. The longliner fishermen have more say," suggested a small boat fisherman.²²

While there may be some validity to complaints of over-representation by longliner fishermen it would appear that since small boat fishermen greatly outnumber longliner fishermen, that they should have more access to board positions. Board members are elected at the Annual General Meetings and all members have a right to vote. One manager suggested that the reason for over-representation may be that:

"...most of the small boat fishermen are less aggressive - you get elected on the basis of involvement in the community."²³

A small boat fisherman supported this:

"...the longliner fisherman have so much say. Only a few of the small fellows get up and have something to say at the meetings."²⁴

A Board member felt that many people don't run because of lack of education, "they feel that being a Board member is new territory and they lack the self confidence to go for it."25

There are, however, at least two small boat fishermen and one plant worker on the Board of Directors now, and particularly in the earlier years the Board was mostly composed of small boat fishermen. But whether the problem is real or perceived, it does surface in many different instances. It emerges for example, over the issue of granting credit.

Some members feel that different access to credit stems largely from the way the co-op is dominated by longliner fishermen. A trap skiff fisherman stated that:

"The worst thing with the co-op is that it favours the longliner fishermen. I went to the co-op this year for credit to buy gear. They'd only give me \$500. The longliner fellows get thousands."26

His credit of \$500 was direct from the co-op; but the co-op also guarantees member loans at the bank. The same fisherman complained that the co-op will also guarantee more for the longliner fishermen.

Officially, credit is extended to members on the

basis of their share capital. Persons could be granted credit up to 75 percent of their share capital which is \$700 for punt fishermen and labourers, and \$2,700 for trapboat and longliner fishermen. According to one manager this was not practical and the co-op has not followed this rule. He stated that:

"For the most part credit is based on merit, on things like landings rather than on the amount of share capital or whether somebody is a longliner fisherman or small boat fisherman; it's based on past performance. Like any credit company we look at the person."27

While there are some complaints about discrimination, the majority of people seem to appreciate the fact that the co-op will help solve some of the problems associated with cash shortages. A trap boat owner in Tilting said he had ordered an engine from St. John's last year. The company called and said it couldn't send the engine until it received another \$400.

"At the time I didn't have \$400. I went to the co-op and they called the company and guaranteed the money. I got the engine on the co-op truck (which happened to be in St. John's at the time)."28

Conflict generated by different access to credit is offset

in many cases by member appreciation of the co-op's service. However, many people feel that by virtue of being a member, they should be equally entitled to credit, jobs and other services. This puts pressure on the co-op to either meet member demands, or to explain why the demands are not being met, or not being met equally.

Other complaints that the co-op is 'more for the longliner fishermen' stem from the fact that since about 1974 the co-op has not permitted employees to sit on the Board. This rule was made following difficulties experienced by financial losses at the shipyard, during which time the shipyard manager and foreman were also Board members. But preventing access to the Board by employees also meant that plant workers could not run for Board positions. As a result some plant workers have felt alienated from decision making at the co-op. A few suggested that the lack of control by plant workers is enough to warrant forming a union. A plant worker at Joe Batts Arm stated:

"The only thing wrong with the co-op is that there's nobody to fall back on if you have a grievance; if you had a union, you would."²⁹

He referred to the fact that plant workers at Joe Batts Arm went on strike for better pay in the 1981 - 1982

season. The workers:

"...picked out a couple of people to speak for them and they were fired from the co-op. The general manager fired them. Nobody else had any say in it."³⁰

Another plant worker, referring to the same event, stated that "you can go to the Board of Directors but they're in with management."³¹ (According to one informant, the reason for the firings was that the workers had allowed fish to spoil in the plant.)

The constitution was changed at a recent Annual General Meeting to entitle one plant worker to be elected to the Board. One Board member felt that this was largely due to the new management of the co-op which is: "...very conscious of people getting a fair and equal opportunity."³² As the next Chapter will illustrate, other measures have been taken to deal with this problem.

In some communities there is a feeling that the co-op discriminates against the smaller towns. A person in Deep Bay for example, complained that the co-op had deducted a higher percentage from fish landings for water content in his community than elsewhere. He also said that gas prices were higher there than in Fogo, Seldon or Joe Batts Arm. Inter-town rivalry and suspicion are

not new on Fogo Island, nor do they originate with the co-op. For example, Wadel suggests that "before the co-op, inter-town rivalry was stemming from the fact that the merchants had their major premises in Fogo and only relatively small branch operations in most other towns."³³

It appears that Fogo Island co-op leaders recognized that their success depended largely on developing:

"...a climate of altruism in which there is a commitment by the membership to the principle that individual interests are most effectively served by deference to group goals and decision making."³⁴

Inter-town rivalry was one of the major problems for the co-op to overcome, particularly in its earliest stages. According to one of the present managers:

"There've always been problems between the communities. If you gave one community too much, the other would complain. When we closed the Fogo plant last year (due to low landings) people mistrusted us at first but then they began to understand."³⁵

From the start the co-op leaders have had to try and instill in the people: "...a pride in belonging to Fogo Island; we tried to get Island wide co-operation rather than for each community."³⁶ The Improvement Committee has attempted

to do the same, and to a large extent they appear to be successful. As one plant worker stated: "The work gets shared around. All hands get the same."³⁷ However, elements of suspicion and resentment remain, perhaps naturally, given that the communities are still plagued by inadequate services and limited employment opportunities. Until these problems are resolved, it can perhaps be expected that people in each community will find it sometimes difficult to work in the interests of the whole island rather than in their own individual interests.

Observers of other co-operatives have found that sometimes conflicts which originate in the community at large, or even outside the community, can become focused on the co-operative. Students of co-operatives in Northern and Western Canada, for example, found that:

"...the initial organization of a co-operative is a unifying force which brings together diverse groups for the purpose of common action...whereas once established and viable, the co-op, paradoxically, can become a divisive force in the movement or community."³⁸

The Fogo Co-op was a major unifying force in its initial stages as it provided a focus for people interested in opposing resettlement. Despite the conflicts and pressures

coming to bear on the co-op it appears to remain a unifying force. The co-op serves to unite communities by acting as a lobbyist on issues which affect the majority of members or the whole community. The co-op tends not to get involved in disputes which originate from outside the organization.³⁹

One of the important conflicts among fishermen in the area is over access to, or use of the favoured fishing grounds. This usually takes the form of small boat fishermen in conflict with longliner fishermen. One trap skiff fisherman in Fogo put it this way:

"I don't agree with the fact that the longliner fishermen can also have six or eight cod traps. We small boat fellows only have about two each. It's not easy for us to run into the kind of money you need for a cod trap. The longliner fishermen can start early in the spring and they're at it till late in the fall. They can go a long way offshore. But when the fish comes along shore they come in with their cod traps. Since they have more traps than us they have more chances at the better berths in the draw. I'm not blaming that on the co-op, but that's the way it is."⁴⁰

Longliner fishermen are more apt to minimize the amount of conflict and feel that there is nothing else for them to

do for certain periods,, except fish inshore even if it means competing with the small boat operators:

"There's not much conflict between fishermen here because most of the time, longliner fellows are fishing offshore. There's about four to six weeks in mid summer when the water offshore gets slubby and we can't use gill nets. Then we have to come inside and use cod traps."41

While such conflicts stem from outside the co-op, they do sometimes affect the organization. This particular conflict may for example, broaden the gap between the two kinds of fishermen. Among small boat fishermen, it may intensify the feeling that they can no longer identify with the organization, especially given that many already feel that the Board is dominated by longliner fishermen. Conflicts stemming from outside may serve to consolidate already existing divisions within the co-op.

Other conflicts and member complaints stem from high prices charged at the co-op supply outlet. Board and management officials admit that the prices are high. They state that high prices stem from the fact that members want to (or have to) buy on credit, which forces the co-op to do the same. Buying from wholesalers on credit raises the wholesaler's prices; supplying goods on credit to

members means that the co-op must bear the costs for an extended period, thereby tying up operating capital. Management people stress that high prices also stem from the monopolization of the gear and equipment supply industry. Many gear suppliers have gone out of business or have recently been bought out by larger firms.⁴²

Member complaints of high prices at the co-op make some Board members feel that the co-op should discontinue its supply business. In part the conflict stems from misunderstanding about the reasons for such high prices. As one manager suggested, people don't know the costs of credit. Instead, people blame the prices on the co-op's monopoly position as seller of equipment and supplies, a charge which seems to be unfounded. Co-op prices for goods which are also available at the Marine Service Center are higher than those of the Service Centre.

Some other major conflicts in the community relate to government fisheries policies, in which case the co-op may be able to affect change. The co-op may for example, help a fisherman obtain a Loan Board loan; it may be able to influence certain regulations or help increase quotas. In some other matters such as government's licensing system the co-op has not been very effective but has still been able to gain legitimacy among members and within the

community generally. As one fisherman said:

"The co-op can't do anything about some things; it can't stop the fishery from going downhill. It can't survive without the fish. But it's trying hard to improve what it can. That's the main thing."⁴³

SUMMARY

These are some of the conflicts and attitudes prevalent in the co-operative and in the community at large. Generally the co-op is seen in a very positive manner both among the membership and within the community. Knowledge of how Fogo Islanders 'have had it better' than many other communities contributes to the positive perception of the co-op, as does the general satisfaction over the co-op's services.

However, the co-op is perceived by some as 'not being for us' or as 'being for the longliner fishermen'. This creates tensions, particularly when conflicts which stem from elsewhere also surface within the co-op. These tensions and conflicts have been with the co-op and the community for many years now. The events of the 1980s have caused new tensions and conflicts, and in some ways have exacerbated the old ones. For some people the general economic crisis and the co-op's response to it has placed a great strain on their commitment to the co-op. This makes it increasingly necessary for the Board and management to be more representative, and be seen to be more representative of the total membership than it has in the past. It is also increasingly necessary that constraints on the co-op and the decisions it must

make be understood by the community. A major challenge for the co-op is to adopt certain necessary measures for financial survival while at the same time attempting to deal with the fact that many people are depending on it for services, and are expecting such necessities as fairly paid employment.

CHAPTER VII
THE FOGO ISLAND CO-OPERATIVE
IN THE PRESENT FISHERY CRISIS

The Fogo Island Co-op is and always has been plagued by shortage of working and investment capital. A previous chapter showed how the co-op has had to increase its borrowing ability from a few hundred thousand dollars in the early years to two and a half million dollars today. The co-op entered the 1983 season with almost half a million dollars in current liabilities and approximately one million dollars in long term debt. As Table 13 (page 225) illustrates, most of the long term debt was acquired since 1979.

