

FROM THE BOTTOM-UP? COMMUNITY CONTROL IN TWO
COMMUNITY DEVELOPMENT CORPORATIONS

CENTRE FOR NEWFOUNDLAND STUDIES

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ANTHONY WALTER LEAMON



**FROM THE BOTTOM-UP? COMMUNITY CONTROL IN TWO COMMUNITY
DEVELOPMENT CORPORATIONS**

By

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ABSTRACT

Uneven economic growth across regions is a continuing feature of Canadian Society. Locally initiated development efforts are increasingly being examined in political and academic circles as an appropriate strategy to address issues of community marginalization. In this respect, community development corporations (CDCs) are viewed as democratic community-based organizations that provide residents with the means to plan and implement development strategies that address community needs.

CDCs are expected to integrate principles of democratic community control with private sector economic activity. This thesis explores the extent to which the Great Northern Peninsula Development Corporation, a CDC located in Newfoundland, and New Dawn Limited, a CDC located in Sydney Nova Scotia, were able to manage the tension between operating in a market economy and following principles of community control.

Interviews with the boards of directors of the CDCs and leaders of relevant community-based organizations indicated that both CDCs adopted the style and strategies of market-oriented private sector firms. Few opportunities were given to community residents to participate effectively in the planning and implementation of development policies. Almost all of the limited resources were focused on establishing and managing business enterprises. Leaders of neither organization saw community economic development in terms of an alternative development strategy with community empowerment as the goal.

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LIST OF ABBREVIATIONS

ACOA	Atlantic Canada Opportunities Agency
ARDA	Agricultural and Rural Development Act
CBAHD	Cape Breton Association of Housing Development
CDC	Community Development Corporation
CMHC	Canada Mortgage and Housing Corporation
DREE	Department of Regional Economic Expansion (Federal)
DRIE	Department of Regional Industrial Expansion (Federal)
GNPDC	Great Northern Peninsula Development Corporation
GNS	Great Northern Seafoods
NARDA	Northern Area Regional Development Association
NFDC	Northern Fisheries Development Corporation
NLDC	Newfoundland and Labrador Development Corporation
RAND	Department of Rural Agricultural and Northern Development (Provincial)
RDA	Regional Development Association

CHAPTER ONE

INTRODUCTION

Introduction

In 1987, a community development corporation (CDC) was established on the Great Northern Peninsula of Newfoundland to provide greater community control and ownership over the development of the region's resources. Community control over the corporation's activities was expected to flow through six community-based regional development associations on the peninsula that make up the organization's shareholders. Community development corporations are hybrid organizations. They attempt to combine small business development and entrepreneurship with a structure to improve the capabilities of residents of the region to take control of the development process.

The objective of this thesis is to examine the extent to which two community development corporations in Atlantic Canada were able to function as effective vehicles for community controlled economic development. Did the CDCs provide opportunities for community residents to plan and implement a comprehensive development strategy which would allow them to take control of their community's resources? This question will be addressed by focusing on a case study of the Great Northern Peninsula Development Corporation, a CDC on the Northern Peninsula of Newfoundland. The investigation will build on the work of Sinclair (1989), and Felt and Sinclair (1991) and include an analysis of New Dawn Limited, a CDC in Sydney, Nova Scotia.

CDCs are viewed as organizational tools that can be used to implement a programme of community economic development. Community economic development is often cited as one example of development "from below", where marginalized communities or regions mobilize local resources to address social and economic problems. It is argued that strategies formulated in this way would most effectively address the needs of the communities or regions. The aim of this approach is to strengthen local institutions to provide a greater degree of local autonomy in relation to decisions made by large companies headquartered outside of the area and/or by unresponsive central government bureaucracies. The thesis will examine how well the two CDCs were able to function as community controlled development organizations.

Like other development "from below" strategies, community economic development is not grounded in a theory or model of social and economic development. It is normally described in terms of implementation and operational considerations. Reports emphasize the importance of a community-based economic development approach but few analyze the internal dynamics of the process or attempt to make a link with the wider evolution of capitalism and/or government policy at the national and provincial levels. In many cases, a community is considered homogeneous and questions concerning social divisions in the community and who controls community economic development programmes are seldom investigated. Are organizations such as CDCs able to forge a new type of political economy where all community residents democratically control economic activity? Or do they reject the political process that this would entail, concentrating instead on business success in an attempt to become financially

self-sufficient? This thesis will attempt to answer these questions. The first step in the analysis will be an overview of relevant literature on regional and community economic development.

Regional Development

Uneven economic growth across regions is a characteristic of all capitalist market economies. In a system that encourages the free movement of all factors of production and defines all values in terms of commodity relations, certain regions will likely enjoy advantages of economic growth while others become marginalized.¹ Canada is no exception. People in some parts of the country are faced with higher levels of unemployment, lower incomes and fewer social services than people in other areas. Economic indicators such as personal per capita income, gross domestic product and levels of unemployment consistently reveal that within Canada, Newfoundland and Labrador is the poorest province. And within the province itself there are regions significantly worse off than others. These conditions have contributed to a steady flow of out-migration from the Newfoundland and Labrador to other Canadian provinces as people leave in search of a more secure future elsewhere. Since the 1960s, numerous initiatives designed to stimulate economic development in the marginalized areas were established by both the federal and provincial governments. Despite these efforts, regional disparities have persisted.

¹ In this sense marginalization refers to the exclusion from a whole set of interaction processes associated with a strong economic base reflected by symptoms such as low and irregular incomes, high rates of unemployment and weak economic institutions.

Traditional regional development policies such as industrial attraction, growth poles and resource sector mega-projects are based on a development "from above" paradigm that emerged in the period immediately following World War II (Hensen, 1981; Stohr and Taylor, 1981; Weaver, 1981). The paradigm is grounded in modernization theories of development. According to these theories, development will occur through the dispersion of western urban industrialization and culture to "underdeveloped" areas (Portes, 1976). Economic development was thought to polarize initially around favoured economic sectors and urban locations. Growth was expected eventually to spread or 'trickle-down' to surrounding centres according to market forces as corporate industry penetrated into those areas. Where regional disparities persisted, the state could intervene through regional development policies designed to induce economic growth in the distressed area. Corporate investors would be attracted to designated areas by public incentives such as tax benefits and grants. It was expected that the attracted industries would contribute to a process of spin-off growth. And economic development would eventually spread throughout the area's lagging hinterlands (Hansen, 1981; Weaver, 1984).

Over the past two decades, regional development policies based on a development "from above" paradigm came under increased criticism. During the 1970s, regional development research indicated that the expected spread effects associated with the development "from above" approach were small and limited in geographical extent (Hansen, 1981). Evidence also suggested that the kinds of industries attracted to marginalized regions did not establish forward and backward linkages in the surrounding

economy. Therefore, internal networks of dynamic expansion were never established (Weaver, 1984). Within traditional regional development policies, emphasis was placed on attracting multiregional and multinational corporations. However, these corporations were often guided by their own functional criteria which were not necessarily in accord with the interests of territorial communities (Stohr, 1983). Large corporations were often attracted by a small number of specific natural resources. This usually meant the "creaming" of these resources for export (Hensen, 1981), leading to their over-utilization while other resources were left idle. Large external corporations would also often drain capital, in the form of profits, away from the region and even displace endogenous enterprises. After several decades of traditional regional development policies, marginalized regions have continued to be burdened with a narrow economic base, high exposure to external changes in demand, slow growth rates and low indicators of economic and social development.

Stohr (1986) outlined a number of changes in conditions during the 1970s in western industrialized countries that made the basic assumptions underlying traditional regional development policies invalid. The aggregate economic growth rates even in core regions began to decrease. These reductions had a greater effect on marginal regions because of their dependence on economic expansion from the centre. The overall decrease in economic growth was coupled with increased local economic turbulence associated with plant closures. Multinational corporations could easily move capital around in search of lower production costs, mainly in third world countries. Moreover, multinational and multiregional corporations were often attracted by natural resources to peripheral regions

in industrialized countries. However, by the 1980s many of the natural resources were being exploited to their limits. Moreover, evidence showed that most new jobs were being created by local small businesses rather than the migration of large firms (Peirce, 1981). Finally, by the 1980s conservative governments in many western industrialized countries began to raise concerns over the continued availability of public funds to promote the expansion of economic activity from core to peripheral areas.

Under these conditions, regional development policies based on the assumption that aggregate economic growth would diffuse from developed to marginalized regions partly via market mechanisms and partly through the aid of regional development policies began to be viewed as less appropriate. As a result, more attention is now being focused on alternative approaches to regional development. Buller and Wright (1990) maintain that since the 1980s there has been a shift in both the third world and western industrialized countries away from regional policies based on "trickle-down" development from the centre to local programs based on the creation of small-scale locally controlled development impulses. Unlike proponents of development "from below" who, in the context of the third world, see locally initiated development as a way to change existing social structures and create new forms of social organization that would lead to autonomous development (Stohr and Taylor, 1981), locally initiated development in the industrialized west, while using the same language (local control and local participation), tends to focus on local capital accumulation within the framework of existing state control and social relations of capitalism.

Stohr and Taylor (1981) write of a new paradigm of development "from below" that draws much of its theoretical orientation from the neo-marxist school of dependency theory. This approach is based on an alternative notion of development where egalitarian social structures and a collective consciousness are important prerequisites. Development is viewed in terms of the full mobilization of a region's natural, human and institutional resources for the common benefit of all strata of the regional population. The new paradigm calls for increased local autonomy over development decisions and the establishment of internal, democratically controlled development organizations. Both elements require considerable changes in institutional and power structures (Stohr, 1981).²

In western industrialized countries, the context is different. Local development is based on a populist approach. It does not challenge existing social and economic structures. The legitimacy of the existing capitalist system itself is never questioned. Nor is the internal class structure of the region discussed. Like any other populist programme, it is not expressed in class terms but presented in terms of a general ideology which embodies principles of political and economic morality which all classes ought to embrace (Collier, 1985). In this sense, local development calls for the defence of the viability of communities wronged by the perceived failures of traditional development strategies that supported large scale capital and the perceived insensitivity to local needs and conditions in development schemes devised at the centre. The goal of such an approach is to create internal development initiatives and reduce the region's

2 Stohr (1983) has also applied this approach to peripheral regions in industrialized European countries.

dependency on large centralized institutions - multinational corporations and central state bureaucracy - without overthrowing dominant institutions.³

Summers (1986) points out that a great deal of development literature assumes that increased presence of extra-local forces in the community (vertical integration) has rendered the community powerless in the face of broad and powerful forces that have concentrated political and economic power.

The basic argument was that social organizational changes wrought by these macro processes had robbed communities of local autonomy in their decision-making and had absorbed them into mass society. In recent years there has been a growing sense that the pronounced impotence of rural communities has been somewhat exaggerated" (Summers, 1986: 349).

Moreover, Long (1984: 168-169) maintains that sociological theories of development, "see social change as emanating from centres of power in the form of state or international intervention and following some broadly determined developmental path ... Such interpretations are tainted with a dreadful sense of fatalism." He argues that a more dynamic approach to the understanding of local social change is required, one that takes into account the "dynamic processes by which ordinary people - peasants, workers, entrepreneurs, bureaucrats and others actively engage in shaping the outcomes of processes of development." While it is important to acknowledge the constraints imposed by outside forces it is also important to recognize that external factors are:

both mediated and transformed by internal structures... Such an approach emphasizes the importance of taking full account of 'human agency', which means recognizing that individuals... attempt to come to grips with

3 Whether such a gradual transformation of power, is possible while maintaining the basis of the existing social and economic system, is open to debate. So too is the issue of whether localized efforts can form the basis of a social movement capable of challenging such powerful interests.

the changing world around them... We must, that is, look closely at the ways in which different individuals or social groups deal with changing circumstances and attempt to create space for themselves so that they might benefit from new factors entering their environments" (Long, 1984: 171).

Studies have indicated that community characteristics such as strong leadership and the presence of strong citizens groups can have a positive impact on the ability of communities to gain a degree of autonomy in relation to external forces, thereby reducing their dependency (Summer, 1986). Therefore, it is important to look at dynamic processes in the underdeveloped region. Small scale enterprises, both capitalist in the form of private businesses, as well as collectivities and domestic commodity producers can survive in underdeveloped regions, although they are heavily influenced by extra-regional forces such as large corporations and the state (Apostle and Barrett, 1992).⁴ Two major questions need to be examined. What form will these local development initiatives take? And who in the region will benefit from the initiatives?