The present fishing industry crisis and general economic recession increased the co-op's need to borrow and at the same time, increased the costs of that borrowing (through high interest rates). A consequence is an intensification of the struggle for an appropriate balance between the co-op's economic viability and service to the membership and community. Finding that balance is an issue for most, if not all co-operatives, and there is no clear or easy solution. As the Fishing Industry Advisory Board stressed in 1977:

"The highly combustible mixture of economic and social factors will make the solution a complex one, perhaps, even Solomon would have a sleepless night or two."¹

On one side of the issue are those who maintain that co-operatives should emphasize service over profit. On the other, some people conclude that:

"...co-operatives should not be viewed as multi purpose instruments designed to simultaneously effect, with a bold stroke, social, psychological, cultural and economic change. They are in essence a form of economic organization and their operation should be the governing consideration.

From the operation of a successful enterprise the community will undoubtedly realize many side benefits without consciously adopting them within the framework of goals the co-op aims to achieve."²

For the Fogo management and Board the problem is one of being able to meet the community's needs and yet ensure financial security. One manager suggested:

"We've got to operate somewhere between a business and a co-op. We have to try and see what we can find to make work and make a profit. We have to work on behalf of the people...Some of the small plants are unviable but we're hanging on to them to provide a service. You can't change everything for economics."³

It is generally believed on Fogo Island that the co-op has stressed service over profitability. One person stated for example, that the co-op has:

"...gone all out to provide services; its a service co-op. Its stuck to the philosophy of service and that's partly why it doesn't have a large bank account. Some of the services cost a lot of money."4

Indeed, the co-op has been concerned with meeting the needs of its membership and the community; at least part of the reason for this is pressure exerted on the co-op by that community. People have seen the co-op as having a great deal of responsibility for the provision of such services as employment and convenient fish marketing, since the devastated Fogo Island economy of the 1960s left little except the co-op to fill these needs. In attempting to meet the needs of the membership and the community the co-op has sacrificed the 'big bank account'. This has added to its success in the sense that the community has experienced significant development which probably would not have otherwise occurred, and this has increased many peoples' commitment to the co-op. However, it has probably contributed to the co-op's sometimes rather precarious financial situation. For example, in September of 1983 the co-op had to approach the provincial and

federal governments for assistance.⁵

The general economic recession has changed the issue from one of service versus profit to one of 'how to ensure financial survival'. The crisis is placing increased pressure on the management and Board to lean more toward measures which emphasize economic viability. In this it is constrained by, among other things, the needs and expectations of the community. Unlike most private firms the co-op has assumed a high degree of 'social obligation' to the community, yet it must compete with companies which are not similarly constrained.⁶

Several private companies have gone into receivership even though they have been freer to adopt unpopular policies to ensure their survival. Many of the same factors which caused a crisis for the private companies (low market prices compared to the costs of production, high interest rates etc.) have also affected the co-op. In addition, the co-op has suffered from very low landings in the past few seasons and is prevented by law from taking measures (such as joint ventures, accepting private company investment etc.) which are open to private companies. Many co-op members were subjected to a Federal Government income tax audit in 1982 and have, in addition to low incomes due to low landings, been forced to pay a large

proportion of their income to the tax department. Despite these and other problems the co-op is in a healthier financial condition than many other enterprises.

This chapter will deal in more detail with some of the major pressures on the co-operative as it struggles through a general fishing industry crisis and economic recession. It should be remembered that the co-op has to operate in a province in which most rural areas are in a state of social and economic crisis. The co-op is attempting to deal with some of the enormous problems which pervade most of Newfoundland and Labrador. It operates in the context of failure of other institutions and policies to solve social and economic problems. Therefore, if the co-op is not meeting all the demands placed upon it; the question arises as to what extent it can be seen as a failure of the co-op, and to what extent is it a failure of government policies and private enterprise?

In 1980, the co-op hired a new general manager and a divisional manager. They were hired to provide the co-op with professional management, capable of operating a large business in an internationally competitive industry. The new management brought with it a somewhat new approach to running the co-op, an approach perhaps best summarized

as providing community and member service through improved economic viability. The major rationality measures were the introduction of an incentive system; a policy which opts for a 'professional' labour force and eliminates a 'ten week hiring policy'; and the introduction of a new quality control program. In addition, the co-op has attempted to improve its facilities and to diversify, into crab processing for example.

Development of a 'Professional' Labour Force

As early as 1970, a system of rotation of plant workers, attempting to give each worker enough work to obtain Unemployment Insurance 'stamps' was causing problems and concern. In that year it was reported that:

"The Directors felt that a permanent well-trained staff would earn the fisherman more returns on his product."

The reason for the rotation system was the extreme shortage of employment, and dependence of a large number of people on Unemployment Insurance Benefits. Workers would be hired long enough to get ten 'stamps' and then be replaced by other workers. This was a way to distribute inadequate employment and income, a system not peculiar to Fogo Island as it is also used by some private fish companies.

In 1980 the Co-op Board directed management to phase out the ten week work policy. As one Board member rationalized the decision:

"As long as you have a policy like that you'll never get a good staff and you'll never decrease your costs of production."⁸

The ten week hiring policy was changed to a system whereby people were hired on a long term basis and on the basis of performance. Thus if workers proved they could perform well, they kept their jobs.

The change was not without its problems since it meant that some people would have relatively stable employment and others would have none. One trap skiff fisherman suggested that: "It will keep some of the members employed and the others on welfare."⁹

Many people recognize the need for the change, however; a plant worker (who was able to remain employed) suggested that:

"If you try to get everybody their stamps, you might help everybody on Fogo Island, but you'll put the co-op down. Because a lot of fellows just want their stamps and don't care about the quality of the work. So the co-op will lose in the end. You have to get

fellows who care about their work and hold on to them."10

This was echoed by a Board member who admitted that as a result of the change in policy:

"...We have one hundred former employees who are members that we don't have jobs for. Right now its either one hundred or eleven hundred unhappy people. But we'll have to work towards secondary processing or something to provide work for the ones who don't have jobs."11

Prior to the new policy of hiring on the basis of performance, many people admit that hiring was 'very political'.

"Some of the fishermen thought they should get their sons jobs above the labourers' sons... people were thinking 'if I'm a member I should be able to get on the payroll'."12

The new hiring policy, while creating problems of its own, acted to reduce accusations and suspicions that people were being hired on the basis of who they were, and replaced it with a more formal approach characterized by hiring on the basis of demonstrated performance.

One of the results of the change was that some people who had previously survived on employment earnings

and Unemployment Insurance now had to turn to Social Assistance.¹³ Although the co-op's constitution prevents more than two percent of the total share capital to be withdrawn per year some Board members feared a 'run' on shares. In 1982, approximately \$1,000 was paid out per month to members wishing to withdraw. Approximately one half of this amount was paid to members withdrawing because of the change in hiring policy. About fifty people originally wanted to withdraw for that reason but fifteen people changed their minds.¹⁴

The change in hiring policy also facilitated the development of a more specialized division of labour. Whereas before, many fishermen would fish for a while and then cease fishing to take a plant job, they are now discouraged from this practice. Now they tend to fish longer, using more forms of gear.

To eliminate problems stemming from having members without jobs, the co-op instituted a system of probation. Previously, an application for membership was also an application for a job. If a person was accepted as a member then that person was assumed to also have the right to a job. Potential members must now work for a probationary period and can become members only if they are considered satisfactory. They can also only become

members now if they are willing to go fishing or if there is a shore job available for them.

Under the new management, the co-op also reduced the number of workers in some areas of the plants' operations. Like the change in hiring policy this created some protest among co-op members. As one manager admitted:

"When I came to the plant I reduced the number of workers and that brought quite a few complaints. But if some didn't go the whole co-op would have. There was no need for a lot of people there."15

Incentive System

Together with changes in the hiring system, the co-op hired a St. John's engineering firm to help design and install an incentive system for plant employees. The system cost approximately \$40,000, seventy-five percent of which was paid by the Federal Department of Industry, Trade and Commerce. The Board and management consider it a good investment. The system helped reduce the costs of production, partly by giving management more control over the organization of work and the quality of workmanship. Among other things the new system provides a daily record

of many individuals' performance, by amount produced and by quality of the production. Although the employees work in their own business, according to one manager:

"You can't trust workers or fishermen just because its their own business; you've still got to have controls. This is partly because of a lack of understanding of the co-op concept."¹⁶

Another manager confirmed that the co-op has had to:
"...convince people that its in their own interests to produce."¹⁷ But along with 'gentle persuasion' or co-operative education, many of those who do not perform will find that they are among the last to be called back to work, or are among the first to be laid off when there is little work to be done. Some may not be hired at all.

"If people don't perform we have to tell them they're not and there are others who perform better and we want them. We can't function under the old seniority system. We've got to hire on the basis of performance."¹⁸

The incentive system and the general 'scientific approach' to work organization also helped management "...realize where people should be placed in the 'organization'."¹⁹ It contributed to a streamlining of the operation, reduction in costs of production, and an improvement in quality, which

in a sense is to the advantage of the membership. Their business is made more viable by the measures and this helps guarantee jobs and the economic base of the community. However, particularly in the fresh filleting plant the 'scientific approach' created a strictly defined division of labour in which employees have to perform specialized functions hour after hour, day after day. These measures taken by the co-op to ensure survival have made many workers' jobs more monotonous, routine and more subject to scrutiny.

In the initial stages, many plant workers resisted the incentive system and the new approach to work. According to a manager, workers:

"...wanted to do things their way; they've always been able to do what they wanted. We had to get them to do what we say - but not with a heavy hand - you can't expect people to be like robots out there; you have to treat them like humans."²⁰

A plant worker suggested that introduction of the new system caused problems because people were 'not used to it' and didn't know what was expected of them. He felt that once people got used to the system it worked well and they were able to earn more money. A Board member suggested that the incentive system was good because people liked getting paid for what they produce.²¹

Dock Side Grading

Another major component of the co-op's 'scientific approach' was experimentation with dock side grading. While measures in the plant (such as the incentive system) helped improve quality and yield of fish in the plant, dock side grading helped improve the quality of fish going into the plant, and naturally affected the end product. Partly as a consequence, the co-op produced the first 'select' saltfish that the province has produced in years.²²

Dock side grading involves grading fish as it comes out of fishing boats, before it enters the plant. Fishermen get paid for the quality which they land and it gives the co-op more control over the quality which fishermen deliver. It also acts as an incentive for fishermen to deliver high quality products.

The dock side grading program was conducted as a pilot project and was subsidized by the Federal Department of Fisheries. The Department paid the co-op and the fishermen the difference between the costs of delivering fish under the program and what it would cost ordinarily. (The co-op was reimbursed for additional employees who administered the program, and the fishermen were paid for the extra effort they took to ensure better quality -

immediate gutting, bleeding and icing of fish). This government subsidy was necessary because although the co-op was producing better quality and more expensive fish, it was not being paid for higher quality in the marketplace. The program was feasible only with government paying the difference. It was important to the co-op that until the better quality brought better market prices, Government continue to support the program since it helped produce higher quality fillets at higher fillet to block ratios, and in conjunction with containerization, helped produce superior salt cod. (Salt cod was processed and stored in special containers provided by the Department of Fisheries and Oceans).²³

Lack of recognition for superior quality points to what has been a constant problem for the co-operative: having to market through other companies and the Canadian Saltfish Corporation (CSC). While the co-op's relationship with the CSC has generally been a favourable one, and while the co-op's success is partly attributable to 'steady' markets provided by the CSC it has, nevertheless, experienced some problems. For one thing, the CSC's labelling of different grades of Saltfish has not identified the superior quality.

The co-op's relationship with private fish companies

through which it has done its marketing have been somewhat less favourable. For example the co-op was forced to pay for all spoilage en route to the private agents and as discussed earlier, lack of recognition for high quality has been another problem. When the co-op marketed through Fishery Products, Fogo Island fish were combined with those from other plants, even if the quality of the other fish was lower. Despite being more expensive to produce, the higher quality fish did not bring higher prices nor any other kind of recognition since all fish was packed under Fishery Products' labels. (These were among the factors compelling the co-op to do its own marketing.)

The dock side grading program also caused problems for some fishermen. They felt that the differential paid by government was insufficient and they began landing their fish at Beothic Fisheries' plant in Valleyfield. Since the co-op has 'first call' on members' fish (meaning that members must take their fish to the co-op if the co-op is willing and able to buy it), the delivery of fish to Valleyfield constituted a breach of the agreement. Although some of the fishermen were Board members and one was a vice-president, and they were among the co-op's biggest shareholders, all were expelled from the co-op for their behavior.

The decision to expel the members was a difficult one for the co-op to make. The offenders were also friends and leaders in the co-operative movement. But, according to one Board member:

"If we didn't expell them and other members took their fish somewhere else, management would be left with a policy which we all agreed to, and nobody to go along with it and no fish for the co-op."24

The decision caused considerable personal animosity and conflict among people in the community, but according to one director it also had its good side. He suggested that some of the people who were not very supportive of the Board before the action, saw that even Board members had to follow the rules, and consequently they became more positive.²⁵ As a solution to the problem of fishermen avoiding landing their fish under the 'quality conscious' dockside grading program, the co-op suggested that dockside grading become universal.²⁶

Marketing

The co-operative has been attempting for some time to eliminate its dependence upon agents such as Fishery Products by doing its own marketing. The marketing of

fish products is a sophisticated international business and some people felt that the co-op was incapable of effectively doing its own. The co-op was seen as being too small to market its fish internationally and too large to depend upon the domestic market.²⁷ However, it has now developed its own trade name for frozen products and is freed from having to pay marketing fees to companies such as Fishery Products. Salt fish still goes to market under the CSC brand and is identified only by a plant number but high quality salt fish from Fogo Island recently created a new market in Italy.²⁸

One manager suggested that the co-op was forced to experience the same crisis as larger companies partly because of its dependence on marketing services. The large companies experienced enormous difficulties selling fish, particularly between 1980 and 1983.

The co-op has been fortunate in that it has relied quite heavily on species such as flounder and halibut, since markets have been better for these species than for cod, and particularly for cod blocks. Also the recent quality control measures helped decrease dependence upon lower quality blocks. In 1980, for example, about 40 percent of the co-op's turbot was exported in large blocks. In 1981 only 10 percent went to market in

block form, the remainder being in more profitable consumer sized packages. The co-op is also more flexible by producing both salt and fresh products, a definite advantage when one market goes soft.

Almost all Fogo Island fish is landed within twenty-four hours of the time that it is caught, and much is landed within five or six hours. Now, with gutting, bleeding and icing being done on the boats, the fish is much more likely to be of high quality than it is for example in a plant which relies on offshore fish. There the fish is on ice for up to ten or twelve days before it reaches the plants, and the fish which is caught first are crushed by enormous weights of fish and ice. The comparative high quality will no doubt be a major contributing factor in the co-op's marketing attempts.

Wholesalers purchasing fish normally want reliable, regular supplies. They want to be assured that a given amount of fish of a certain quality will be available at a given time. Here it seems that the co-op may experience problems. In relying upon the inshore and longliner fishery the co-op is relying upon a very unpredictable and seasonal resource base. For example, the 1981 landings of the co-op were 28 percent less than those of 1980. Also a large amount of the technology

used to catch the co-op's fish is passive, meaning that it lies in the water waiting for the fish. If the fish do not come to the inshore waters, most of the boats are not capable of going in search of the fish, or of fishing in other areas. This contrasts with offshore trawlers which are used by some major private companies and the government/bank owned 'super-company'. These vessels are more capable of guaranteeing that the resource will be landed and on a regular basis.

Drift ice along the northeast coast has delayed fishing activities in some seasons, complicating the problem of guaranteeing supply. It has also contributed to the fact that the co-operative normally operates at under-capacity, a major factor in reducing the efficiency of the overall operation. This has led the co-op to lobby government for introduction of the Resource Short Plant Program. This Plan would involve offshore trawlers landing fish at under-utilized seasonal plants in order to lengthen the plants' period of operation.

The co-op has also had 'definitive discussions' with a Portugese vessel owner who was prepared to enter into an arrangement with the co-op. The Portugese vessel would fish under directions of the co-op for whatever species it required. The higher volumes of fish would

increase the level of productivity of the plants and make the co-op a more predictable supplier to the market.²⁹

Some problems are encountered by the fact that the co-op must often wait several months to receive payment for frozen fish it has sent to market. Despite the delay, the co-op must meet its expenses such as payroll which in some peak weeks amounts to a quarter of a million dollars. Fortunately, the co-op does not have to wait as long for payment for salt fish. Weekly saltfish landings are graded and reported to the Canadian Saltfish Corporation, which forwards payment. The challenge then for the co-op is to ensure that the fish remains in the same quality when the fish is collected at the end of the year by the Saltfish Corporation as when it was graded. Otherwise the co-op might originally be paid for Number One grade and have only lower quality Number Two when it is collected by the CSC. In this case the co-op would have to reimburse the difference.

Diversification

As another attempt to improve economic viability and to increase employment the co-op has been diversifying its operations. The major new project is the purchase and processing of crab. It was anticipated that ✓crab

production which began in 1983 would lengthen the operating season in some cases by about two months.

Crab processing is done at the Fogo Town plant which was previously used to process groundfish. Since landings were insufficient to warrant keeping plants open at Fogo and Joe Batts Arm for groundfish and pelagic species, the Fogo plant had been closed by the new management. A crab processing license enabled the co-op to re-open this plant and to hire approximately seventy more people. The three major plants have become more specialized, with Fogo processing crab, Joe Batts Arm processing fresh groundfish and pelagic species, and Seldom processing salt fish.

Three licenses were granted by the Provincial Government to fishermen for the harvesting of crab, and each fisherman uses approximately eight hundred pots. The number of jobs created in the plant and in the harvesting sector have enabled the co-op to rehire many of those who were laid off due to the rationalization measures.

In the spring of 1983 before the crab processing went into operation, the promised new jobs were creating an 'air of optimism' among many residents. One woman felt that some of her sons who were working in Alberta might be attracted back to Fogo Island. Two others who

worked for minimum wages in a service establishment were applying for new jobs in the Crab plant. Said one woman: "You can't blame us for wanting something better."³⁰

The co-op did run into 'cash flow' problems partly as a result of the crab operations. According to one informant, the co-op was late getting the plant into operation but in the meantime was buying crab from the fishermen. The crab was trucked to Bonavista for processing until the Fogo plant became operational and the co-op apparently lost money from spoilage en route. The co-op also had to bear the costs of training workers for the new operation and when the plant was finally ready for processing, the markets went soft.³¹

The co-op is also hoping to diversify by developing a sealing industry. In December of 1982 the co-op submitted a preliminary proposal to the Federal Minister of Fisheries asking that it be considered in the process of revitalizing the sealing industry.³² Also, the co-op has already established a centre for the development of inshore fishery technology for productivity and quality control.³³

Credit

The co-op experiences some problems due to the credit requirements of many of its members. Many members can not (or are not willing) to pay cash for goods purchased through the co-op, and this forces the organization to either purchase on credit which is more expensive, or to use some of its scarce capital to purchase fishermen's supplies. This contributes to the cash flow problems since it ties up money which might otherwise be used to pay wages and salaries, and is one of the factors compelling the co-op to borrow from the bank.

From the beginning to the end of the fishing season the co-op does not charge interest on members' accounts, yet it must pay interest whenever it borrows or buys on credit. However, credit buying on the part of the members does raise the co-op's supply prices. It has a 30 percent markup on goods bought on credit; 10 percent is deducted from the 30 percent for cash purchases. High prices also derive from the fact that the supply store is too small to buy in large quantities.

One of the managers suggested that credit problems also stem from the old 'truck' or credit system. When the fish merchants left, the tradition of and need for buying on credit remained.³⁴ McCay argues that the old

credit system remained longer in the Fogo Island area than anywhere else in Newfoundland.³⁵ Apart from the Bank of Nova Scotia in Fogo Town and the small retail stores, the co-op was the only place where people could go to get credit. The small stores might provide credit for some consumer goods, but usually did not and could not meet fishermen's needs at the beginning of the fishing season. Many people did not have the security needed to qualify for bank loans. The co-op was therefore the only resort. A Director suggested that in addition to need for credit many people see it as a convenience. "But we see it as a cost."³⁶

Boat owning fishermen are the major users of credit and the co-op normally extends credit only for purchases related to the fishery. While plant workers may purchase small items such as knives, rubber boots, etc., boat owners need credit for such expensive items as fishing equipment and engines. Like plant workers, crew members of longliners usually only require credit for personal equipment. They only use their credit for purchasing gear or equipment for the boat if they have shares in the boat but most longliners are owned by a single individual. This individual (usually the captain) has the responsibility for outfitting the craft for fishing.