In Canada, local development is increasingly being examined in political, academic and community circles. "Writers on regional development are increasingly adopting a local perspective, where accent is placed squarely on small-scale systems" (Lamontagne and Trembley, 1990: 6). Top-down bureaucracy-driven plans for regional development have fallen into disrepute (Economic Council of Canada, 1990). Coffey and Polese (1984) outlined a model of local development where local factors - in particular the entrepreneurial ability of the local population - are the necessary and largely sufficient conditions for development. However, "it must be recognized that the local

4 See Sinclair (1985) for a discussion of the fishing industry on the Northern Peninsula in this context.

development approach does not constitute a homogeneous school of thought, but is rather a catch-all term for a variety of approaches that share a micro-spatial orientation" (Lamontagne and Trembley, 1990: 7). On the one hand, there has been a resurgence of interest in small, private sector businesses, and, "on the other hand an exploration of collective styles of economic organization" such as worker cooperatives, community business ventures and community development corporations (Clarke, 1986: 189).

In Canada, more attention is being focused on ways local communities could launch programs to take charge of their own development (Bryant and Preston, 1987). In fact, a large number of locally initiated development programs exist in many industrialized countries. These initiatives are receiving increased attention from government agencies. The Organization of Economic Cooperation and Development started a major research project - "Cooperative Action Programme on Local Initiatives for Employment Creation" - in 1982 (Gaudin, 1984). In Canada, the Economic Council of Canada launched a similar research project in 1988. The "Directions for Regional Development Program" looked at 14 case studies of local development organizations in various parts of the country (Economic Council of Canada, 1990).

Cadrin and Baron (1990) maintain that collective local-based development initiatives are not new in Canada but have grown out of decades of frustration with top-down regional development programs originating from senior levels of government. In fact, Canada has a long history of locally initiated and collectively controlled economic development organizations. Producer and consumer cooperatives as well as credit unions have played roles in many economically marginalized communities (Economic Council

of Canada, 1990; Perry, 1987). What is relatively new in this country is the formation of community-based programs that aim to formulate and implement comprehensive locally based development strategies. This new 'entrepreneurial branch of community development' (Economic Council of Canada, 1990: 1) is often referred to as community economic development.⁵

Proponents of this approach maintain that local development must be carried out under local direction, according to local priorities. They maintain that strategies most likely to bring real benefits to marginalized regions are those conceived locally. It is assumed that development potential exists in the region but it has not been fully utilized because of weak local institutions. Therefore, it is necessary for marginalized communities to mobilize local resources to address their development problems. Perry (1987: 66) defines community economic development as the:

purposely stimulated expansion in the number, in the variety, and in the strength of locally valued, locally based institutional processes. Those processes are visibly embodied both in organizations (such as businesses, church schools, and credit unions) and in physical structures (such as sewers) that are maintained by organizations (by a public works department or a property owners' association or whatever).

5 During the 1960s and early 1970s, when North America was experiencing growing prosperity, community development focused on reallocation and redistribution of assets and power according to principles of equality and social justice. The aim was to mobilize disadvantaged citizens to press for more services from the state by forcing an agenda of redistribution into public policy. The economic recession of the 1980s and economic restructuring have caused a shift in the field of community development policy from social consumption issues towards a more direct focus on employment and local economic strategies (Mayo, 1989). Blakely (1989) and Summer (1986) both maintain that local economic development is now the dominant approach to social change within the field of community development.

Community Economic Development

Community economic development has been promoted as an effective way of furthering regional development (Perry, 1989; MacLeod, 1986). It is difficult to cut through the underbrush of concepts and terms used to describe similar processes where development programs are initiated within small territorial units. Endogenous development, local development, regional self-reliant development, development from below, bottom-up development, community economic development and community development are used by various authors. They do not all have the same meaning nor advocate the same policies beyond the initiation and control of development activities in designated localities. As a concept, community economic development itself remains vague and gives rise to varying interpretations.

Douglas (1994a) maintains that not all of local development is community economic development. Much depends on the extent to which development in the community comes from the community, is undertaken by the community and is explicitly for the community. Bryant and Preston (1987) view community economic development as a form of local development initiative where communities are active in determining the objectives and goals of the development process. At its most fundamental level, the development strategy refers to community control over local resources. However, in the literature on community economic development two basic types of development strategies are outlined. One strategy emphasizes business development and economic growth and the other emphasizes community empowerment (Fontan, 1993). Proponents of these two separate approaches have different ideas of what community control and community

mean. The purpose of this section is to analyze the various meanings given to the term community economic development.

In community economic development proposals, the internal class structure of the region and any effect the lack of local control over economic activity has on that structure are seldom discussed. Surprisingly, both the populist left wing and the populist right wing support community economic development. Both legitimate their goals through appeals to the community, decentralized programme development and self-help. They both maintain that the objective is to bring economic activity under community control, but differ on what community control actually means. The nature of community economic development activity at the local level is what possibly distinguishes the two groups. The left sees it in terms of collective self-reliance, socialization of resources and economic democracy. Meanwhile, right wing populists see it in terms of private sector small business development, local entrepreneurship and locally initiated economic growth.

For left wing populists, community economic development is seen as part of a wider social movement leading to expanded popular involvement in the political system, the workplace and the community. Yet, unlike marxist approaches to social change, left wing populists "refuse to make labour the axis of struggle" (Boggs, 1983: 345). Their approach is more congruent with the traditions of civic democracy that are prevalent in the United States. In Friedmann's (1987) terms, it is an attempt to "recenter politics in civic society." Unlike social democratic approaches where there is a focus on labour, an emphasis on state intervention to redistribute income and the nationalization of large industries, the populist left emphasizes the democratization of the economy from the

bottom-up, starting with the workplace and the community (Boggs, 1983). Community economic development is viewed as a strategy for social change where social criteria are integrated with economic development at the community level.⁶

According to Shragge (1993: 1) if community economic development is to be a strategy for social change it must "link social and economic development, the traditions of mobilization and advocacy for social change, and the building of alternative community institutions." This stance assumes that community economic development is, "not primarily about economic development in the conventional sense of stimulating the growth of private enterprise, but it is, rather part of a tradition of community intervention." For Shragge (1993) community economic development must mobilize the community to give it a strong political voice. It must also build alternative institutions to bring community resources under democratic control. The goal of such an approach is community empowerment.

Similarly, Swack and Mason (1987: 327-328) define community economic development as a strategy of social intervention in marginalized localities that is different from traditional economic development policies. In this sense social intervention refers to change of the system rather than changes within a system which is left unaltered. According to their view, community economic development seeks to:

build permanent institutions within the community. As a result, the community begins to play a more active role vis-a-vis the institutions outside the community, and residents of the community become more active in the control of the community's resources ... The starting premise for community economic

6 Those on the left also see community economic development as a possible response to threats by private corporations to move their capital to other locations as they attempt to force wage and benefit concessions from workers and other concessions from governments (Lane, 1988).

development is that communities that are poor and underdeveloped remain in that condition because they lack control over their own resources.

A primary objective is to build democratic institutions that would provide community residents with the means and opportunities to control local resources. Community land trusts are viewed as institutions that would provide democratic control over land and community loan funds are seen as a way to democratically control capital.

Bruyn (1987) also takes this approach. He sees community economic development as the basis of a new system of political economy between state socialism and free market capitalism. He maintains that an unregulated competitive market is a basic problem because it can easily devastate the economies of communities. Overcoming this problem without massive state intervention requires the social emancipation of land, labour and capital from the competitive market. This would lead to greater self-determination of people in communities as they gain more control over their economic resources. He looks to the emergence of community oriented enterprises that are accountable to community residents. Land, labour and capital would be democratized through the establishment of community land trusts, worker co-operatives and credit unions. He views community development corporations as the "planning and governance vehicle" to meet local needs (Bruyn, 1987: 16). Since they are expected to be accountable to all community residents instead of a special interest group, CDCs are expected to be the coordinating organizations in the community's new political economy.⁷

7

A more general framework for social change based on the democratization of the economy has been presented by Bowles and Gintis (1986).

Taking a political economy perspective, Gunn and Gunn (1991) see community economic development as a way for communities to take control of what they term "social surplus" or surplus value. They maintain community economic development is a way of expanding public planning and citizen participation in the planning process. They too see the need for alternative institutions that expand the amount of community resources under democratic control and provide alternatives to traditional corporations and private decision making.

Left wing proponents of community economic development see community as more than geography. Social networks are emphasized. In this sense community economic development is based on a process whereby people with common interests come together in community-based organizations to bring about planned change and exercise collective power over their social environment. As a community development strategy, such a stance is concerned as much with development "of" the community as with development "in" the community. Development "of" the community refers to strengthening and maintaining channels of communication and cooperation among local groups (Blakely, 1989; Fear, Gamm and Fisher, 1989; Wilkinson, 1989). Capacity building is a central element in such a strategy. Garkovich (1989: 197) defines capacity building as:

the ability of residents to articulate needs and to identify actions to solve those needs. Local capacity also represents the ability of residents to mobilize and organize local and extra-local resources in the pursuit of communally defined goals.

Therefore, social outreach and educational strategies that provide community residents with the skills to take part in the development process are necessary components of community economic development (Shragge, 1993; Swack and Mason, 1987). According

to Chekki (1979) such an educational process is a major thrust of social development where policies reflect egalitarian and cooperative oriented value premises.

Right wing populists may applaud the notion of community economic development but they do not embrace the collectivist notions of community participation. They believe that poverty and marginalization will not be eliminated by community-based collective initiatives but by the emergence of the values of individualism and competitive enterprise. Within this approach emphasis is placed strictly on encouraging small-scale business creation. Development is seen in terms of economic growth generated and controlled by endogenous entrepreneurial activity. No consideration is given to community decision-making structures that would provide people with a real say in the political economy of their lives (Lane, 1988). The Economic Council of Canada (1990: 3) defined community economic development as "improvements of job opportunities, income levels, and other features of the economy, not only on Main Street but by Main Street." The essential element of this approach is to make the local market work by supporting the local private sector. Social goals should be subordinate to sustained economic growth.

While local control over economic activity is emphasized, this strategy is not based on fundamental changes to the definition of what constitutes development. Nor is any consideration given to the social issues surrounding development strategies. Community is seen only in geographical terms. As a result it is considered homogeneous. Issues related to power and access to decision-making within the locality are not considered. The question of who really benefits is seldom investigated. It is assumed that wealth generated by some would have a ripple effect and the community's population as

a whole would benefit from economic growth. However, as Fontan (1993: 6) points out: "Unfortunately, this is not so. Communities are made up basically of distinct units that benefit unequally from the advantages and disadvantages inherent in growth processes." The devolution of development functions to the local level to retain capital for investment may merely enhance the position of local elites (Douglass, 1981). The social dimension of development needs to be confronted if social goals are to be integrated with economic development.

From a community development perspective, the approach supported by right wing populists is oriented towards development "in" the community. Here emphasis is placed on achieving particular tasks. From this perspective, community economic development is viewed as a means to generate new enterprises and create new employment opportunities more effectively than centrally directed programmes (Summers, 1986). It is a technical solution to regional development problems based on the acquisition of problem solving resources by local technical experts. Public input is often nonexistent. However, without it, this cannot be considered community development (Fear, Gamm and Fisher, 1989). It would seem misleading to term strategies of this type community economic development. Fontan (1993), for example, maintains that such initiatives should be referred to as local development. As Christenson, Fendley and Robinson (1989: 4) point out: "Sometimes social and economic development go together; sometimes they do not. Clearly, economic development without people development is not community development."

Both populist left wing and populist right wing proponents of community economic development often support community-based organizations as important components of the development process. However, for the former, these organizations are seen as alternatives to existing structures and centres for community empowerment. For the latter, they are a means to support private sector entrepreneurial activity in the locality as the state opts out of direct involvement in local economic development. Community-based organizations engaged in community economic development are part of what is commonly referred to as the third sector. The third sector is often presented as an alternative when the private sector and state fails to address local social and economic problems (Bradfield et al., 1986; Pell, 1994) "What makes this sector different is its orientation towards personal and community needs and the priority it accords local considerations" (MacLeod, 1986: 8).

The third sector is used as a "catch all" term for organizations which are neither profit-oriented businesses nor governmental agencies or bureaucracies. It is not a qualitatively distinct approach to economic organization (Quarter, 1992).⁸ The broad range of economic and social attributes which exist under the term allow individuals to support those parts or aspects of the third sector which seem to support their own ideological positions (Seibel and Anheier, 1990).

Third sector organizations have diverse origins, diverse objectives and diverse legal forms. Worker cooperatives, community cooperatives and CDCs are often viewed as organizational frameworks to implement a program of community economic

8 MacLeod (1986) also includes activities in the informal economy.

development. In principle these types of organizations are expected to combine business development with social reform and give priority to social objectives over strictly commercial ones.⁹ Whether third sector organizations integrate social with economic goals is a question that needs to be studied in each case. Organizational structures in themselves are not progressive. The following section will describe one type of third sector organization, the CDC.