Boat expenses are recovered by deducting a 'boat share' from the total fish landings.

One of the major 'Rosedale Principles' for successful co-operation is that business be done on a strictly cash basis.³⁷ While this may be possible in some instances it was next to impossible on Fogo Island. Low earnings and relatively high capital and maintenance costs make credit absolutely essential, particularly at the beginning of the fishing season.

During the 'push' for widespread co-operation by the Commission of Government, the Co-op. Division attempted to deal with this feature of rural Newfoundland and Labrador. It recognized the need for credit and felt that producer co-ops would have enormous difficulties operating without it. The Commission's preferred strategy was to first attempt study clubs, then 'thrift' clubs and buying clubs. Thrift clubs were rudimentary credit unions and were considered essential starting points for the co-operative movement. In 1942 the acting registrar of co-ops declared:

"We think that the Credit Society in time will break the credit system of doing business. (The truck system) We do know that it is the credit system that keeps

people in debt. If we can, through the Credit Society, teach people to save, and teach them how to borrow properly, one of Newfoundland's biggest problems will be solved."38

8

While there had been several such thrift clubs on Fogo Island in the 1940s and 1950s, there was apparently no attempt to establish one in conjunction with the present co-op. Although cash is more readily available than in the 1940s and 1950s, credit continues to be needed. Fishermen's incomes have not increased dramatically above 1940 and 1950 levels in many cases, and prices (particularly for relatively sophisticated technology such as longliners) often put items out of reach of fishermen.

After the 1982 season, approximately \$32,000 in interest on share capital was paid to the members for the first time, as opposed to reinvesting it in the co-operative. Some people felt at the time that this interest should be used to begin a credit union. One factor possibly standing in the way of such a venture is the fact that the established credit union network prefers spreading the movement by opening branches of its St. John's operation rather than fostering the growth of small independent credit unions. 39

Governments and the Co-op

There is a feeling among leaders of the Fogo Island co-operative movement that the provincial and federal governments have been discriminating against Fogo Island and the co-operative because it is a co-operative. Although some of the facilities on the Island were constructed with the assistance of government grants and 'make work' programs, people feel that most other communities also get these monies and:

"We're still further behind than other areas of the province in respect to community services...Fogo Island's fishery has pumped millions of dollars into the country's economy over the past few years...Yet, in return from the Federal Government we get NOTHING - a few Canada Works grants to get the unemployed working for their unemployment insurance benefits."40

Between 1967 and April 8, 1981 the co-op received approximately two and one half million dollars from government. (See Table 14 on page 226.) This sum included grants from Canada Works, Department of Regional Economic Expansion (DREE), Small Crafts and Harbours and the Provincial Department of Rural Development. Assuming that there are approximately 1,150 people in the Fogo

Island fishing industry, the sum is equivalent to one hundred and forty-three dollars per industry worker per year invested by government. Indeed much of the money is an investment. Money spent on developing the fishery has reaped 'returns' even in a strictly economic sense by reducing or maintaining the level of such costs as Social Assistance payments. Table 15 (on page 227) shows that since 1968, Social Assistance payments on Fogo Island were consistently lower, with the exception of the financial year ending March 31, 1982. If Social Assistance payments had remained even at the level they were during the co-op's first year of operation, the provincial government would have paid over two hundred thousand dollars more than it actually paid. Given the lower 'real' value of the dollar in the 1980s compared to that of 1967 the saving is higher.

Many of the government grants to the Fogo co-op had to be complemented with co-op funds, an arrangement which in bad years sometimes prevented the society from using such monies. In the 1981-1982 season for example, the Board decided to limit capital works projects due to a poor fishing season.⁴¹ Table 16 (on page 228) shows some of the grants which the co-op did receive in that year and the use of these grants.

Grants to the co-op and to communities on Fogo Island

have to be viewed in the context of government spending on other communities and on private companies. Many people on Fogo Island feel that the area is discriminated against. For example, one Manager suggested that Fogo Island is left out of a lot of Provincial Government money because it is a Liberal district and: "There's not a lot of sympathy for us."⁴² He saw the Federal Government as somewhat more helpful but the co-op had to persist in its efforts for assistance.

Another manager stated that:

"Governments treat co-ops different from private companies. They ask whether they should give assistance to co-ops since they might have to pay private companies the same. We've been denied help because of that."⁴³

A Director felt that:

"Government is like a brick wall for getting financial assistance. It won't give us the kind of assistance that the private companies get. They look at co-ops as doomed for failure. The Bank of Nova Scotia here has more confidence in us than the government does."⁴⁴

One example that he used to illustrate governments' preference of private enterprise over co-ops was its denial of a co-op request in 1981 to operate the plant at Change Islands.

Few leaders in the Island's co-op movement are calling for 'hand-outs' but most feel that they should be treated more fairly, and be recognized for their progressiveness in such areas as quality, and the way they have diversified their operations. One Director suggested that government should help establish a development bank for co-ops.

While the discontent with government assistance centres primarily around lack of financial commitment to the co-op, there are other issues of concern such as the 'bottle-neck' in the co-op's operations caused by a poor transportation network to and from Fogo Island. The infrequent ferry service occasionally does not operate due to factors such as ice conditions, and this prevents the co-op from delivering fish to market and from receiving necessary supplies.

Another issue is that of co-operative and fisheries education. Co-operative leaders are attempting to influence school curriculum in order to increase students' awareness of the fishing industry and of the co-op. Education is seen as one of the keys to better community awareness and participation in both the co-operative and the community. Many people feel that government is doing very little to facilitate this type of education.

SUMMARY

The general economic recession which has affected the whole Atlantic fishing industry has also severely affected the Fogo Island Co-operative. Like most of its competitors, the co-op was affected by slow markets and high interest rates. However, despite its constant capital shortage problems the co-op was not as over-extended as many of the private fish companies. Also, the co-op had fewer marketing difficulties due to its emphasis on high quality and its diverse line of products.

The recession did intensify the struggle to find a balance between meeting the many demands of the community and being economically viable, and did compel the co-op to adopt certain measures to ensure its viability. Among these measures were changes in employment policies, introduction of an incentive system, more specialization of labour, greater diversification and generally, a more 'scientific' approach to the society's operations. Some of these measures were unpopular and caused some conflict in the community. Some had serious implications for workers (such as increased monotony due to increased specialization). However, many people regard the measures as having been necessary to guarantee the society's

survival, and due largely to worker and community input, most of the problems appear to have been successfully addressed.

CHAPTER VIII
CONCLUSION AND IMPLICATIONS
FOR A DEVELOPMENT STRATEGY

SUMMARY

The Fogo Island Co-operative was formed and developed as a response to a severe social and economic crisis in the late 1960s. The crisis was particularly severe for Fogo Island but it also affected much of the North East Coast and indeed most of rural Newfoundland and Labrador. The crisis was largely due to the province's unfavourable position in the international economy. The provincial economy was to begin with, underdeveloped and dependent. It was highly dependent on outside capitalists and governments for capital, technology and markets and was largely oriented toward facilitating appropriation of economic surplus by foreign capitalists, their local agents and independent local businesses. The economy was essentially undiversified and oriented around primary resource extraction for other areas, and was highly dependent upon imports. The material standard of living was well below the Canadian average. The salt fish industry, upon which much of rural Newfoundland and Labrador was based, was in a state of decline. The forced change from a salt to a fresh product caused many disruptions and hardships.

Many of the local businesses were moving, or had

moved out of the fishery into service industries such as insurance in an attempt to withdraw from relatively high risk areas. There was a tendency to invest, instead, in the relatively secure field of selling consumer items. This was done largely by becoming agents of mainland Canadian and American firms.

The development policies of the federal and provincial governments did little to solve the province's social and economic problems and in many ways made the problems worse, particularly in the more isolated rural areas. Essentially, government development policies in the 1960s favoured large scale, capital intensive development over smaller scale development in rural areas. This 'development' was encouraged under the auspices of foreign capitalists, especially after an attempt at more local level, import substitution met with little success. While governments provided incentives to foreign capitalists for large scale projects, they decreased their promotion of local community based enterprise. For example, the provincial government abandoned much of its promotion and support of co-operatives, turning that role over to a co-op movement which was incapable of adequately supporting and promoting itself.¹

Government sponsorship of such large scale industries

as the petro-chemical complex at Come By Chance, the Stephenville Linerboard Mill, and several hydro-electric projects went 'hand in hand' with a centralization of population. A program of resettlement was introduced to decrease the costs of providing services and to centralize the province's workforce. Thousands of people were moved (sometimes voluntarily, sometimes involuntarily) from rural fishing communities to relatively urban areas, known as 'growth centres'. Immediately following Confederation, emphasis was placed on developing roads, schools and other infrastructure with much less emphasis on developing the productive base for this infrastructure (a factor which plagues the provincial economy even today). Most rural communities did not experience a temporary economic boom provided to more urban areas; many experienced temporary and permanent loss of population due to the attraction of relatively well paying jobs at various construction sites, and the resettlement program.

Most of these factors came to bear on the North East Coast and in particular, on the Fogo Island area. Communities there experienced population decline or stagnation, low fish landings and earnings, and declining opportunities in other traditional occupations such as seasonal woods work. Like the majority of

fishing families, fish companies in the area experienced lower returns and some of the major ones withdrew. Pressure from government to resettle from Fogo Island initially met with little opposition and many families left. Opposition to resettlement developed largely due to the efforts of an Improvement Committee which had its origins in local roads committees.

Among its activities the Improvement Committee obtained the assistance of the National Film Board and Memorial University's Extension Service. They carried out an extensive film project aimed at increasing communication and awareness among Island residents. The project helped facilitate the emergence of a strong anti-resettlement, pro-Island development movement and formation of an Island-wide co-operative.

It is important to view the co-op in light of what was happening on the macro level because it had to become established and operate under conditions which were affected by the international, national and provincial climate. For example, the co-op had to deal with international markets which dictated the price of fish and the quantities that the co-op could sell; it had to confront government policy which was opposed to the development of isolated rural areas; and it had to

operate in a climate of general rural crisis with attendant disillusionment, apathy, and high unemployment. The success of the co-operative would depend on its ability to circumvent or solve a whole set of social and economic problems. The co-op had to be a successful business, but it also had to be much more.

Co-operation on Fogo Island had roots in the Fisherman's Protective Union and in the pro-co-operative development philosophy of the Commission of Government. The Fogo Island - Change Islands area had some of the most successful co-operatives during and after the Commission's era. Some leaders in the pro-development movement had experience in the earlier co-ops and some were involved with existing buying clubs and consumer stores. Co-operation was not a foreign notion to the Island, nor was it considered a panacea by most residents - some had had negative encounters with co-operatives. But for some community leaders, co-ops did contain positive possibilities and they worked for the formation and development of a co-operative, against the wishes of the provincial government which preferred private enterprise on the Island.

Largely as a way to attract private enterprise back to Fogo Island, the provincial government helped finance

the construction of a shipyard. Government felt that a fleet of new longliners would increase fish landings and help attract a new fish company to the Island. The provincial government made a loan to the fledgling co-operative, a loan guaranteed by Newfoundland Co-op Services. With government boat subsidies, several hundred members, and very little capital other than the loan, the co-op constructed a fleet of longliners and began purchasing, processing and marketing members' salt fish.

It is important to emphasize that the co-op started small, and developed and expanded over more than a decade. It was able to rent or lease facilities rather than being compelled to purchase its own. The processing of salt fish in these facilities required relatively little capital, compared to establishing fresh frozen operations. Yet the organization has continued to be plagued by lack of sufficient working and investment capital. The rental and leasing arrangements also worked against the co-op since buildings could not be used as security for borrowing badly needed capital. Many of the loans that were obtained in the early years were on the security of government boat subsidies and fish inventories.

Lack of capital in the organization coincided with

and was partly a consequence of lack of capital among co-op members. Members were unable to invest large amounts of capital in the organization and many have looked to the co-op as a source of credit rather than as a place to invest. Also, co-ops have more restricted access to capital than do private companies (in that they cannot accept private company investment, and cannot participate in many other business arrangements which are open to private companies). Lack of capital has forced the co-op to obtain expensive credit from banks and wholesalers, thus raising the prices of fishing equipment and supplies, and making the organization more vulnerable to changing international circumstances such as fluctuating markets and high interest rates.

A series of problems with the shipbuilding operations put the co-op in a very bad financial position and almost led to bankruptcy. It was able to obtain a government loan only by negotiating its independence away (at least formally) to a government management committee. The shipbuilding operations had to be terminated but only after the harvesting capacity of the fleet had been increased substantially and it was able to harvest more species. The longliners built by the co-op contributed to the later success of its processing and marketing operations.

The fish purchasing, processing and marketing operations were constantly plagued by lack of adequate facilities. The co-op experienced major difficulties in moving into fresh frozen production, largely because of the high costs of facilities such as freezing and cold storage equipment. For years the co-op did some primary processing of fish (making fillets) but was unable to freeze it. This fish had to be trucked on ice to private freezing facilities elsewhere in the province, and this led to substantial losses due to spoilage. Due to the co-op's weak bargaining position vis-a-vis the private companies through which the co-op was compelled to do its marketing, the losses were all borne by the co-op.

The co-op's poor bargaining position made it dependent on private companies not similarly dependent on the co-op. The private companies' first priority was to process and market their own fish; the co-op's production was only secondary. Until recently the co-op was unable to have its own products identified in the market place, which meant that it was unable to get recognition for its high quality.

The recent crisis in the Atlantic fishing industry affected the co-op in many of the same ways that private

companies were affected. In particular, high interest rates affected the co-op's operations but fortunately for the organization, it had not over-extended itself to the degree that some of the private companies had done. This reflected good management, the co-op's policy of gradual growth and development, and concern for long term stability, but was also perhaps a reflection of government regulations which do not allow co-ops to borrow above a certain limit. While these regulations are a hindrance when the co-ops want money to expand, they can also prove to be beneficial when (as happened in the early 1980s) interest rates rise dramatically. Fortunately for the co-op it was relatively diversified; it produced a fairly wide selection of products, including halibut and flounder which were selling well compared to cod blocks. Also the co-op was producing high quality products and partly as a consequence of this high quality, was producing minor amounts of fish blocks. A large proportion of the co-op's cod production went into salt bulk and dried fish, which again had relatively good markets through the Canadian Saltfish Corporation. After a pilot quality program (including live bleeding and gutting, and dock side grading) the co-op was producing top quality salt fish which was able to penetrate new markets.

One important feature of the co-op which some private

competitors did not have was a better ability to control wages and salaries within the organization. Without having to conform to union negotiated pay scales the co-op was able to pay closer to what it could afford to pay, or what the market would bear. It could not, however, do the same with fish prices as it felt it had to pay what unionized fishermen were receiving, (mainly to ensure that fishermen would not land their fish elsewhere). Lower wage rates were a cause for concern among some employees but many felt they were lucky to have a job and some employees (or other family members) received other benefits such as the relatively high level of service which the co-op was providing.

The co-op did introduce several measures to ensure its economic viability in the crisis. These included: ending a popular ten week hiring policy; introducing an incentive system and quality control program; further diversification (into crab processing); and terminating its dependence upon the private companies for marketing. Except for attempts to move into seal processing the measures achieved generally positive results. However, problems did arise in the autumn of 1983 when the society encountered cash flow problems stemming in part from delays in opening the new crab plant, and soft markets in crab and other species. The problems were solved

mainly through provincial government assistance.

Like most inshore fish plants the co-op generally operates at less than full capacity, and only seasonally, constituting a major problem for the co-op. Bad weather and drift Arctic ice have in some cases reduced the effective fishing season to less than a month. This substantially reduces the opportunities to accumulate capital or repay debts. The co-op recently took several steps to increase the length of the season, including introduction of crab processing and (unsuccessfully), joint ventures with a Portuguese company.

The co-op has to obtain or maintain a high degree of legitimacy among members of the community and the organization is more accountable to that community than are private companies. Board and management decisions have to reflect the concerns of community members as well as the immediate and long term viability of the enterprise. As the conflict around the issue of phasing out the ten week hiring policy showed, decisions are not always easy to make nor institute. Considerable opposition to board and management decisions can and does arise.

Generally the co-op is perceived by the membership and the community as being a very positive force. Many

people base their assessment on the system in place prior to the co-op, and on what they know about some other communities in which private companies have either temporarily or permanently ceased operations. Some feel that their employment base is broader and more stable now than ever and is more secure than private fishing companies, despite the recent cash flow problems. Many people feel that they have more control over the organization than do employees of private companies, though there are also complaints about discrimination, low wages and under-representation. Some recent measures such as changing the constitution to allow an employee on the Board, community meetings, the system of elected delegates and various committees do address some of these problems.

Implications for a Development Strategy

This examination of the Fogo Island Co-operative has shown the necessity of including the broad socio-economic context in any meaningful discussion of co-operatives. Problems and constraints which stemmed from the local and more general environments have been among the primary determinants of the degree of the co-op's success. These

constraints include factors like high unemployment and poverty which put pressure on the co-op to increase employment, sometimes at a cost to the organization's economic viability. The fact that most members had little money to invest in the organization and looked to the co-op as a source of credit also placed constraints on what the co-op was able to do. These kinds of factors, together with legislation regulating co-operatives and the short operating season, restricted the co-op's ability to accumulate enough capital for purchasing such things as badly needed processing and freezing facilities.

The co-operative was compelled to operate in competition with many private companies, some of which were long established and were much larger than the co-op. It had to market its products through private companies which were also the co-op's competitors. Governments clearly favour private enterprise over co-operatives and at least originally, they were reluctant to invest in the development of Fogo Island. The co-operative was buffeted by changing international conditions such as declining market opportunities, economic recession and skyrocketing interest rates.

In short the co-op has been affected by a large number of social and economic problems, many of which were beyond its control. The failure of conventional government policies and private capital to develop the Fogo Island area (and rural areas in general), and the underdeveloped and dependent nature of the provincial economy all came to bear on the co-op.

Given the constraints and limitations; the people of Fogo Island and their co-operative have done a remarkable job of solving some of their own local problems. They have succeeded in building an organization which is probably more stable and vibrant than most alternate forms of business organizations such as private companies; the organization is owned locally and is controlled democratically, especially in comparison to private companies. They have succeeded in reversing a trend which would have seen the Island communities vanish; they have dramatically increased the amount of employment and the benefits from that work and they have substantially diversified the local economy. While there has been and perhaps always will be some amount of conflict on the Island, compared to most communities and work environments Fogo Island's degree of success is largely founded on an air of inter-community,

inter-group, co-operation. The co-operative, the development association, and municipalities exhibit what is perhaps an unparalleled degree of inter-group co-operation in the province. Unlike most areas they have developed institutions to deal positively with community conflicts. While there are still charges of 'elitism' directed at management officials, the organization has a very broad 'grass roots' support base.

Important problems and challenges remain, not the least of which is the lack of capital; also the co-op still has to find and adhere to the appropriate balance between providing valuable services to the community and its membership, and being economically viable; it still has to work on developing a structure which provides management with the amount of freedom that it requires, while ensuring democratic control by the general membership.

However, even in the present Atlantic fishery crisis the co-operative has been doing relatively well. In contrast to some private companies which have gone into receivership or bankruptcy, or which have simply ceased or phased down operations, the co-op has continued to grow. (For example, it began crab processing operations during one of the most critical periods in the industry). The

co-operative is an example of a possible alternative structure to that of centralized government-assisted private enterprise. The co-op has proven its viability over the years, certainly as well as or better than most private companies in the Atlantic fishery. It has shown that it is not only viable but is also preferable in many ways: in terms of local control, more democratic decision making, and increased employment and services to the membership and community. In short, it appears that the co-operative has proven itself to be quite capable of implementing significant social and economic development on a local level ~~and~~ working within the constraints imposed by a capitalist economic system. The co-op has proven its ability to adjust or adapt to the constraints but it is much less capable of (and less oriented toward) changing the system in which it is forced to operate. The problem remains how can the type of development experienced on Fogo Island be improved and how can it be spread more generally? The co-op has gone far toward 'reversing underdevelopment', on a local level, but how can underdevelopment be reversed in the province or in the whole region?

It seems that the Fogo 'model' or the Fogo 'experience' can not be simply transported and repeated in other areas. The Fogo co-op developed the way it did

largely because of the specific circumstances surrounding the Island's situation; for example it emerged out of a fairly long history or tradition of co-operation, and its earlier success came largely from involvement in a labour intensive salt fish industry. Few areas today have such co-operative traditions, and the present fishery is heavily oriented around capital intensive frozen production; to name only a few differences between the Fogo co-op's context and that of most other areas.

The pattern of small individual co-operatives developing in relative isolation from each other may be sufficient to facilitate development in some local areas but it is probably incapable of creating fundamental regional change. As isolated entities each co-op would only develop slowly if at all, given such pressures as competition from private firms, the need for large amounts of capital and government preference of private enterprise. It appears that something more radical and un-conventional may be necessary to reverse underdevelopment in the region.