Community Development Corporations

There are many variants in how CDCs are structured and the kinds of activities they engage in. However, there are some common elements attributed to organizations that are given this title. CDCs are typically umbrella non-profit corporations designed to address a wide range of social, cultural, environmental as well as economic issues (Cossey, 1990; Perry, 1987; Wismer and Pell, 1984). They integrate planning with implementation. Planning is required to identify community needs and formulate development strategies to respond in a comprehensive way to community problems. The planning process can be used to generate a wide base of community involvement. At the same time, CDCs take action to implement the development strategies that are formed (Zdenek, 1987).

CDCs are multi-purpose institutions that often generate several projects. Although non-profit by definition, they can be involved in non-profit and for-profit activities

⁹ Fairbairn et al. (1991) maintain community economic development should focus on promoting third sector organizations that take collective action rather than strategies that encourage individual entrepreneurship. Individual entrepreneurs can be expected to focus on activities that benefit them. On the other hand, third sector organizations such as cooperatives and CDCs can play an important role in affecting economic change in accordance with the community's social goals.

through various subsidiaries. The parent non-profit umbrella organization coordinates the various projects (Pell, 1990). Any surplus revenues are meant to be re-invested for community purposes whether economic or social rather than channelled into personal savings or consumption. The assets of CDCs belong to the organization as a whole. Ownership is based more on the notion of control than property rights as in the private sector.

CDCs may get involved in a number of different kinds of activities including: (1) the formation of business enterprises through subsidiary corporations; (2) the provision of support to local entrepreneurs; (3) the provision of services such as low cost housing; (4) the development of commercial real estate (includes retail space, office buildings, and industrial buildings including business incubator facilities); (5) community advocacy which may include political representation on behalf of the community, community liaison and community organizing. CDCs may get involved in any or all of these activities. They often seek to structure and operate their programs in ways that make them mutually supportive. (Perry, 1987; Vidal, 1992).

While they may be financially dependent on government, CDCs are governed by an autonomous voluntary board of directors drawn from the community.¹⁰ The directors are expected to control the CDC and represent the interests of the community. However, when it comes to community control, CDCs are structured in different ways. In some CDCs, all residents can become members and acquire one vote each. They then elect a

10 This points to a difference between democratic socialism, where social ownership is seen as government ownership, and cooperativism, where social ownership is defined in terms of democratic organizations (Quarter, 1992).

board of directors from the membership, which in turn appoints management. In other CDCs, the membership consists of existing community groups, often with open membership to all community residents. Representatives of these organizations elect members to sit on the CDC's board of directors. In other cases, CDCs are organized by a group of community residents who consider themselves representative of the community. The founding board of directors and subsequent members are appointed by existing board members. In any of these structures, CDCs may also supplement community participation on their boards by appointing individuals with special expertise (MacLeod, 1984). In all cases, the board of directors is expected to shape policies to meet community needs.

After studying a number of CDCs in Canada, Cossey (1990: 16) presented key characteristics that distinguish a CDC from other types of community-based organizations. These characteristics included:

- (1) Legal incorporation as a non-profit organization, in that neither members nor Directors benefit individually.
- (2) Control by a majority of fulltime, community residents on the Board of Directors.
- (3) A stated and demonstrated commitment to a holistic/integrated approach to community development, that is, one that includes physical, economic, social, organizational, aesthetic and cultural facets.
- (4) Developing enterprises for and by the community, and maximizing the use of local resources (especially renewable resources) to meet local needs.
- (5) Not a single enterprise but an umbrella organization which spawns several projects and co-ordinates many efforts.
- (6) Seeking to be autonomous, self-reliant, sustainable and rejecting long term dependency and subsidization from any one source.

- (7) Not bound to any one, ideal type of organizational model or structural arrangement.
- (8) Maximization of democratic processes in the internal decision-making and community mobilization.
- (9) A commitment to the creation and equitable distribution of new wealth in the community.

History of Community Development Corporations

The first CDCs were formed in the United States in 1961 and 1962 with funding provided by private foundations such as the Ford Foundation through its Grey Areas Program and from church organizations (Centre for Community Economic Development, 1977). CDCs formed in a number of distressed black urban neighbourhoods as community leaders sought ways to improve their communities. Proponents of CDCs argued that existing government anti-poverty programs were not working and private sector businesses were unwilling or found it insufficiently profitable to provide jobs and adequate housing in distressed areas. They argued that community based organizations were needed to fill the gap (Cummings and Glaser, 1985; Perry, 1987). "The intent was to have local residents own and operate a self-supporting enterprise that would initiate and support business and perform various service or welfare functions" (Rathge, Goreham and Hundahl, 1992: 39).

The rise in urban civil disorder during the mid 1960s spurred the federal government to establish a series of War on Poverty programs. In 1966, Congress established the Special Impact Program. The program, administered through the Office of Economic Opportunity (later called the Community Services Administration), was a

source of funds for unspecified programs aimed at improving poor areas. The Special Impact Program soon became the primary funding source of CDCs (Berndt, 1977).

The CDC movement in the United States has already gone through three distinct stages (Brodhead, Lamontagne and Peirce, 1990; Vidal, 1992). During the 1960s, CDCs placed a lot of emphasis on advocacy and political action. Community organizing and the mobilization of disadvantaged citizens to press for more services from the state were important elements in this approach. With an expanding welfare state, the federal government was willing to provide some support to these efforts (Berndt, 1977; Garn, 1975). Moreover, during this time, participation of community residents in development programs was part of official government policy. "The Office of Economic Opportunity (OEO) was created to implement a sweeping multi-faceted program, partly designed to maximize the participation of the poor and working class in the development and revitalization of their neighbourhoods" (Cummings and Glaser, 1985: 268). According to Blakely and Aparicio (1990: 116-117) CDCs were asked to perform two missions during this period:

The primary role of these organizations was to rekindle or stimulate the development of a viable economic base in a targeted distressed area Another role of the community development corporations was to transform and revitalize cohesion in the distressed target areas.

During the 1970s, the number of CDCs in the United States continued to grow. However, CDCs were forced to respond to changes in public policy that were less generous to community-based development efforts. The overall economic environment deteriorated during this time as well. CDCs changed in response by becoming smaller and choosing more modest goals and more focused objectives. They concentrated on

economic activity and moved away from previous advocacy and political activity. During the 1970s, CDCs were less likely to engage in a wide range of business ventures on their own but were, "more apt to enter into financial or technical partnerships with the private sector as well as with various levels of government" (Brodhead, Lamontagne and Peirce, 1990: 4).

The shift in emphasis to economic activity was reflected in a change in federal government policy. Federal funding for community development programs was reduced. This forced CDCs to rely more on their own activities for revenues. It also forced them to continue seeking support from state and local governments (Vidal, 1992; Zdenek, 1987). Moreover, less emphasis was placed on the mobilization of low-income residents as a strategy in community development.

The 1970s could be seen as a transitory stage between the advocacy and community development approach of the 1960s and the emphasis on entrepreneurship that would follow in the 1980s. During the 1980s the Reagan administration reduced federal spending to all domestic programmes except defense. Social programs and community economic development in particular were hit hard by the budget cuts. In response, CDCs put more emphasis on business success in an attempt to become financially self-sufficient (Vidal, 1992). In the United States, CDCs have:

been forced to rely on business techniques previously found in the 'for profit' business sector itself, as well as on increasingly sophisticated partnerships, particularly with corporations but also with state and local governments. The decade's CDC activity was marked by both an increasingly strong market orientation and by a sharply focused approach to business development" (Brodhead, Lamontagne and Peirce, 1990: 5).

As a result of the increased emphasis on profit-making activities, questions have been raised about their commitment to the community and the relationship between their business functions and their social responsibilities. According to Blakely and Aparicio (1990), CDCs in the United States may have become less involved in community activism as they have become more attuned to economic and financial considerations. They argue that CDCs formed after the 1960s War on Poverty era have paid less attention to social and educational aspects and focused mainly on business success.

For a number of reasons, CDCs were much slower to develop in Canada than in the United States. First, the social context was different. According to Twelvetrees (1989), the emergence of CDCs in the United States was aided in large measure by the decentralized and pluralistic nature of welfare provision in that country. In the United States, governments provided funding, within broad guidelines, to voluntary neighbourhood groups to implement social and economic development programs. As a result, many CDCs were given funds to implement health and low-cost housing programs which became an important component of their activities. These programs were seen as part of their response to social issues. Moreover, CDCs were able to access a plurality of funding sources (private foundations and church organizations as well as government sources). Governments in Canada were more willing to engage directly in social and economic development. The voluntary sector had a more residual role. There was also a stronger tradition of cooperative development in Canada than in the United States. People who engaged in economic self-help programs were likely to form cooperatives in this country.

New Dawn Limited is considered to be the first CDC to develop in Canada. It was incorporated in 1976. However, the Canadian federal government never did establish programs aimed at assisting CDCs. The federal government did not launch community economic development programs until 1975 when a short lived program, the Community Employment Strategy, was created. In 1980 the Local Economic Development Assistance Program was introduced. This program was later modified in 1983 and renamed the Local Employment Assistance and Development Program. Assistance was provided to non-profit community organizations (LEAD Corporations) to provide consulting services and technical assistance to local entrepreneurs (Ladouceur and Kinoshameg, 1986). In 1986, the more comprehensive program of Community Futures was introduced. However, none of these programs were specifically designed to fund CDCs.

There appears to be some debate over whether CDCs are primarily economic enterprises or primarily local development institutions with a strong political and social basis. Are they democratic self-sufficient businesses or are they democratic umbrella planning institutions responsible, much like local government, for the overall development of the area? In many cases during the 1980s, due to the desire to become financially self-sufficient, emphasis was placed on success as business enterprises. For MacLeod (1986: 57) the goal of:

restoring community autonomy involves the secondary goal of creating an entity which has a sound economic base - the business corporation. As such, the CDC must always have its own survival as a prime objective. It must earn its way.

There are certain tensions inherent in a democratic business enterprise operating in a market economy that are well documented in the literature on cooperatives. The next section will examine this tension in more detail.

Internal Tensions in Social Enterprises

CDCs are expected to have an underlying spirit and intention of cooperativism. The ideological foundation of cooperativism is based on the combination of social purpose with economic reality. Generally speaking, both CDCs and cooperatives are expected to share certain characteristics of the public and private sectors. Since they are expected to rely - at least in part - on their own revenues, CDCs and cooperatives can be referred to as social enterprises which are at risk in a competitive market:

In contrast to private enterprise, which risks capital in order to bring an appropriate financial return to investors, social enterprise's primary purpose is to meet the social objectives of the organization. Capital is put at risk in the service of the organization's social objectives. Instead of private entrepreneurship, these organizations engage in social entrepreneurship (Quarter, 1992: 3).

Meanwhile, capital invested in the private sector tends to have a weak social commitment. CDCs and cooperatives, on the other hand, are expected to balance social concerns with economic performance. An important question that must be addressed is whether CDCs are able to maintain that balance by adhering to principles of social development.

McGillivray and Ish (1992: 14) point out that cooperatives in Canada lost much of their focus on social issues during the late 1940s and 1950s. As a result "the theory of co-operation as modified capitalism took root in Canada during this period."

Cooperatives shifted from an ideological orientation grounded in social change to an orientation concerned with economic survival. Management principles were based on models used by private sector firms. No clear social mandate was developed. In fact they down-played any vision of a social mandate and became more concerned with successful business management and efficiency in their operations (Craig, 1980a).

After World War II, many cooperatives hired specialized managers who adopted corporate business practices. As a result, cooperatives built centralized systems that enabled them to compete in the marketplace, but the systems diverted their focus from their social objectives (Chevalier, 1980). Studies of cooperatives in Western Europe and North America have found increased alienation and disappointment among members who agree with the principles of cooperation but feel they are not being practised by their cooperatives (Craig, 1980b). In Europe, community-based enterprises and worker cooperatives formed in the late 1970s and 1980s, in response to continued high rates of unemployment, have often emphasized conventional business operating procedures rather than building participatory democratic organizations (Gaudin, 1987; Mellor, Hannah and Stirling, 1988).

CDCs and cooperatives are faced with the tensions of operating in a market economy while espousing principles of collectivism. The need to succeed as businesses is an important constraint faced by any collective enterprise pursuing a variety of organizational and social objectives animated by social needs. In response to market competition, there is pressure to adopt the style and strategies of market-oriented private sector firms. Increased democracy means decentralized decision-making. If managers

have to respond to the decisions of the general membership, they will lack flexibility, which may adversely affect the ability of the organization to perform competitively. On the other hand, by adopting conventional business practices, CDCs may undermine their ability to promote social goals and lose their relationship to the community that justified their existence in the first place.

If CDCs and cooperatives are to form the basis of a community economic development strategy where some form of community empowerment is a desired goal, alternative management techniques must be adopted. This would mean formulating strategies that increase participation in organizational decision-making and creating plans aimed at general community benefit. While it may be necessary to delegate decision-making powers to a board of directors and staff, they must be accountable to the membership and responsive to the membership's views. An emphasis on economic success without regard to democratic processes or community development will likely place decision-making power in the hands of small group of individuals. At best, general community benefit may ensue through the decision-makers paternalistic attitude.

The issue is not whether there is a hierarchy in CDCs and cooperatives, but whether democratic decision-making is practiced and whether the leadership has legitimacy among the membership. In large organizations, practical considerations require the development of formal hierarchies. Only small institutions are able to utilize a flat control structure that encourages direct participation. However, the democratic ideal can only be achieved where there is accountability to the membership and where the membership can direct the affairs of the CDC by majority control. The question is: do

CDCs take time to develop the support of the community residents or membership through some community development activities? In large CDCs, lack of control and accountability could lead to symptoms of alienation and social tension.

CDCs, like cooperatives, take a critical part of their logic from outside of the market economy, but they must respond to the pressures and logic of that market. Fulton and Laycock (1990) consider the conflict between democratic control and market competitiveness as one of the central dilemmas for Canadian cooperatives. This is also true for other community-based ventures such as CDCs. The dilemma can be seen from two perspectives, one is internal to the collective enterprise and is viewed in terms of representativeness and accountability. The other is external and expressed in the way legal, social, cultural and market pressures discourage democratic control.

From an internal perspective, democratic control in CDCs is expected to go beyond the principle of one member one vote to include sensitivity to the needs and goals of the community residents. Democratic control of this nature raises two questions concerning the internal dynamics of these organizations: (1) the extent to which they are able to represent the community and balance divergent goals and needs of different groups; (2) the extent to which someone (the agent) hired or appointed to represent another (the principal) will undertake actions that are in the principal's best interest and reflect their wishes. Fulton and Laycock (1990: 4) refer to the latter as the principal-agent problem. In any hierarchical control structure, "principals delegate the task of implementing decisions to agents." The principal-agent problem can occur at two levels in cooperatives and CDCs: (1) the board of directors may not adequately understand the

needs of the general membership or community population; (2) the staff may not represent the interests of the board of directors. The problem can best be explained in terms of communication and flows of information both up and down the organization (Fulton and Laycock (1990)).

The principal-agent problem is compounded in collective enterprises such as cooperatives and CDCs which are trying to provide a democratic response to social welfare but must also compete in the market. Fulton and Laycock (1990: 6) maintain that:

the agency problem arises when co-operative's decision-makers, in their attempts to meet the apparent demands of the market, depart from (or fail to advance) community and social goals that transcend the logic of the market. In other words, the large number of stakeholder in a co-operative provide many signals to the co-operative, the majority of which are likely to get lost because of the principal-agent problem.

According to this view the principal-agent problem is more a consequence of two different views of the nature of cooperative activity than of differences between two or more distinguishable groups in the organization. It is a reflection of differences in view over the primary operating logic of collective enterprises, whether strengthening community relationships is emphasized or whether competitiveness in the market is emphasized.

Axworthy (1990) maintains that legislative requirements in Canada are not conducive to structures that promote participatory democracy. Cooperatives, for example, must conform to legislative requirements of the cooperative act which concentrates power in the board of directors. The same is true for CDCs. The structure of CDCs is based

on the model of corporations that invest power in the board of directors. Before CDCs are incorporated, a board of directors must be appointed. And they are given the legal responsibility to direct the management and business affairs of the CDC in the best interest of the shareholders. Under corporation law and tradition, decision-making has been vested in a few individuals sitting on the board of directors. Shareholders have had little say in the operation of private sector corporations. As business organizations, there is a great deal of pressure on CDCs to operate in the same manner.

Axworthy (1990: 41) maintains that the cooperative legislative requirement has put the same pressure on cooperatives. "Essentially, the legal regime specifies that cooperatives must elect representatives to manage the organization, rather than operate on the basis of grass-roots, participatory decision-making." As a result, the agents (staff and board of directors) of cooperatives make most of the important decisions and the members' democratic participation in decision-making is either non-existent or very limited at best. This same point has been made by Fairbairn et al. (1990). They claim that the legal system in Canada emphasizes the protection of individual interests in a capitalist society.

Laycock (1990) takes this point further. He argues that impediments to democratic control of collective organizations are more fundamental in Canadian society than the legal requirements pertaining to the structure of the organization. The attitudes, beliefs and experiences of members of collective enterprises are heavily influenced by the external world. The approach to democracy that a collective enterprise takes is biased by social and cultural factors external to the enterprise and over which it has little control.

Mass culture in North America is inhospitable to cooperative social practices and instead emphasizes individualism.

The classical liberal democratic theories of individualism are still prevalent. The economy is viewed as the domain of individual entrepreneurs who will indirectly benefit society as they pursue their objectives. Civil society has no place in this sphere. In fact, one could also argue that governments' local development policies also focus on individual entrepreneurship. The federal government's Community Futures Program, which is presented as a community-based development strategy places primary emphasis on supporting individual entrepreneurs. CDCs, like other organizations, are not isolated from their environment. They react to and borrow from it, particularly given that many depend on government funding for support. The research presented in this thesis is based on case studies of two CDCs in Canada. The thesis will examine the extent to which these organizations were able to initiate a democratically controlled process of local development.

Methodology

Most data used in this thesis were collected in 1988 and 1989. Therefore, the information does not provide an accurate description of present circumstances of the two CDCs studied. The analysis of the Great Northern Peninsula Development Corporation (GNPDC) is restricted to its first three years of operation, 1987 to 1989. Since that time, the organization has undergone a number of important changes, which are outside of the scope of this thesis. Similarly, the thesis describes New Dawn Limited up to 1989. All

references to the two organizations are made in the past tense to denote that the data on which the thesis is based are historical in nature.

The primary objective of the research was to examine how the two CDCs carried out their mandates of initiating a process of community economic development. To accomplish this task it was necessary to analyze the activities of the two organizations in detail. One month, May 1988, was spent at the GNPDC's headquarters engaged in extensive discussions with the Corporation's executive director. The Corporation records were made available, including financial statements and minutes of board meetings. Records of various meetings of the Northern Zone Group, which represents the rural development associations (RDAs) in the region, were also made available. During this time I also attended the first annual general meeting of the Corporation. Newsletters and other previously written reports on the CDC were examined. This data provided information on the activities of the Corporation and an historical overview of its evolution.

Semi-structured interviews were carried out with five of the six members of the GNPDC's board of directors. One member was away from the area at the time and unavailable to be interviewed. These interviews normally lasted for about one and a half to two hours. The interviews consisted of a number of open ended questions to guide the process, but permitted opportunities for detailed discussion of pertinent issues and allowed other issues to be raised. The interviews were recorded and later transcribed. The board members were asked questions about their role within the organization, what they thought was the Corporation's major function, and the role of the RDAs in relation

to the Corporation. Questions were also asked about their role in the internal decision-making process in the organization. Information on the directors' social and economic background was also collected.

Since one of the primary objectives of the research was to examine the level of community control over the GNPDC, the leaders of the six RDAs were also interviewed using a semi-structured format outlined above. Time constraints and transportation difficulties in such a large area meant that only two individuals could be interviewed in each RDA location. Since it was not possible to interview all RDA board members, it was decided to contact and interview the president and coordinators of each organization. These individuals represented the leadership of the organizations and were the people most involved in the Associations' activities. The RDA leaders were asked about the role of the Associations in relation to the GNPDC, their views of the Corporation and what they thought it should be doing to improve the region. They were also asked the nature of their Association's input into the decision-making process of the GNPDC.

In February, 1989, three weeks were spent in Sydney, Nova Scotia, at New Dawn's headquarters. This organization was considered to be among the more successful CDCs in Canada. During this time, extensive discussions were carried out with the organization's executive director and accountant. These discussions provided a detailed picture of the CDC's structure, activities and sources of administrative funding. Again, in-house data, including financial statements, were made available.

Unlike the GNPDC, New Dawn did not have a constituent membership. The membership consisted of the 18 individuals who served on its board of directors. Semi-

structured interviews were carried out with ten of these members. The names and telephone numbers of all board members were obtained from the organization's staff and nine members were chosen randomly. The president of the organization was selected to be interviewed. Only one person contacted in the first sample was unavailable for an interview. Another name was selected at random to complete the sample.

Interviews with New Dawn's board members were recorded and later transcribed. The objective of the interview was to obtain information on their roles within the organization. They were asked about their level of activity in the organization and the nature of the internal decision-making processes. While in Sydney, I was also able to attend New Dawn's annual information session where the organization invited various groups and individuals from the community to discuss its policies and programs.

Overview

This Chapter provided an overview of recent changes in regional development thinking. More attention is now focused on ways in which development impulses can be generated locally in marginalized regions. Community economic development was presented as one strategy in this approach. It was pointed out that the concept of community economic development is vague and interpreted by proponents in various ways. Community development corporations were described as third sector organizations formed to implement a program of community economic development. Since they are at risk in the marketplace, CDCs were described as social enterprises. The internal tension between carrying out social objectives as a community controlled development organization and

economic success was then reviewed. This will be discussed in more detail in subsequent chapters.

Chapter two reviews the history of federal government regional development policies in the Newfoundland context. An overview of provincial government development policies is also provided. A number of locally-based rural development programs will be described, followed by an account of regional development associations. The obstacles faced by these citizen-led groups as they attempted to initiate programs of social and economic development in rural Newfoundland will be briefly examined.

Chapter three will provide a depiction of the Great Northern Peninsula around the time when the GNPDC was formed. The structure of the region's economy will be presented along with data that show it is one of the most marginalized areas in the province. Chapter four will describe events leading up to the formation of the GNPDC. Frustrated over government inaction to address long standing social and economic problems in the area, leaders of the RDAs on the Peninsula decided to form a CDC. The organizational structure of the GNPDC will also be outlined. Chapter five presents an overview of the GNPDC's objectives. The Corporation's goal was to build a permanent system of locally based development in the region. The activities of the GNPDC will be described as it attempted to build this system by initiating a number of business ventures. The activities of New Dawn Limited will be looked at. The case of New Dawn is instructive in the sense that all of its resources were devoted to managing its various subsidiaries, leaving the CDC with few human resources to initiate new projects. This

chapter will also provide an analysis of the tension the GNPDC faced when it formed partnerships with local private sector entrepreneurs.

Chapter six will examine the extent of community control over the GNPDC and New Dawn. Since community control of the GNPDC was expected to flow through the RDAs, the extent of public participation in these organizations will be briefly discussed. An analysis of interviews with the board of directors of the GNPDC and New Dawn as well as leaders of the six RDAs on the Northern Peninsula will be presented. Finally chapter seven summarizes the main points of the analysis. Several limitations of the study will be outlined and suggestions made on possible further research that could expand and improve it. Since the data presented in this thesis only examines the GNPDC between 1987 and 1989, a brief summary of the Corporation's more recent status will also be presented.

CHAPTER TWO

REGIONAL DEVELOPMENT POLICY

Introduction

An analysis of an experiment in community economic development on the Northern Peninsula requires an understanding of state development policies. It is beyond the scope of this chapter to present a detailed examination of government development policies, but it is important to get an indication of their general thrust to establish the context in which the GNPDC emerged and in which it must operate. Thus I shall briefly review the history of public policy on regional development. Past state actions have not resolved the situation for areas like the Great Northern Peninsula, but the policies actually in place in the late 1980s provided both constraints and resources for groups such as those involved in the creation of the GNPDC.

History of Regional Development Policies

The provincial and federal governments' economic development policies in Newfoundland have largely been based on a modernization paradigm of economic development. A "top-down" planning process was adopted. A 1986 royal commission on employment and unemployment in the province summed up the history of government development policies in the following way:

For more than 100 years we have followed an industrial model of economic development based on the experience of Britain, the United

States and central Canada. This attempt has produced some partial successes, but in many ways it is inappropriate for a small, peripherally located society distant from the major market-places of the world.... At the same time, relative neglect of the strengths of the outport economy and the fisheries has contributed to the rural unemployment problem that plagues Newfoundland today (Newfoundland and Labrador, 1986: 40).

Before confederation, government development policies emphasized the exploitation of new resources and the development of manufacturing industries with no natural resource base. Little attention was given to fisheries-related manufacturing and processing. When Newfoundland entered confederation, its fishing industry was in serious decline. The traditional salt cod trade was in crisis and on the verge of collapse. Other resource industries were controlled by outside interests and dependent on external markets and external decision-making. Profits flowed to company headquarters and minimal industrial linkages were developed. Resources were exported in a semi-processed or raw state with few benefits to the province (Alexander, 1977; 1983).