A possibility which is rarely considered is a kind of 'marriage' between the co-operative and labour movements. Such a unification could go far towards solving some of the most basic problems of each movement; and could facilitate 'real' social and economic development

at a pace so far unprecedented in the province.

The labour movement in this province has lost a significant part of its membership and has been unable to prevent layoffs, company pull-outs etc. Even in better times for the companies fishermen and other workers have had problems obtaining what they considered adequate fish prices and wages. Unions have frequently had to use the strike weapon as an instrument to pry benefits from the companies. In the fishing industry and particularly in areas where the fishing season is short, strikes deal severe blows to the people they are designed to assist. By subscribing to and working for co-operative principles such as worker ownership, unions could more directly affect the decision making process; they could better ensure the stability of their employment base, and ensure that business enterprises are oriented around producing benefits for the local and regional communities rather than for a small group of private investors.

Workers in the fishing industry are already well organized under the NFFAWU which could relatively easily facilitate the development of co-operative worker ownership. The Union could work on at least two fronts: by utilizing its organizational networks and contacts

to promote the development of local and regional co-operative networks; and it could use its political power (including the strike weapon) to demand worker ownership and control over industry. The organized political power of the two movements could be used to ensure that government policy is changed from favouring private companies to support of worker-co-operative ownership and control. For example, government could be pressured into accepting a system of worker 'buy-back' of shares in the largely state owned Fishery Products International Company, rather than allowing it to return to private investors if or when it becomes financially viable. Given the difficulties involved in raising the amount of capital required for such enterprises, share purchase through such a buy back system has to be considered as an option for acquiring ownership and control.

The labour and co-operative movements have not always worked well together. Although both are potentially (but not necessarily) progressive and have similar aims such as improving conditions for the working class, as consumers and primary producers, they have often been at odds with each other. Oakeshott argues for example, that one of the reasons for the success of the post-Rochedale consumer co-ops was the absence of hostility

from the labour movement.² Present unions and co-ops still have differences which occasionally are resolved through strikes and other similar tactics.³ In Newfoundland and Labrador the relationship between the two movements has varied. In 1944 the Government's Director of Co-operatives advised a fieldworker to refrain from attending union conferences.⁴ By 1949 the President of the Newfoundland Federation of Labour stated that the two movements should be united. He claimed that:

"(The labour and co-op movements are)...kindred in design or formation because we give tangible expression to man's desire to work towards a more balanced society and a more equitable distribution of this world's goods. We differ only in that we are seeking the same goal by different methods. Labour by making use of the strength of its numbers brings pressure to bear upon those who control the greater share of the profits of industry and usually succeeds in being grudgingly given as a favour what is actually its right, and this method often requires the assistance of legislation. The best we can hope to accomplish in this manner is the highly desirable partnership system already referred to, but we cannot hope to control the authority of management. The co-operative movement on

the other hand enables the worker to better utilize the fruits of his labour for his own benefit or his fellowman. It trains him to become management itself and even though authority is vested in a few he still controls that authority. Therefore the Co-operative Movement goes one step further than Labour."⁵

The two movements have come together in some instances, usually in the form of workers or their unions organizing credit unions or consumer stores. For example, the Newfoundland Industrial Workers Association attempted to introduce the Rochdale system of consumer co-ops to the country in the early 1900s, and retail clerks in such firms as Bowrings and the Printing and Allied Trades and the Nail and Foundry Workers all opened credit unions in the early 1940s.⁶ Government employees and the Newfoundland Teachers Association also formed credit unions.

The provincial labour and co-op movements appear to generally acknowledge each other's legitimacy and to be on reasonably good terms but they continue to operate as isolated entities. However, there are indications that this may be changing, particularly in the fishing industry. At least some union leaders are looking seriously at co-operative worker ownership

and the NFFAWU is assisting a group of union members, form a co-op in Petty Harbour.⁷ A co-op advisory board recently established by the Federation of Co-ops has a NFFAWU representative. It is clear that much needs to be done to get the joint labour-co-op movements to the 'take-off' stage but some of the groundwork has already been done, and the political-social-economic climate seems conducive to alternatives.

It is apparent that governments have to become more sympathetic and supportive of worker co-operative ownership. While concerns in the co-op movement about government involvement destroying the self-help nature of co-ops are often legitimate, government can nevertheless play a significant role. Rather than necessarily acting as a guaranteed source of income or bailout for co-ops, governments can and should use their economic and legislative power to help create a climate in which co-operation can flourish. Importantly, governments can help design policies which foster long term locally controlled development, and worker ownership.

Success is probably as much contingent upon value and cultural changes as they are upon developing alternate business structures. Co-operatives must be viewed as more than simply new ways of doing business. Successful

co-operatives and significant social and economic development also depend on promotion of a set of values which are in many ways opposed to the dominant values in western capitalist societies today. For example the value presently placed on private profit and individual success will likely have to be rejected in favour of a high value on people working together and community development. Similarly, the high value placed on consumption of (often expensive and frivolous) imported goods and on the ability of the 'market' to determine production may have to be supplanted by an emphasis on useful local products and rational, planned production. Without an educational and cultural transformation co-operatives would perhaps be as incapable of meeting peoples needs (or wants) as are other business enterprises. But together with a positive cultural change the co-operative structure could be the basis for facilitating substantial social and economic development.

TABLE 1
 PERCENTAGE INCREASE IN POPULATION
 SUBDIVISION 8 AND NEWFOUNDLAND
 1945 - 1971

	<u>1945-1951</u>	<u>1951-1956</u>	<u>1956-1961</u>	<u>1961-1966</u>	<u>1966-1971</u>
Subdivision 8	11.4	10.4	9.9	11.4	1.8
Newfoundland	12.3	14.8	10.3	7.7	5.8

*Source: Compiled from Census of Canada 1951, 1961, 1971,
 various catalogues

TABLE 2
 PERCENTAGE CHANGE IN POPULATION,
 SELECTED AREAS WITHIN SUBDIVISION 8
 1945 - 1961

<u>AREA</u>	<u>PERCENTAGE CHANGE 1945 - 1961</u>
White Bay South	68.5
Halls Bay - Springdale - Little Bay - South Brook	68.5
Lewisporte	184.5
Twillingate Island	0.8
Change Islands	-17.3
Fogo Island	2.0

Note: Figures are not available for these specific areas after 1961 due to changes in Census break-downs.

*Source: Census of Canada, 1951, 1961

TABLE 3
 POPULATION UNINCORPORATED PLACES AND TOWNS
 FOGO ISLAND
 1945 - 1966

PLACE	POP. 1945	POP. 1951	% CHANGE	POP. 1966	% CHANGE	% CHANGE 1945-1966
Barr'd Islands	278	229	-17.6	274	19.6	- 1.4
Eastern Cove	106	97	- 8.4			
Hare Bay	132	148	12.1			
Indian Islands	141	169	19.8			
Island Harbour	226	222	- 1.7	368	65.7	62.8
Joe Batts Arm	950	950		993	4.5	4.5
Little Harbour	190	184	- 3.1			
Little Seldom	166	225	35.5	109	-51.5	-34.3
Seldom Come By	312	389	24.6	509	30.8	63.1
Shoal Bay	91	75	-17.5	79	5.3	-13.1
Stag Harbour	223	267	19.7	379	41.9	69.9
Tilting	392	373	-4.8	444	19	13.2
Fogo Town		1,078		1,150	6.6	

*Source: Canada Census: Cat. 98-1951, M-7

TABLE 4

HOUSEHOLDS AND PERSONS RESETTLED FROM FOGO ISLAND
BETWEEN APRIL 1, 1965 AND DECEMBER 31, 1968

NO. HOUSEHOLDS RELOCATED BETWEEN APRIL 1/65 & DEC. 31/68 FROM	AVG. NO. PERSONS PER HOUSEHOLD 1966	APPROX. NO. PERSONS RESETTLED (HOUSEHOLDS' X AVERAGE NO. PERSONS)	% OF 1966 POP.
Sandy Cove	1		1
Wild Cove	1		
Little Seldom	1	6.41	1.1
Barr'd Islands	4	3.65	5.4
Joe Batts Arm	7	5.28	3.7
Deep Bay	9	5.04	35.7
Fogo	11	4.96	4.7
Island Harbour	12	6.57	21.4
Stag Harbour	14	4.99	18.4
Seldom	21	5.04	20.8
	81	413	9.1

*Source: Government of Canada, Industrial Development Service, Survey
pp. 27-28

TABLE 5
 PERCENTAGE OF 1966 POPULATION RESETTLED
 FROM FOGO ISLAND COMMUNITIES
 FROM APRIL 1, 1965 TO DECEMBER 31, 1968
 BY COMMUNITY

<u>COMMUNITY</u>	<u>PERCENT OF 1966 POPULATION RESETTLED</u>
Little Seldom	1.1
Barr'd Islands	5.4
Joe Batts Arm	3.7
Deep Bay	35.7
Fogo	4.7
Island Harbour	21.4
Stag Harbour	18.4
Seldom	20.8
<hr/>	<hr/>
TOTAL	9.1

*Source: Compiled from Government of Canada, Industrial Development Service, Survey, pp. 27-28

TABLE 6

POPULATION OF CENSUS SUBDIVISION, Nfld.
% OF PEOPLE LIVING IN UNORGANIZED AREAS BY CENSUS SUBDIVISION

SUBDIVISION	1951 - 1971				
	1951	1961	1971	% Change 1961-71	% Change 1951-71
1	43.8	40.2	22.7	17.5	21.1
2	77.6	63.5	24.8	60.9	52.8
3	74.8	45.4	26.4	41.8	48.4
4	100	64.2	38.7	39.7	61.3
5	43.6	22.1	18.5	16.2	25.1
6	85.8	31.9	10.8	66.1	75
7	93.6	73.9	39.5	46.5	54.1
8	92.1	67.3	43.2	35.8	48.9
9	84.7	61.3	30.7	49.9	54
10	100	69.6	25.3	63.6	74.7

*Source: Census Canada, 1971, Cat. 92-702, Vol. 1, Part 1,
pp. 2-1 to 2-8

TABLE 7

NUMBER OF PEOPLE ATTENDING HIGH SCHOOL
(GRADES 9-12) 1951
NFLD. BY CENSUS SUBDIVISION

SUBDIVISION	POP. OF SUBDIVISION	NO. ATTENDING HIGH SCHOOL	% ATTENDING HIGH SCHOOL
1	149,543	4,183	2.7
2	22,366	582	2.6
3	20,434	312	1.5
4	15,982	276	1.7
5	28,089	722	2.5
6	27,968	790	2.8
7	35,294	722	2
8	36,799	526	1.4
9	17,051	290	1.7
10	7,890	42	.5
TOTAL	361,416	8,445	2.3