After Newfoundland joined Canada, the new provincial government adopted similar development philosophies and repeated many of the same mistakes. The outport economy based on the inshore fishery was neglected. An import substitution strategy that attempted to copy the industrial model of central Canada was initiated. Instead of modernizing the inshore fishery and establishing backward and forward linkages in this industry, enterprises that manufactured products such as textiles and chocolates were established.¹ Most failed within a few years. Confederation had removed all tariffs previously placed on larger, established, central Canadian firms. This, along with federal

1 Backward linkages entail activities surrounding the provision of services and manufacturing parts needed for resource exploitation. Forward linkages entail further processing of the resources in the province.

transportation subsidies, opened the Newfoundland market and placed any new manufacturing firms at a disadvantage (Newfoundland and Labrador, 1986).

By the end of the 1950s, the provincial government's emphasis on import substitution was replaced by a focus on large-scale resource development. The scale of most of these projects meant that capital requirements were beyond the reach of most local entrepreneurs. Moreover, the government was unwilling to use public funds to develop the province's resources and operate industries as crown corporations. Instead, a huge proportion of public financial resources was spent on the development of social infrastructure in the areas of education, transportation and communication. In 1959-60, for example, these three sectors accounted for approximately 40 percent of the provincial budget while expenditures on trade and industrial development added up to just two percent (Matthews, 1978). While social infrastructure and quality of life were greatly improved in the rural areas, the underlying economic problems were not addressed.

Having access to few local sources of capital, the Smallwood government offered major concessions to outside industrial interests. For example, mining companies were offered exclusive exploration and extraction rights to large tracts of land. Most of the profits from the sale of these resources went to company headquarters, thus leaving the province without an adequate return for its resources. Nor were backward and forward linkages developed in this sector. Capital goods needed to extract resources were imported, while secondary processing and manufacturing did not take place in the province. Outside developers were not only given virtually free use of the province's resources, but also received tax concessions, outright grants and government backing on

loans (Matthews, 1983). As a result of these policies, a substantial part of the province's natural resources came under the control of outside economic interests. A situation of dependent development was created.

The inshore fishery, the economic base of most rural communities, received comparatively little attention in the decades following confederation. While some public investments - such as the construction of community wharves - did take place, government emphasized expansion of the off-shore sector. This capital intensive industrial sector, controlled by large vertically integrated corporations, was mainly concentrated in several towns along the south and east coasts of the province.

The government's expectation was that the small-boat inshore fishery would become a relic of the past as new small-scale manufacturing and large-scale resource projects became the motor power for the new Newfoundland. Small fishing villages were to be resettled into regional growth centres and fisheries development would be concentrated upon the more industrialized offshore fishery (Newfoundland and Labrador, 1986: 46).

By the mid 1960s, Smallwood's industrialization and urbanization policies were supported by the federal government's regional development policies. Originally designed to address the problems of rural poverty, federal programs soon expanded their focus to look at issues of regional disparity. In turn, emphasis shifted from rural development to economic policies with an urban-centred orientation based on the growth-pole theory (Brodie, 1990; Lapping and Fuller, 1985). In 1969, the federal government established the Department of Regional Economic Expansion (DREE) to address regional disparities in the nation. All federal programs and agencies involved in rural and regional development were brought together under this one line department.

The general strategy of the new department was to use incentives to attract industries to designated centres in regions of high unemployment. It was argued that governments could create growth poles by building infrastructure to attract industry and by providing direct locational incentives such as tax concessions and grants. Again, the emphasis on industrial attraction meant increased regional dependency on outside firms and outside control of decision making. While some jobs were created they tended to be unstable (Bradfield, 1988). The companies developed few linkages with the local economy and few spread effects occurred.² Clement (1978) maintained that DREE's programs ended up being corporate hand-outs rather than a solution to regional inequalities. It is not surprising that evaluations of the success of DREE policies, such as the one carried out by the Atlantic Provinces Economic Council, were not favourable (Atlantic Provinces Economic Council, 1976).

The Provincial Progressive Conservative party under Frank Moores defeated the Smallwood government in 1972. The party campaigned on a commitment to resource-based and rural development. However, the promise of comprehensive planning for rural development and public participation in decision-making was soon forgotten in favour of more traditional top-down industrial planning. Growth pole policies that focused investment in larger centres were continued. Direct expenditures on the development of

2 The growth centre concept is concerned more with the type of industry than with its location. Growth centres were expected to develop around propulsive industries capable of creating a series of economic linkages or spread effects (Hausen, 1981). DREE however, showed little concern for the type of industry that it enticed to the periphery (Brodie, 1990). Moreover, the ability to eliminate large numbers of jobs by closing enterprises and moving out of the region gave the outside corporations leverage with government which they could use to win more concessions (Bradfield, 1988).

the rural resource base and rural development amounted to only five to ten percent of total expenditures during the 1970s (Johnstone, 1980).

Within the scope of this chapter, it is difficult to determine the true level of commitment to rural community development by the Moores administration. As House (1983) pointed out, the provincial government was dependent on the federal government for economic development funding. DREE's policies could have restricted the possible range of provincial strategies. In any case, House (1983) viewed the Moores administration as a transition period between the industrialization strategy of the Smallwood government and the controlled resource management of the Peckford administration that came to power in 1979.

The major thrust of the new provincial government's policies was to gain greater control over and secure more revenues from the development of the province's resources. In practice, the Peckford administration placed economic planning emphasis on off-shore oil development (House, 1983). Such a capital intensive project would, in itself, concentrate economic activity in a few centres. Overton (1985) argues that in many ways the Peckford government's development strategy was no different from Smallwood's policies of the 1960s. Both assumed that economic development is dependent on attracting large scale private sector investment into the province. The investors, if given public subsidies and legislation to encourage investment, would pursue their own interests, while benefits would trickle down to the rest of the population.

It should not be surprising that the focus of the provincial government's development policies changed from growth poles to resource development at the same

time as the federal government shifted its emphasis. The federal government dropped its focus on growth poles and looked to resource based mega-projects as the motor of regional development. At about this time, DREE was disbanded and its responsibilities in the resource field were transferred to existing line departments such as fisheries and energy. A new federal department, the Department of Regional Industrial Expansion (DRIE), continued to carry on a number of DREE's programs, including locational incentives. However, the number of areas in which enterprises were eligible for assistance were broadened significantly.

The new department also continued to implement a number of General Development Agreements negotiated between the federal government and each provincial government. These agreements represented the federal government's response to criticisms that existing regional development policies lacked provincial input. The agreements outlined broad, long-term development objectives. Subsidiary agreements were forged between DREE (later DRIE) and provincial line departments outlining specific projects. In this way, the provinces were able to have more input into programme design and secure federal funds to meet their own development initiatives. In 1983, the General Development Agreements were replaced by Economic and Regional Development Agreements (Bradfield, 1988; Brodie, 1990; Savoie, 1992; Simms, 1986).

A new federal government was elected to power in 1984. By this time, DRIE was viewed by the business community and the provincial governments in the Atlantic provinces as cumbersome and insensitive to the economic circumstance of the region. It was argued that DRIE's programs favoured central Canada and a new agency that focused

on the circumstances of Atlantic Canada was needed. The region's business community also complained that the delivery of programs by the department was too slow and bureaucratic (Bradfield, 1988; Brodie, 1990; Savoie, 1992). The federal government, in response to criticisms from Atlantic Canada that the old regional development programs had been ineffective in increasing the capacity of the region to generate wealth, created the Atlantic Canada Opportunities Agency (ACOA) in 1987.

The federal Progressive Conservative government viewed the local private sector as the main engine of economic growth in disadvantaged regions of the country. The ACOA program was based on the assumption that Atlantic Canada's business community must be the solution to the region's problems. A strong emphasis was placed on supporting the region's entrepreneurs, and small and medium sized businesses. The first deputy minister in charge of ACOA outlined the Agency's approach in this way:

ACOA's mission is to create a strategic partnership with Atlantic Canadians to foster a renewal of the Atlantic entrepreneurial spirit; thus, to stimulate long term economic development which will increase earned incomes and improve employment opportunities relative to the national averages So, the success of the ACOA approach will depend very much upon its ability first to spark the confidence of Atlantic Canadians to rely upon their own initiative and ideas to shape their economic destiny. It holds to the basic tenant that it is the private sector which must generate the economic activity to realize fully the potential of the Atlantic region; and that the role of government is to provide a proper environment" (McPhil, 1991: 206-207)

ACOA developed four different programs in its regional development strategy. First, the Action Program was designed to provide various forms of assistance such as direct financial aid, loan insurance and interest buy-downs to small and medium sized businesses in order to establish, modernize or expand a facility, design a product, develop

a new technology or carry out feasibility and marketing studies. Assistance in the form of grants was also available to non-profit organizations to provide specialized services to small and medium businesses, in an effort to improve the quality of entrepreneurial skills in the region. These services could include technical assistance, professional fees for qualified consultants to perform feasibility studies or the implementation of a development study (Canada, 1989a).

Just after ACOA was established, federal responsibility for all Economic Regional Development Agreements with the Atlantic Provinces was transferred to the Agency. These agreements formed the basis of ACOA's second program, the Cooperation Program. Under this program ACOA entered into a number of new subsidiary agreements with the four Atlantic provinces. The focus of the program was to form partnerships with the provinces "in order to foster a climate conducive to entrepreneurial and economic growth" (Canada, 1989a: 32).

Thirdly, ACOA was responsible for the coordination of all federal government economic development programs which affected Atlantic Canada. Finally, ACOA was expected to promote Atlantic Canada's interests in the development of national policies and programs through its Advocacy Program (Canada, 1989a). However, the Agency was not particularly successful in implementing the last two programs, mainly due to the lack of staff. There is no evidence to suggest that it has been any more successful than previous regional development departments in formulating a comprehensive development strategy for the region. Moreover, it was difficult for ACOA to fill an advocacy role in

the federal system while it was part of that system in which the new agency was treated with suspicion (Savoie, 1992).

It is clear that ACOA saw Atlantic Canada's entrepreneurs as its constituency. The primary focus of the agency was to assist in the growth of the private sector on the assumption that small and medium sized business development would help alleviate economic distress in the region. The ACOA programs did not take into account differences in economic conditions within the region. The economic viability of the enterprise and the need for assistance were the chief criteria for supporting entrepreneurs who applied for assistance. The whole Atlantic region was considered to be disadvantaged and no special consideration was given to the problems of localities that suffered severe marginalization. In such localities, the ability of the private sector to access ACOA's assistance was questionable. There was no provision under ACOA's programs to support third sector initiatives. The Agency was driven by a market ideology which identified local private business as the engine of growth. The next section takes a closer look at a number of federal and provincial governments programs that were designed to support rural community-based efforts by strengthening the institutional process of local social and economic development.

Rural Development Programs

While both the federal and provincial governments' overall regional development strategies emphasized top-down industrial development, principles of rural community development were introduced in a series of small federal/provincial rural development

agreements. The first of these agreements was the Agricultural and Rural Development Act, signed in 1961 (Lapping and Fuller, 1985). This program's emphasis on agricultural development meant that it was not well suited to the needs of rural Newfoundland. However, the program's overall focus on rural poverty and its acceptance of community development principles as a way of addressing the problem would have some effects on rural community development in the province. Several research projects framed in a community development approach were carried out in the early 1960s with funding from this agreement. The studies asserted that rural communities needed to organize before they could engage in economic development. Moreover, a small cadre of rural development officials emerged in the provincial government bureaucracy (Canning, 1986).

In the late 1960s, a new federal/provincial rural development agreement was signed. The Agricultural and Rural Development Act (ARDA II) focused on all aspects of rural poverty. While a substantial portion of ARDA II funds were used to finance the provincial resettlement program, a small amount of funding went into programs that took a community development approach. Training was provided to rural development officers to promote local development and a small number of citizen-led development projects were funded (Carter, 1985; Gunness, 1972). The first regional attempt at locally based social and economic development on the Northern Peninsula, the Northern Area Regional Development Association, received funds and support through this program. This organization will be discussed in more detail in the next chapter.

However, rural community development was never given a high priority in the provincial government. In fact, during the 1960s, the effectiveness of this approach was often debated and never fully accepted by the top levels of the bureaucracy. For example, Canning (1986: 35) maintained that the rural development division in the provincial department responsible for implementing the rural development subsidiary agreements, "found itself in continuing ideological and administrative conflict with top levels in the ministry." The government did, however, provide some assistance to emerging development organizations in the province.

In 1974, the federal and provincial governments signed another rural development subsidiary agreement - ARDA III.³ The general objectives of the ARDA III agreement included the "development of employment, income and business opportunities in rural communities and to provide for the nurturance of locally generated social infrastructure for regional development planning" (Newfoundland and Labrador, 1982: 5). Two programs were implemented to carry out these objectives: (1) small grants for small-scale rural enterprises not eligible for grant assistance under other government programs; and (2) assistance to regional development associations. The associations received grants to cover administrative costs that were used to hire full-time staff. Moreover, field workers hired by the rural development department were stationed in various locations in the province to provide the associations with organizational support. ARDA III expired in 1978 but several similar agreements were signed during the 1980s.

3 ARDA III was a subsidiary agreement under the new federal/provincial General Development Agreement.

Within the federal and provincial governments' overall development planning, the rural development subsidiary agreements were minor programs. They were never well funded. Between 1973 and 1983, over twenty subsidiary agreements were signed between DREE and the provincial government. The value of the rural development subsidiary agreements was only five percent of the total value of all agreements (Simms, 1986). Until the last agreement signed in 1989, regional development associations received less than \$30,000 per year to cover all administrative expenses. Moreover, no comprehensive integrated strategy for rural development has ever been established. Neither the provincial department responsible for rural development nor organizations such as regional development associations have had any meaningful input in government policy making.

The function of the rural development department was restricted to program delivery; economic policies were decided in central planning secretariats and cabinet committees (Canning, 1986). The department has been a "relatively low-status, low budget department, with weak links to the more powerful central agencies and to important line departments, especially Fisheries, which also plays a major role in regional development" (Newfoundland and Labrador, 1986: 364). Regional development associations have had little influence over government policy decisions. According to Simms (1986: 52), "the formulation of resource sector policies outside of the involvement from RDAs [regional development associations] and other local groups, has been a major obstacle to achieving meaningful rural development." In fact, the associations have been unable to pursue long-term sustainable community economic development initiatives. This will be discussed in greater detail in the following section. But first it is important to take

a brief look at a recent federal government program that was expected to promote community economic development. Other than support to RDAs, the provincial government has not developed or delivered a comprehensive program that promotes community economic development initiatives.

The Community Futures Program was established in 1986 as part of the Canadian Job Strategy administered by the Federal Department of Employment and Immigration Canada (now Human Resources and Development). The goal of the program was to provide Canadians with training and job development by emphasizing support to small business development and entrepreneurship. Community Futures was designed for areas that were suffering extreme economic dislocation and marginalization. Designated areas eligible to receive funding under the program were required to establish Community Futures Committees to oversee the program in their area. The committees were expected to be made up of volunteer representatives from a number of interests in the area including town councils, regional development associations, the local business community, unions and various other economic development oriented organizations. Committee members were appointed by the federal minister in charge of the program (Douglas, 1994b; Canada, 1986).

The objectives of the Committees included coordinating studies to assess the locality's employment problems and identifying opportunities suitable for support under the Community Futures Program, other government programs, the private sector or a combination of these sources. As part of this process the Committees were mandated to coordinate the development of long-term development plans for the locality. They were

also expected to act as an interface between the locality and government and recommend the implementation of any government programs that would benefit the locality and the private sector. In effect, they had a mandate to act as a catalyst for, and a coordinator of, self-help initiatives at the local level (Douglas, 1994b; Canada, 1986).

Once a Community Future Committee was established and a long-term development plan to address the locality's employment problems was completed, the committee could choose from a number of different local development options under the Community Futures Program. The Self-Employment Incentive Program was designed to provide technical and financial aid to encourage individuals receiving unemployment insurance to set up their own businesses. Interestingly, the program requires the recipient of assistance to put a significant personal contribution in the form of cash, materials, equipment or loans into the venture. Yet unemployed individuals in severely marginalized regions seldom have expendable resources to invest.

Another program which Community Futures Committees can access is the Business Development Centre option. Under this program, funds can be made available to establish Business Development Centres that provide financial and technical assistance to local entrepreneurs and small businesses. The centres can assist local entrepreneurs in one of two ways. They can provide only technical assistance, such as development of a business plan and/or business advice, or they can combine this assistance with the provision of loans if the entrepreneur is unable to secure loans from other lending sources. Normally, a target population of at least 35,000 adults within the region is required for the second option to be implemented.

The Business Development Centre is supposed to be self-supporting after five years of operation, but the indications from Nanaimo, where such a centre has been operating for some time, are that this is virtually impossible given the limited size of the equity fund and the need to keep a certain level in cash reserves (Baron and Watson, 1988). In fact, the Nanaimo study suggests that an equity fund 250 per cent its present size would be required for the Business Development Centre to break even.

The Community Futures Committee could also choose to access a program that provides for the direct purchase of institutional training for individuals within the Community Futures region as an appropriate adjustment measure for workers in its area. A Community Initiatives Fund could also be accessed for initiatives which are particularly innovative and which cannot be supported financially through the other options in the Community Futures Program or other programs in the Canadian Job Strategy. Finally, Community Futures Committees were eligible to access the Relocation and Exploratory Assistance Program designed to provide individual workers, or specific groups of workers, with assistance to relocate to other areas to find employment (Canada, 1986).

Community economic development initiatives that aim to support local private sector business development must take into account their relationship with existing state programs, in particular the Community Futures Program. According to Douglas (1994b) the Community Futures Program is grounded in a community economic development approach in the sense that it is the intent of the program that strategic economic planning be carried out by a volunteer group of community residents. The extent to which these

groups represent community interest and the extent to which they actually control and engage in the planning process need to be studied further.

Moreover, if the federal government sees community economic development only as small business development, then locally initiated organizations that take on this goal as part of their strategy may find it difficult to receive government support if the state decision-makers feel they are duplicating the Community Futures Program. On the other hand if the state officials see community economic development only in terms of small business development, initiatives that take an approach which emphasizes development "of" the community may find it difficult to receive state funding.

Like ACOA programs, the Community Futures programs are based on a market driven ideology which sees the local private sector as the vehicle for local economic development. Development is seen only in terms of economic growth; no consideration is given to the social aspects of development or to the lack of capacity in severely marginalized communities to take advantage of the support programs. These programs do not give any consideration to the institutional ability of marginalized localities to combine social with economic development in alternative institutional forms. The combination of social and economic development and capacity building of this nature is more prevalent in third sector initiatives.

Regional Development Associations

By the end of the 1960s, government development policies that focused only on industrialization and urbanization came under increasing criticism from various quarters. Several social researchers, working through the Institute of Social and Economic Research at Memorial University, maintained that more attention should be given to strengthening the existing rural economy (Brox, 1972; Iverson and Matthews 1969; Wadel, 1969). In 1969, the Institute sponsored a conference on alternate social and economic development methods based on small-scale utilization of local resources (Freeman, 1969). Along with the provincial government, Memorial University Extension Service placed field workers in various locations in the province. Through its community education program, the extension service helped mobilize democratically organized regional groups (Snowden and Williamson, 1967).

Immediately following confederation, the responsibility for local development planning was centred almost exclusively in the Newfoundland provincial government. Local government and other politically oriented organizations, such as unions, were slow to develop in rural parts of the province. As a result, decision-making was centralized at the provincial level with few opportunities for rural Newfoundlanders to participate in development planning at the local level. By the mid to late 1960s, this began to change. The industrialization and urbanization policies had not produced the expected prosperity. Rural people in a number of locations, feeling alienated from the centralized decision-making of the provincial and federal government bureaucracies and frustrated over continued marginalization in their communities, took action themselves and formed a

number of citizen-led organizations. On the Northern Peninsula, Fogo Island and the Eastport Peninsula, these groups were formed without government encouragement "to identify opportunities, seek financing for local development projects and lobby for improved services" (Fuchs, 1985: 6). Johnstone (1980: 25) described the establishment of these organizations in the following manner:

The community development groups which came to be known as Development Associations first emerged in Newfoundland in the 1960's in such areas as Fogo, Eastport, Green Bay, Bell Island, Placentia and Burin, for the most part as a reaction to economic and social problems and especially as a response to government plans for resettlement ... Given the lack of municipal government, and given the political and developmental rather than municipal nature of the issues, as well as the geographic dispersion of communities, this resistance crystallized into regional community development groups which came to be known as Development Associations.

Working independently of each other, these groups were eventually successful in obtaining recognition and assistance from government. The signing of the ARDA III subsidiary agreement in 1974 put a structured program of government support in place. The rural development initiatives that occurred on the Eastport Peninsula (Gunness, 1972), Fogo Island (Carter, 1985) and the Northern Peninsula (Brown, 1970) laid the groundwork for the program that was formalized in this agreement. With the rural development program in place, the number of regional development associations (RDAs) increased rapidly, from 17 in 1974 to 54 in 1985, representing over 500 communities which comprised over one-half of the provincial population (Simms, 1986).

By the 1980s, RDAs had become the primary vehicles for local-based development in the province. While they differ in the size of the area they represent, in

their degree of public acceptance and their approaches to the problems of social and economic development, they all share two characteristics. They represent regions and not particular communities or special interest groups, and their boards of directors are made up of democratically elected volunteers who live in the area. Their objective is to develop the region's "natural and social resources with the hope of improving the income and employment opportunities of the area...for the benefit of the area as a whole" (Johnstone, 1980: 28). However, they have been deflected away from their original goal of long-term job creation.

The number of RDAs increased at a time when rural unemployment was also increasing rapidly. Between 1971 and 1981, the unemployment rate in rural Newfoundland increased from 8.5 percent to 20.5 percent (Simms, 1986). As the unemployment crisis worsened, governments attempted to address the situation. In large measure their response came in the form of short-term job creation programs. These programs, funded mainly through the Canada Employment and Immigration Commission, provided employment to people for short periods of time. They then qualified for unemployment insurance payments. Overton (1977) argues that the job creation programs were a form of relief-giving where the primary purpose was to control possible social unrest and maintain a work ethic. It was in essence "working for welfare" and not a means of economic development. The Royal Commission on Employment and Unemployment observed in 1986 that in combination with the unemployment insurance system, the various job creation or "make-work" programs have become the economic mainstay of some individuals and households. "For the people involved, this is simply

one more in a long line of rational economic adaptations to the few economic opportunities available to them" (Newfoundland and Labrador, 1986: 49-50).

RDAs became a part of this system. They responded to the immediate needs of people in a desperate economic situation by applying for and administering government sponsored make-work projects. This has deflected their attention away from long-term economic development planning and long-term job creation. "The planning of new economic development opportunities has had to take a back seat to the management of the recurring crisis of unemployment in rural areas" (Fuchs, 1985: 14). Strict criteria put limits on how the funds made available through the make-work programs could be used. The main objective of the programs was to create short-term employment. This restricted their application mainly to the construction of infrastructure such as wharves and gear sheds for the inshore fishery, and recreational facilities. While these activities did have some long-term benefits, such as enhancing the employment opportunities of those dependent upon the fisheries infrastructure, they did not result in the establishment of new job creating enterprises (Simms, 1986).

While RDAs became proficient at administering make-work projects, and in effect became co-opted by government in the management of the unemployment crisis, they did not have the resources to engage in planning and implementing long-term social and economic development projects. The small amount of administrative funding provided meant that only one staff person could be hired. And this person had very little time to engage in activities other than applying for and supervising make-work projects. Moreover, small administrative grants meant low salaries that made it difficult to attract

people with the technical expertise needed to engage successfully in long-term development planning.

The lack of technical expertise and human resources was compounded by a lack of flexible funding that could be used to invest in economic development. There were few government sponsored programs that provided this type of funding to RDAs. One program - Project Funding Grants, which was part of ARDA III - had a total budget of only \$1.4 million in 1984/85. The funding, which had flexible criteria, was available to RDAs and other community groups to undertake long-term economic development projects. However, all of these funds were expended within the first six months with no resources left to support a backlog of proposals (Simms, 1986).

With no other sources of funding for rural development available to them, RDAs were restricted primarily to administering make-work programs which have had only a modest impact on economic development and long-term job creation in rural Newfoundland. "They suffer from the reluctance of both the provincial and federal governments to view them, and support them, as the primary vehicles for rural development" (Newfoundland and Labrador, 1986: 369).

The volunteers involved in the associations have expressed concern over their inability to engage in long-term development planning and frustration over their role as brokers of make-work projects (Fuchs, 1985; Simms, 1986). The lack of human and technical resources and inadequate government assistance are a number of the problems they face in their efforts to engage in long-term development. The next chapter describes

how the RDAs on the Northern Peninsula attempted to address these problems by forming a community development corporation.

Summary

During most of the post-confederation period in Newfoundland, both provincial and federal governments followed a modernization approach to development which sought to industrialize and urbanize the province. Incentives were offered to outside investors to locate in the province and programs initiated to centralize the population into "growth centres." When this failed both levels of government turned to resource sector mega-projects as the solution to the province's problems. During all this time regional development programs represented a small fraction of gross federal expenditures (Brodie, 1990). When it became evident that attracting outside investors would not work for most rural communities, a new approach was adopted.