*Source: Canada Census, 1951, Vol. 1, pp. 60-61

TABLE 8
CAPITAL EQUIPMENT EMPLOYED IN PRIMARY OPERATIONS
AREA B

Type of Boat	Number of Boats							
	1956	1960	1965	1966	1967	1968	1970	1973
Long Liners:								
25 tons t	2	1	2	4	6	26	30	24
10 - 24 tons			16	28	44	47	69	95
Row/Sail Boats	1,182	1,541	1,403	1,182	1,057	744	555	137
Gas/Diesel	1,680	2,046	2,633	2,615	2,547	2,416	2,104	1,624
Total	2,864	3,588	4,054	3,829	3,654	3,233	2,758	1,880

*Source: Fisheries Statistics of Canada, Newfoundland Cat. 24-202

Note: Area B is Cape St. John to Cape Freels inclusive

TABLE 9

 VALUE OF CAPITAL EQUIPMENT IN PRIMARY OPERATIONS
 AREA B
 \$(000)

<u>Type of Boat</u>	<u>1956</u>	<u>1960</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1970</u>	<u>1973</u>
Long Liners:								
25 tons t	2.8	18.5	57	148	203	560	713	629
10 - 24 tons			204	329	940	573	781	1,373
Row/Sail Boats	40.4	56.1	58	50	46	36	26	11
Gas/Diesel	770.8	929.3	1,622	1,677	1,637	1,760	1,418	1,279
Total Value	839.2	1004.9	1,941	2,204	2,826	2,929	2,938	3,292

*Source: Fisheries Statistics of Canada, Newfoundland Cat. 24-202

TABLE 10
LANDINGS, QUANTITY
BY SPECIES
AREA B
(LBS)

Species	1955	1960	1965	1966	1967	1968	% Change 1955-68
Cod	61,594	50,555	27,218	31,245	27,388	37,856	38
Halibut	7		8	2	2		
Turbot	823	1,012	2,389	3,173	3,173	4,156	404.9
Plaice and Greysole		32	393	520	520	595	
Redfish			37	44	44	61	
Catfish			95	225	225	57	
Viscera	4,589	3,449	2,529	2,162	2,162	3,228	29.6
Caplin	3,654	2,179	876	1,270	1,270	1,704	53.3
Herring	468	401	792	556	556	847	80.9
Mackeral	351		272	100	100	166	52.7
Salmon	172	207	159	353	353	397	130.8
Lobster	1,305	1,286	778	488	488	779	40.3
Squid	545	800	842	654	654	2	
Total	73,510	59,978	36,392	44,715	36,937	49,857	

*Source: Fisheries Statistics of Canada, Newfoundland Cat. 24-202 Annual
Notes: Viscera is cod livers, halibut livers. Numbers may not add to Total
because some insignificant species eg. smelts are not included here.

TABLE 11
 INSHORE CATCHES OF COD,
 NUMBER OF INSHORE FISHERMEN
 AND YEARLY CATCH PER FISHERMAN,
 THREE YEAR AVERAGE
 ICNAF DIVISION 3K
 (INCLUDING FOGO ISLAND)

1958 - 1972

<u>PERIOD</u>	<u>AVERAGE ANNUAL COD CATCH (1,000 lb)</u>	<u>AVG. NO. F' MEN</u>	<u>YEARLY CATCH PER F' MAN (1,000 lb)</u>
1958-60	51,970	4,672	11.1
1961-63	40,487	4,599	8.8
1964-66	33,126	4,360	7.6
1967-69	30,198	3,364	9.0
1970-72	18,892	2,897	6.5

*Source: B. McCay, "Systems Ecology, People Ecology and the Anthropology of Fishing Communities," Human Ecology, Vol. 6, No. 4, 1978, p.408

TABLE 12
 CHANGE IN NUMBER OF FISHERMEN
 FOGO ISLAND
 1967 - 68

<u>Community</u>	<u>Number of Fishermen</u>		<u>% Change</u>
	<u>1967</u>	<u>1968</u>	
Fogo	140	107	-23.6
Little Fogo Island	14	10	-28.6
Shoal Bay	14	11	-21.4
Barr'd Islands	80	65	-18.8
Joe Batts Arm	195	197	2.3
Tilting	90	87	-3.3
Little Seldom	38	31	-18.4
Seldom	80	70	-12.5
Stag Harbour	75	65	-13.3
Island Harbour	46	40	-13
Deep Bay	46	32	-30.4
TOTAL	818	715	-12.6

*Source: Industrial Development Service, op. cit.,
 p. 38

TABLE 13
FINANCIAL SITUATION OF FOGO ISLAND CO-OPERATIVE
1969 - 1982

<u>YEAR</u>	<u>TOTAL ASSETS</u>	<u>SHARE CAPITAL</u>	<u>TOTAL CURRENT LIABILITIES</u>	<u>LONG TERM DEBT</u>	<u>MEMBERS TOTAL EQUITY</u>
1969	172,810	21,039	144,793		28,061
1970	190,004	40,527	139,976		49,342
1971	236,798	70,941	161,738	75,000	75,060
1972	511,517	120,417	368,617	75,000	67,899
1973	490,097	158,384	339,947	75,000	75,150
1974	327,850	184,707	192,180		135,670
1975	384,416	195,173	94,221	100,000	190,195
1976	418,940	208,850	195,118	102,779	121,043
1977	500,420	220,203	175,115	175,417	149,888
1978	604,851	250,779	173,573	174,226	257,052
1979	1,384,633	352,078	334,995	181,669	849,969
1980	2,429,808	426,030	462,650	944,715	961,533
1981	2,751,478	559,643	619,096	826,717	1,190,027
1982	3,083,089	676,940	444,023	1,183,521	1,322,500

*Source: Annual Returns, Fogo Island Co-op, 1969-1982, Co-op Registry, File 201/51, Vols: I, II, III

*Share Capital is part of Total Members Equity

TABLE 14
 AMOUNT RECEIVED THROUGH GOVERNMENT GRANTS
 UP TO APRIL 8, 1981
 FOGO ISLAND

<u>Community</u>	<u>GOVERNMENT DEPARTMENT</u>			
	<u>Canada Works</u>	<u>DREE</u>	<u>Small Crafts & Harbours</u>	<u>Dept. Rural Development</u>
Seldom	325,000		420,000	
Joe Batts Arm	400,000	122,000		84,000
Fogo	400,000			222,000
Tilting	128,000			38,000
Deep Bay	105,000			14,000
Island Harbour	100,000			
Stag Harbour	80,000		70,000	
Total	1,538,000	122,000	490,000	358,000
Grand Total	2,508,000			

*Source: Fogo Island Co-op, Submission to the Kirby Commission.

TABLE 15

SOCIAL ASSISTANCE PAYMENTS
FOGO ISLAND
1967 to 1982

<u>Year Ending</u>	<u>Amount (\$)</u>
March 31/67	35,479
March 31/68	45,970
March 31/69	29,517
March 31/70	28,368
March 31/71	28,932
March 31/72	27,374
March 31/73	26,081
March 31/74	36,007
March 31/75	30,427
March 31/76	34,380
March 31/77	26,263
March 31/78	25,643
March 31/79	28,927
March 31/80	32,242
March 31/81	41,088
March 31/82	47,266

Source: Fogo Island Co-op, Submission to Kirby Task Force

TABLE 16

TOTAL GRANTS ACQUIRED BY THE FOGO CO-OPERATIVE
AND USE OF THESE GRANTS
BY COMMUNITY
1981 - 1982

<u>Community</u>	<u>Grant Amt.</u>	<u>Purpose of Grant</u>
Joe Batt's Arm	\$ 40,000.00	For Siding on Salt Fish Shed, and Canopy
Fogo	25,000.00	For Completion of Holding Room and Stockroom
Seldom	65,000.00	New Boiler and Upgrading of Dryers, Saltfish Dividers and Insulation of Cool Room
Tilting	75,000.00	General Plant Upgrading and Construction of Bumper Wharf Along Full Length of the Stage
*Joint Consultative Committee	20,000.00	To Study Some of the Improvements Which Can Be Effected Relating to the Business and Make Recommendations to the Board
Industry Trade & Commerce (Dept. of Fisheries & Oceans)	9,000.00	Marketing Trip to Europe to Look at Market Prospects for Products we are Now Producing as Well as Future Prospects
Total	\$273,000.00	

*The \$273,000 Total consisted of \$144,000 from Federal Government sources, \$64,000 from Provincial Government sources and \$65,000 from the Canadian Saltfish Corporation.

Source: Fogo Island Co-op, Annual Board Report, 1981-82,

FIGURE TWO
 STRUCTURE OF THE FOGO ISLAND CO-OPERATIVE

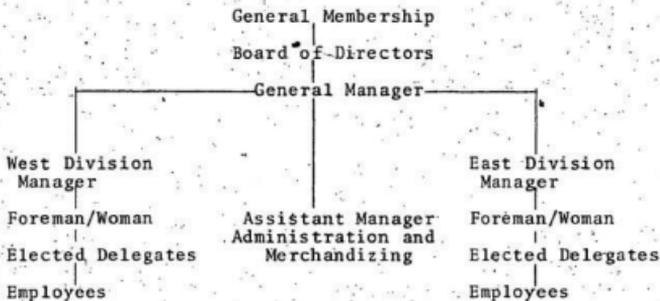
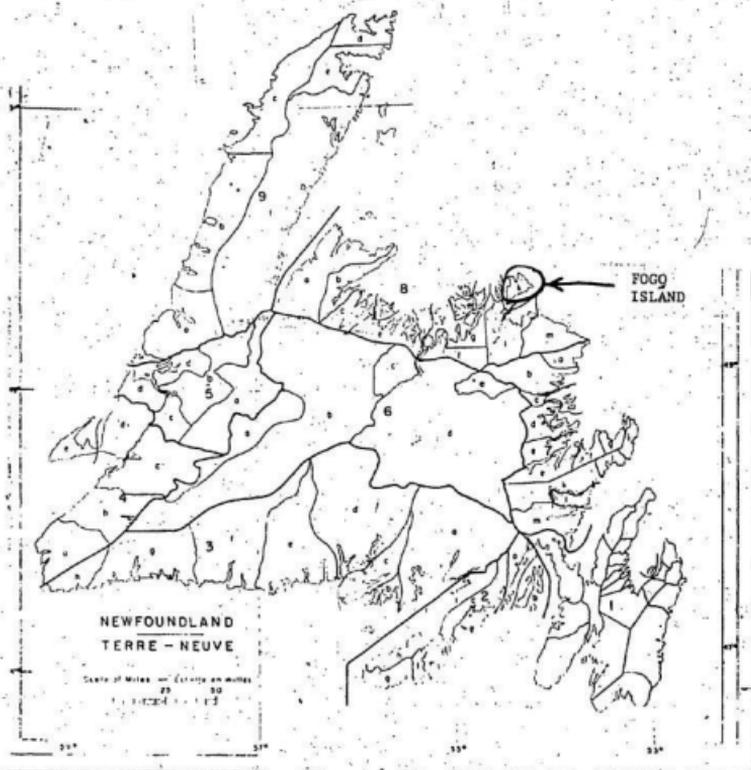


FIGURE THREE



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15. According to one person fishermen were paid union rates to decrease the 'temptation' to land fish elsewhere. (Personal Interview, Fogo Island, May 1982)
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NET WEIGHT
14 OZ.
SALT
ADDED

A PRODUCT OF
NEWFOUNDLAND
CANADA
LICENSE No 1

PACKED BY
EARLE SONS & CO. LTD.
FOOD, NEWFOUNDLAND

terra nova
GODFISH

with
RICE

HEAT AND SERVE WITH VEGETABLES
AND WHITE SAUCE

APPENDIX ONE (con't)

Recipes

FISH CAKES

To use can of "TERRA NOVA" Godfish with Rice, add 1 tablespoon butter, 1/2 cup of egg, 1/2 cup of flour, 1/2 cup of milk, 1/2 cup of salt and pepper to taste. Shape in cakes and fry in a hot fat until golden brown.

FISH PIE

To use can of "TERRA NOVA" Godfish with Rice, in a casserole, add 1/4 cup of seasoned thick white sauce. On top of this mixture lightly sprinkle with 1/2 cup of bread crumbs and 1/2 cup of cheese on top. Cook in 350 degree oven for thirty minutes.

To Make Seasoned Thick White Sauce

1/4 Tablespoons Margarine
1/4 Tablespoons Flour
Salt and Pepper to taste
1/2 cup milk
1/2 cup milk
1/2 cup milk
gradually add milk. Cook until thick.

Recetas

PASTELILLOS DE PESCADO

Para usar la lata de "TERRA NOVA" Godfish con arroz, añadir: una cucharada de mantequilla, 1/2 taza de huevo, 1/2 taza de harina, 1/2 taza de sal y pimienta al gusto. Cocinar en aceite caliente hasta que estén dorados.

TARTA DE PESCADO

Para usar la lata de "TERRA NOVA" Godfish con arroz, poner en una cazuela, espesante de leche con una taza de salsa trillada, aderezar con 1/4 taza de queso blanco, cocinar en horno a 350 grados durante treinta minutos.

Como Hacer Salsa Béchamel Espesa

Una cucharada y media de margarina.
Una cucharada y media de harina.
Sal y pimienta al gusto.
1/2 taza de leche.
Batido y hecho lentamente. Cocer hasta espesar.

A PRODUCT OF
NEWFOUNDLAND
CANADA
SALT ADDED

Kippered Cod

Earle's Kippered Cod makes delicious sandwiches and is also ideal for hors d'oeuvres and salads.

PACKED IN SOYA BEAN, COTTON SEED
AND/OR CORN OIL.

Remove the entire contents immediately after opening. Keep unused portion in a dish and in a cool place.

Earle's
KIPPERED COD



APPENDIX
ONE
(CONT.)



- 264 -

INGREDIENTS
LINGONBERRIES
SUGAR & WATER

Serving Suggestions

LINGONBERRY

The tiny, delectable Lingonberry grows on a scrubby shrub and is found in its own habitat—the wind swept hills of Newfoundland and Scandinavia. Although, uncultivated, the Lingonberry has been used in many ways and has become most popular in North America.

"Earle's" Lingonberry Sauce is delicious when used with Poultry, Ham and Meats of all kinds. It is also an excellent filler for Pies and Tarts.

To Use As A Mould

Chill in refrigerator, then remove setting top of can with regular can opener. Punch hole in bottom of can and contents will slide out in a Mould.

This can contains enough "Lingonberry Sauce" for 8 servings.

PACKED BY EARLE SONS & CO. LTD.,
1122, HERTFORDLAND, CANADA
PRODUCT OF NEWFOUNDLAND

MADE IN CANADA

APPENDIX TWO

TOTAL SEA-FISH LANDINGS
QUANTITY AND VALUE
AREA B

	<u>1955</u>	<u>1960</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1970</u>	<u>1975</u>
Quantity (lbs)	73, 150	59,978	36,392	44,715	36,937	49,857	56,616	21,025
Value (\$)	1,865.5	1,900.9	1,863	2,276	1,966	2,224	2,974	4,787

*Source: Fisheries Statistics of Canada,
Newfoundland Cat. 24-202 Annual

APPENDIX THREE

NUMBER OF FISHERMEN ON FOGO ISLAND
AND CHANGE ISLANDS
BY SPECIES FISHED
1968

	<u>Cod</u>	<u>Salmon</u>	<u>Lobster</u>	<u>Sealing</u>	<u>God Traps</u>
Fogo Island	649	152	209	152	164
Change Islands	90	48	73	28	22
TOTAL	739	200	282	180	186

*Source: Industrial Development Service, p. 51

APPENDIX FOUR

ESTIMATED* AVERAGE FISHERMANS' EARNINGS AND EXPENSES
FOGO ISLAND AND TRINITY BAY
1968

<u>AVERAGE RECEIPT FROM FISH SALES</u>	<u>AVERAGE MAINTENANCE & REPAIR COSTS</u>	<u>AVG. OTHER OPERATING EXPEND.</u>	<u>AVG. CAPITAL EXPEND.</u>	<u>ANNUAL AVG. EARNINGS FROM FISHING</u> <u>NO. IN CREW INCLUDING SKIPPER (4)</u>
<u>TRAP CREW</u>	<u>TRAP CREW</u>	<u>TRAP CREW</u>	<u>TRAP CREW</u>	
\$4,788.19	\$346.15	\$622.22	\$169.55	Skipper \$1,099.52 Crew 850.25

*From a Budget Study Conducted by the Newfoundland Department of Fisheries, 1968

Surveyed 10 trap crews in Trinity Bay
Surveyed 13 trap crews in Fogo Island Area

*Source: Industrial Development Survey, 39

APPENDIX FIVE

NO. OF PUPILS IN UNINCORPORATED COMMUNITIES
ON FOGO ISLAND 1968
BY COMMUNITY AND RELIGIOUS DENOMINATION

<u>COMMUNITY</u>	<u>DENOMINATION</u>			
	<u>R.C.</u>	<u>UNITED</u>	<u>ANGLICAN</u>	<u>PENTECOSTAL</u>
Barr'd Islands	164			
Shoal Bay			18	
Island Harbour	73		40	
Joe Batts Arm	104	30	204	
Little Seldom		42		
Seldom			57	27
Stag Harbour		104		
Deep Bay			53	
TOTAL	341	191	372	27

Source: Industrial Development Survey, p. 55

APPENDIX SIX

PERSONS WITH UNIVERSITY DEGREES
BY SUBDIVISIONS, NFLD. 1971

<u>Subdivision</u>	<u>Pop. of Subdivision</u>	<u>No. of persons in Subdivisions with University Degrees</u>	<u>% With University Degree</u>
1	214,378	4,405	2
2	27,320	125	.4
3	24,516	90	.3
4	28,350	170	.5
5	44,879	525	1.1
6	40,089	540	1.3
7	40,576	225	.5
8	50,690	300	.5
9	23,140	105	.4
10	28,166	460	1.6
TOTAL	522,104	6,955	1.3

*Source: 1971 Census, Vol. 1-2, pp. 39A-1 to 39B-1

APPENDIX SEVEN

NO. FOGO ISLAND HOUSEHOLDS RESETTLED
 (BETWEEN APRIL 1/65 & DEC 31/68)
 RESETTLED TO:

Notre Dame Bay	22
Hamilton Sound	11
Central Newfoundland	11
Avalon Peninsula	8
Trinity Bay	8
Conception Bay	4
Burin Peninsula	3
South Coast	1
West Coast	1
Baie Verte Peninsula	1
Unknown	10
TOTAL	80

Source: Industrial Development Survey, pp. 29-32

APPENDIX EIGHT

NUMBER OF MEMBERS OF THE FOGO ISLAND CO-OPERATIVE
ATTENDING ANNUAL GENERAL MEETINGS
1971 - 1982

<u>Year</u>	<u>Number Attending</u>
1971	142
1972	121
1973	190
1974	156
1975	138
1976	60
1977	79
1978	147
1979	185
1980	197
1981	320
1982	210

Source: Fogo Island Co-operative Society's Annual
Returns, 1971 - 1982

APPENDIX NINE

SALARIES/WAGES OF MEMBERS
FOGO ISLAND CO-OP
1979 - 1981

	<u>1979</u>	<u>1980</u>	<u>1981</u>
Staff/Supervisory	90,908	125,612	241,240
Plant Workers	897,152	1,322,560	1,179,046
Fishermen	2,558,653	3,612,600	2,527,240
Number of Fishermen	740	874	747
Number of Labourers	452	460	449

Source: Fogo Island Co-op Submission to Kirby Task Force

APPENDIX TEN

A STATISTICAL OVERVIEW OF
CO-OPERATIVES IN NEWFOUNDLAND
AND LABRADOR

Kinds of Co-operatives:

Consumer	24
Agricultural	7
Craft	1
Film	1
Fisheries	1
Financial (Credit Unions)	15
Housing	2
Total	<u>51</u>

Consumer Co-operatives:

Annual Sales	\$41,305,000.00
Assets	9,927,000.00
Share Capital	3,349,000.00
Membership	20,000
Employees	450

Produce Co-operatives:

Annual Sales	\$11,466,000.00
Assets	3,593,000.00
Share Capital	446,000.00
Membership	1,900
Employees	1,000

Financial Co-operatives
(Credit Unions)

Loans to Members	\$20,000,000.00
Share Capital	9,851,000.00
Assets	30,181,000.00
Membership	13,000

*Source: Co-operatives Division, Department of Rural,
Agricultural and Northern Development