Local development is now the state's regional development policy. According to this approach, development impulses must come from within the province. Jobs are expected to be created by the province's entrepreneurs and small business class. The government can help by providing these individuals with assistance and by making the local environment conducive to their prosperity. According to Douglas (1994b: 90) from a community economic development perspective, federal government regional development programs had a number of shortcomings. The programs adopted sectorial and other uni-dimensional perspectives that reflected the "interests and portfolios of participating agencies (e.g., tourism, forestry)." The process was dominated by the

participation of regional interest groups such as representatives of mining and general business with little public participation and virtually no community development. Perhaps most importantly for Douglas (1994b: 90):

Fundamental issues relating to long-term *capacity development and control*, *economic democracy* and effective diversification of regional economics were rarely addressed. Questions of corporate power and the locus of decision making, the reinvestment of locally generated profits, the location of research and development facilities, alternative economic models (e.g., co-operatives, community enterprises) and self-reliance strategies were rarely part of the development agenda (original emphasis).

While the Community Futures Program encouraged more local input into development planning, it did not provide opportunities to combine social with economic development through alternative institutions. Instead the program focused on providing assistance to local private sector entrepreneurs. Moreover, the provincial government was unwilling or unable to engage community organizations such as the RDAs in development planning and provided little support for them to initiate a program of community economic development. It is within this environment that community economic development efforts must operate. The implications for third sector organizations such as CDCs will be discussed in a later chapter. First it is important to point out that, despite the presence of regional development programs in Canada, regional disparities are still a major problem. The next chapter will provide a description of the social and economic circumstances on the Great Northern Peninsula in order to provide an understanding of the kind of problems that the GNPDC was facing when it was formed.

CHAPTER THREE

THE SOCIAL AND ECONOMIC CONTEXT

Introduction

The purpose of this chapter is to present a description of the social and economic conditions on the Great Northern Peninsula. CDCs are formed in response to problems associated with marginalization both in rural and urban areas. The environment in which a CDC emerges presents certain constraints as well as opportunities that will impact on the organization. Therefore, it is important to place the GNPDC in the context of the region's geographical, social and economic features. Most of the social and economic indicators presented in this chapter are based on the 1986 census. More recent information was not presented in order to provide a picture of the region at the time when the GNPDC was being established.

The Great Northern Peninsula is one of the most marginal regions in Newfoundland, which is itself marginal in Canada as a whole. In this case, marginalization refers to both a set of social and economic conditions and a geographical location. The area is one of the most isolated in the province, well outside the major centres of strong economic activity. It is also characterized by out-migration due to few local job opportunities, high rates of unemployment, low incomes, a heavy dependence on government transfer payments, low levels of formal education, minimal access to

social services and a narrow economic base dependent on the exploitation of a few natural resources for export.

A Brief History of The Great Northern Peninsula

The Great Northern Peninsula, like an index finger, protrudes from the island of Newfoundland on its north-west coast. From Bonne Bay in the south to Cape Bauld in the north, it extends roughly 300 kilometres. The Strait of Belle Isle separates the Peninsula from the southern coast of Labrador. This is the shortest distance between Newfoundland and the North American continent. The close proximity to the mainland meant the Peninsula was frequented by the earliest human inhabitants to the island as they crossed from Labrador. Archaeological evidence suggests that the Maritime Archaic Indians lived in the region around 4,000 years ago. They lived along the coast between early spring and late fall, hunting seals and migrating birds, fishing for salmon and collecting berries. In winter they moved inland to hunt caribou and to derive shelter in the woods. Apparently these people disappeared approximately 3,000 years ago. What happened to them remains a mystery. The Dorset Eskimos crossed from Labrador about 2,000 years ago and several hundred years later they too declined in numbers and disappeared. The reasons for their demise are once again unclear. The Beothuk Indians seem to have frequented the area, but no archaeological sites have yet been found intact (Tuck, 1976).

A location near L'anse-Aux-Meadows at the top of the Peninsula is the only site that has been identified and authenticated as a former Greenlandic and Icelandic Norse

post of occupancy in North America (approximately 1,000 years ago). Soon after Newfoundland was re-discovered by Europeans in 1497, each spring fishermen would sail to the island to harvest the abundant fish resource. They would return to Europe in the fall. By the 1540s, Basque fishermen had established a whaling industry in the Strait of Belle Isle where the whale's migration pattern funnelled them through the Strait. The industry was abandoned by the 1620s and thereafter the cod fishery attracted fishermen - mostly French (Thorton, 1981). Between 1713 and 1904, the Northern Peninsula was part of the "French Shore". Along this shore, the French were permitted to erect stages, huts and flakes necessary to prosecute the cod fishery. However, they were not permitted to establish permanent settlements. The French continued to fish in the area - primarily around Conche, St. Anthony and Port-au-Choix - until the 1890s (Stavely, 1968).

The French Shore treaties retarded permanent settlement on the Northern Peninsula by prohibiting the development of a shore based fishing economy. (For example, merchants could not set up firms on the French Shore.) The first permanent residents began to settle the area in the early 1800s, either as "winter-men" to protect French fishing infrastructure or via British merchants based in southern Labrador. The population grew very slowly until the 1860s. After this time, a large number of settlers from the east coast of the island flowed into the area (Thorton 1981). With the large increase in population, the economy turned towards the cod, herring and lobster fisheries.

The construction of a large paper mill in Corner Brook, just south of the area, in the early 1920s precipitated the development of an important winter logging industry throughout much of the Peninsula in the 1930s. Several communities grew up largely in

response to this industry. In many others, fishers turned to logging as a source of supplementary income during the winter. After 1957, the logging industry declined dramatically due to softening markets for paper and technological changes which reduced the number of men needed in the harvesting operations. With few alternatives open to them, many again concentrated on the fishing industry.¹

Between 1956 and 1964, the number of fishers from Trout River to Cape Norman increased from 929 to 1370 and the investment in boats and gear per fisher increased from \$619 to \$1,136. (Black, 1966). Today, the fishery is the backbone of the region's economy. The structure of the industry has changed considerably over the past 20 years. Prior to 1965, there were just two fresh fish processing plants on the Peninsula - at St. Anthony and Englee - and much of the fish was still processed by salting. During the 1970s, the number of small fish processing plants in the area expanded quickly. Moreover, fishers, taking advantage of government financial assistance, began investing in larger more capital intensive vessels. There follows a more detailed description of the present industrial structure of the area and a profile of general social and economic conditions on the Peninsula in the mid 1980s.

1 The loss of supplementary income from logging was compensated by the introduction of unemployment insurance benefits for fishers in 1958.

The Structure of The Region's Economy

The Northern Peninsula's economy is heavily dependent on primary industries. The fishery and forestry are the two most important. Most of the natural resources are shipped out of the area in a raw or semi-processed state. No fish products are processed beyond the filleting and freezing state. Logs are shipped to a pulp and paper mill located at Corner Brook several hundred kilometres away. Possible benefits, therefore, flow out of the region. Beyond basic consumer services, the service sector is composed largely of state, or state sponsored, agencies.

Table 1

Industry Structure, Great Northern Peninsula, Newfoundland and Canada, 1986			
Industry, Major Groups	% of Labour Force in each Industry		
	GNP	Nfld	Canada
Primary Industries	22.9	8.8	6.6
Manufacturing Industries	20.8	14.6	16.8
Construction Industries	5.0	6.0	5.8
Transp./Comm./Utilities	5.3	7.7	7.5
Trade Industries	11.6	15.7	16.8
Finance/Real Estate	0.7	2.8	5.3
Government Services	7.2	11.8	7.4
Other Services	23.3	28.4	31.3

Source: Statistics Canada (1988).

The fishing industry can be broken down into two components: (1) harvesting and (2) processing. The most striking feature of the harvesting sector is the variety in size of vessels and gear types used, and the inequalities in income associated with them. A

mobile otter trawl fleet concentrated in the communities of Port-au-Choix, Port Saunders and Anchor Point makes up less than 10 percent of the total number of full-time ground-fish licences and about 15 percent of all full-time fishers. However, they have been allocated nearly half of the total allowable catch of ground-fish - primarily cod - on the west coast of the Peninsula. Individuals involved in this fishery enjoy substantially higher incomes than fishers in smaller vessels using fixed gear.²

In recent years, a prolonged conflict developed between members of the mobile gear fleet and fishers who operate from smaller vessels using traditional fixed gear. Longliner operators suffered low cod landings in the mid 1980s and due to their relatively high operating costs they experienced financial difficulties. Because of government restrictions on licensing, they were unable to switch to the more lucrative gear type.³

Small open boats less than 35 feet made up the vast majority of licensed vessels and are evenly spread over the Peninsula. Most of the full-time fishers in the area operated from these vessels. They used fixed gear and attempted to catch a variety of species to supplement their incomes and extend the fishing season. Due to low cod landings at this time their incomes tended to be low. The fisheries crisis caused by low landings and continued conflict between different groups of fishers within the context of

2 For a good discussion of the inshore dragger fishery in the region see Sinclair (1985).

3 Longliners are vessels between 35 and 65 feet in length which use fixed gear - mainly gillnets and long-line - to catch ground-fish. These vessels are more evenly distributed along the Peninsula but tend to be centralized in the larger communities. Approximately 15 percent of all full-time fishers work from these vessels.

state policy will have a huge impact on future social and economic developments in the region.

The fish processing industry was the largest source of employment on the Peninsula. The industry was dominated by two companies, Fishery Products International and Dorset Seafoods Limited. Both were headquartered in St. John's and operated enterprises throughout the province. In 1987, Fisheries Products International accounted for approximately 40 percent of all processing jobs and Dorset Seafoods Limited about 20 percent. Together these two companies operated eight plants and processed over half of the region's fish products. Their enterprises also had the only significant freezing and cold storage capacity in the area.

Most of the other fish processing companies (approximately 20) managed plants leased from the provincial government or local communities. These small processing facilities were built through the efforts of community groups who used various government programs to put together the necessary resources. Many of these companies were under-capitalized. Their lack of financial depth inhibited plant improvements that would have made them more competitive in the marketplace and added more value to their final products.

The lack of freezing and cold storage capacity, for example, created a serious problem. Fish could not be processed beyond the fresh fillet state. Therefore, companies could not hold the fillets in safe keeping and then ship to achieve the best market prices. They also suffered losses when small landings did not warrant economical shipment of fillets to markets. Without cold storage, fish landed during glut periods could not be held

for processing during periods of low landings and was shipped out of the region to be processed. All of this meant that possible benefits to the area were lost.

Much of the productive commercial forest on the Peninsula was owned or under long term lease to two pulp and paper companies. Access to this resource by other enterprises was thereby restricted. However, the region is outside of the primary supply zones for the paper mills. High marginal costs of pulpwood have made logging operations sensitive to downturns in the newsprint industry. As a result, saw-milling has always been an important forestry activity on the Peninsula. Special agreements between the two companies and the provincial government have placed portions of the forests under crown management for specific periods of time. The impetus behind the agreements was to give private saw-millers access to the forest resource for lumber production and thus create some valuable employment. However, the level of harvesting activity on the Peninsula was approaching the Annual Allowable Cut set by the Department of Forest Resources and Lands. Therefore, efforts to increase employment in this sector were severely constrained.

There has been much recent debate over the role of the service sector in expanding employment in marginalized regions (Newfoundland and Labrador, 1986). Are service industries dependent on employment created in other sectors or can economic development be based on the expansion of the service sector? In 1986, service industries accounted for approximately 50 percent of the total employment on the Northern Peninsula, compared to 70 percent in the province and nation (Statistics Canada, 1988). However, between 1981 and 1986 the number of people in the labour force employed in

the service sector increased at a greater rate on the Peninsula than in the province as a whole - 23 percent compared to 14 percent (Statistics Canada, 1988).

Service industries tend to be located in larger centres where regional trade, hospital, education and public administration functions encompass the surrounding communities. On the Great Northern Peninsula, much of the service sector is concentrated in the larger communities. In 1986, for example, approximately 20 percent of all service sector employment in the region was located in the town of St. Anthony. Approximately 50 percent of all service sector employment was located in the seven largest communities. However, the combined population of these communities equalled 38 percent of the region's total. The smaller communities supported little more than the basic service sector functions. In many of these, the major source of service sector employment was retail trade.

Occupational Structure

The Northern Peninsula's occupational structure in 1986 revealed that a large number of people were employed in primary production - mainly fishing - for men and manual work - mostly fish processing - for women. The proportion of the total labour force employed in managerial, administrative and other professional white collar occupations was much lower on the Peninsula (4 percent) than in Newfoundland (8 percent) and Canada (11 percent) as a whole (Statistics Canada, 1988). As a result, the pool of potential volunteers with managerial and administrative experience that could bring valuable technical competence to the board of a community development corporation was smaller.

(This may be true of most rural areas, because professional white collar occupations are concentrated in urban centres.) Moreover, with few occupational opportunities open to them, many of the talented educated individuals originally from the region were forced to opt for employment opportunities elsewhere.

Table 2

Percentage of Labour Force in Major Occupation Groups, Great Northern Peninsula, Newfoundland and Canada, 1986			
Major Occupation Groups	% of Labour Force in Occupation Groups		
	GNP	Nfld	Canada
Managerial, administrative and related	4.3	7.6	10.5
Teaching and related	4.1	5.4	4.3
Medicine and Health	3.1	4.6	4.8
Technological, Social and related	2.1	4.9	7.3
Clerical and related	8.9	15.0	18.2
Sales	4.4	7.2	9.1
Service	10.9	12.6	12.7
Primary	24.3	8.7	5.6
Processing ¹	16.6	9.0	3.5
Machining and related	3.4	5.0	9.7
Construction Trades	7.7	9.0	5.9
Transport equipment operating	3.0	4.1	3.7
Other	7.3	7.0	4.7

Source: Statistics Canada, 1988.

1. Includes occupations in fish processing.

Population Changes

People on the Great Northern Peninsula lived scattered along the coast in 60 communities most of which have less than 1000 residents. The largest town, St. Anthony, had a population of approximately 3,180 and there were only six other communities with a population over 1,000 inhabitants (see table 3). Overall, the population is increasing very slowly due to an excess of births over deaths sufficient to counter out-migration. Between 1981 and 1986, the population increased from 25,738 to 25,954 residents; an increase of just 216 people or 0.8 percent (Statistics Canada, 1988). These are aggregate numbers and important variations existed within the region. For example, the populations in the communities of Woody Point, Glenburnie and Sally's Cove, in the Bonne Bay area, declined significantly during this period. Meanwhile, the populations of Port Saunders and Anchor Point increased. However, even in these communities, the expansion was small.

Comparing population growth rates provides no indication of those factors that underlie demographic changes. Yet it appears that out-migration contributed to the Peninsula's overall minimal increase in number of residents and to the population decrease in some communities. The extent of out-migration may reflect limited employment opportunities in the community. For example, the number of available jobs decreased significantly in the Bonne Bay area during the early 1980s when several large construction projects related to the creation of Gros Morne National Park were completed. Meanwhile, in Port Saunders an inshore dragger fishery and the service

sector expanded during the 1980s. Even in this community, however, net out-migration occurred between 1981 and 1986.

Between 1981 and 1986, the region experienced a net migration loss of 1,154 people or 4.5 percent of the total population. This means that if natural increase (births over deaths) equalled zero then the population would have decreased by that amount during those five years. Net migration data cannot provide an accurate picture of the actual flow of people into and out of a community. Using the 1986 census data on in-migration, the number of out-migrants can be calculated by subtracting in-migration from net migration. It is estimated that between 1981 and 1986, 3,179 people - 12.3 percent of the total population - moved off the Peninsula while 2,025 - 7.8 percent of the total population - migrated into the area. This information indicates that the population is not static and that a large amount of mobility exists.

Table 3

Population, Net Migration, In and Out Migration estimates Great Northern Peninsula, 1981-86							
Community	Population		Net Migration ¹	Net Migration % Pop.	In Migration	Out Migration	Out Migration % Pop.
	1981	1986	1981-86	1981-86	1981-86	1981-86	1981-86
Anchor Point	368	387	5	1.4	15	-10	-2.7
Bellburns	147	137	-10	-6.8	-	-10	-6.8
Hide Arm	339	341	-12	-3.5	40	-52	-15.3
Bird Cove	400	394	-36	-9.1	10	-46	-11.5
Conche	464	408	-77	-16.6	-	-77	-16.6
Cook's Hbr.	388	390	-21	-5.4	10	-31	-8.0
Cow Head	695	708	-10	-1.4	10	-20	-2.9
Daniel's Hbr.	614	566	-82	-13.4	40	-122	-19.9
Englee	998	1012	-29	-2.9	90	-119	-11.9
Flower's Cove	459	417	-61	-14.6	90	-151	-32.9
Glenburnie	422	368	-55	-13.0	45	-100	-23.7
Goose Cove	368	373	6	1.6	55	-49	-13.3
Hawke's Bay	553	547	-33	-6.0	65	-98	-17.7
Main Brook	514	526	-7	-1.4	25	-32	-6.2
Norris point	1033	1010	-66	-6.5	80	-146	-14.1
Parson's Pond	605	589	-43	-7.3	15	-95	-15.7
Port aux Choix	1311	1291	-97	-7.4	85	-182	-13.9
Port Saunders	769	822	-19	-2.5	85	-104	-13.5
Raleigh	373	390	-22	-5.9	20	-42	-11.3
River of Ponds	304	326	-	-	30	-30	-10.0
Rocky Hbr.	1273	1268	-51	-4.0	175	-226	-17.8
Roddickton	1142	1223	6	0.5	130	-124	-10.9
Sally's Cove	100	58	-43	-43.0	-	-43	-43.0
St. Anthony	3107	3182	-192	-6.2	415	-607	-19.5
St. Lamine	1010	1013	-69	-6.8	40	-107	-10.8
St. Paul's	454	497	9	2.0	50	-41	-9.0
Trout River	759	771	-45	-5.9	30	-75	-9.9
Woody Point	482	444	-46	-9.5	60	-106	-22.0
GNP	25,738	25,954	-1,054	-4.5	2,025	-3,179	-12.4

Sources: House, White and Ripley (1989); Statistics Canada (1988).

1. Net migration calculated as population change minus net natural increase. Out-migration estimated as net migration minus in-migration. In-migration based on 20% Census data.

Two recent studies of migration patterns in the area suggest that most in-migrants are actually return migrants who prefer living in their home communities (House, White and Ripley, 1989; Sinclair and Felt, 1993). Normally, they leave seeking better economic opportunities but return after a short time. Yet surprisingly, Sinclair and Felt (1993) found that little circulatory migration where individuals move back and forth to the same or different destinations took place. These studies also indicated that most of those who move away are less than 35 years of age and are typically the better educated members of the community. The loss of energetic educated individuals may present another barrier to local self-help efforts.

Level of Unemployment

One of the primary objectives of the GNPDC was to create employment for residents of the Peninsula. It is not difficult to understand why employment creation was a particular concern given that the jobless rate in the region was one of the highest in Newfoundland, which in turn was the highest of any province in Canada. The 1986 Census of Canada put the unemployment rate on the Peninsula at 32.4 percent. The Newfoundland unemployment rate was recorded at 25.6 percent. Meanwhile the Canadian unemployment rate was 10.3 percent. Moreover, the prospects of finding work on the Peninsula grew worse during the first half of the 1980s for both men and women. According to the 1981 census reports, 20.5 percent of males and 24.9 percent of females were unemployed in 1981 (Statistics Canada, 1983). In 1986 the rates had increased to 28.5 percent and 37.3 percent respectively (Statistics Canada, 1988).

While the unemployment rate in the region is high even in relation to Newfoundland, conditions in communities vary considerably. For example, the unemployment rates in Anchor Point and Port-au-Choix - where an inshore dragger fleet is concentrated and fish processing plants are located - were 10.4 percent and 15.1 percent respectively in 1986. Meanwhile, the communities of Conche and Raleigh, which depend almost entirely upon an inshore fishery prosecuted from smaller boats, had unemployment rates of 78.3 percent and 62.5 percent respectively. In general, 20 of the 30 communities had unemployment rates above 30 percent, according to the 1986 Census of Canada.

It is also important to keep in mind that evidence suggests the unemployment rate calculated by Statistics Canada in the census does not provide a good representation of the actual circumstances in rural Newfoundland. The definition of unemployed used by the agency is based on job search. Where job opportunities are scarce, particularly in small communities with weak labour markets, people are unlikely to continue to seek jobs since they can exhaust a job search in one day. In this case they may not show up in the statistics and become part of the "hidden unemployed."

Table 4

Labour Force and Level of Male and Female Unemployment in Communities on the Great Northern Peninsula, Newfoundland and Canada, 1986						
Community	Total Labour Force			Unemployment Rate		
	Male	Female	Total	Male	Female	Total
Anchor Point	130	110	240	7.7	18.2	10.4
Bellburns	45	25	70	33.3	-	21.4
Bide Arm	95	65	160	42.1	23.1	34.4
Bird Cove	95	105	200	42.1	42.9	40.0
Conche	60	50	210	83.3	70.0	78.3
Cook's Hbr.	130	105	235	19.2	66.7	40.4
Cow Head	160	155	315	18.8	32.3	25.4
Daniel's Hbr.	135	80	215	44.4	37.5	45.2
Englee	280	210	490	19.6	26.2	22.2
Flower's Cove	155	95	250	19.4	21.1	22.0
Glenburnie	70	35	105	42.9	57.1	47.6
Gonze Cove	70	80	150	42.9	18.8	26.7
Hawke's Bay	130	115	245	50.0	21.7	37.5
Main Brook	160	130	290	50.0	61.5	55.2
Norris Point	160	195	425	30.4	48.7	37.6
Parson's Pond	190	95	285	47.4	57.9	50.9
Port aux Choix	385	310	695	11.7	17.7	15.1
Port Saunders	280	170	450	14.3	26.5	18.7
Raleigh	110	90	200	59.1	66.7	62.5
River of Ponds	105	65	170	23.8	45.2	31.4
Rocky Hbr.	375	240	615	36.0	37.5	35.8
Roddickton	340	270	610	45.6	22.2	34.1
Sally's Cove	20	10	30	-	-	-
St. Anthony	860	770	1630	20.9	20.8	20.9
St. Lunaire	200	185	385	45.0	54.1	50.0
St. Paul's	160	125	285	34.4	60.0	45.6
Trout River	165	155	320	30.3	48.4	36.9
Woody Point	130	100	230	26.9	55.0	40.9
GNP	7,095	5,585	12,680	28.5	37.3	32.4
Nfld.	145,575	101,520	247,095	24.6	27.1	25.6
Canada	7,441,170	5,608,690	13,044,860	9.6	11.2	10.3

Source: Statistics Canada, 1988.

The number of workers who receive unemployment insurance benefits is another indicator of the level of unemployment on the Peninsula, as well as the extent of the region's dependence on federal government transfer payments. The unemployment insurance system has been used to provide basic income security in the region. The importance of unemployment insurance benefits to the economic well-being of many residents of the Peninsula is underscored by the fact that periods of employment tend to be short. On November 25, 1987 approximately 40 percent of the region's population between the ages of 15 and 64 had registered to receive unemployment insurance benefits. Just over half of these individuals had worked for only 10 to 13 weeks. The average number of insured weeks worked for all claimants was only 14 (Canada Employment and Immigration Commission, Claimant Statistics, week of November 25, 1987).

These statistics reflect the region's heavy reliance on a short inshore fishing season. In fact, a high level of seasonal employment, based on resource extraction industries, was one of the primary features of the region's economy. In October and November of each year, the number of people collecting unemployment insurance benefits sharply increased as the inshore fishery shut down for the season. And the unemployment level remained high until June when the inshore fishery was reactivated. As a result, a high percentage of income on the Peninsula was received from government transfer payments. According to the 1986 census, only 66.1 percent of total personal income on the Peninsula was received from employment. In contrast, employment income represented 73.4 percent of total income for the province and 78.7 percent for

the nation as a whole. Meanwhile, 32.2 percent of the total income on the Peninsula was classified as government transfer payments - primarily unemployment insurance benefits and old age pensions - compared with 21.1 percent provincial and 11.1 percent nationally (Statistics Canada, 1988).

Table 5

Composition of Total Income, Great Northern Peninsula, Newfoundland and Canada, 1986			
Income Sources	GNP	NFLD	Canada
% Employment Income	66.1	73.4	78.7
% Government Transfer	32.2	21.2	11.1
% Other Income	1.7	5.4	10.3

Source: Statistics Canada, 1988.

Income Levels

Low personal income is another indicator of marginalization and provides a preliminary suggestion of material living standards. On the Northern Peninsula, incomes were among the lowest in the province. The 1986 census indicated that the median male income was \$11,489 compared to \$13,721 for the province and \$19,797 for the nation as a whole. The median female incomes were \$6,957, \$7,471 and 9,540 respectively. Again differences between communities existed. Five communities registered median male incomes between \$15,000 and \$20,000. In a number of settlements, the male median income was below \$9,000. The variations between communities for female median incomes were not as great. In most communities, their median incomes fell between \$5,000 and \$8,000. The male variations largely reflect differences in returns from the

different fish harvesting techniques discussed above. Earnings for women tended to be similar, partly because so many work at similar jobs in the fish processing industry.

Table 6

Income Levels, Great Northern Peninsula, Newfoundland and Canada, 1986					
Incomes	GNP	Nfld.	Canada	GNP as % of Nfld.	GNP as % of Canada
Average Male	\$13,929	\$17,582	\$23,265	75.6	59.9
Median Male	\$11,489	\$13,721	\$19,797	69.3	58.0
Average Female	\$8,455	\$9,876	\$12,615	78.3	67.0
Median Female	\$6,957	\$7,471	\$9,540	78.3	72.9

Source: Statistics Canada, 1988.

Education Levels

A recent Royal Commission on Employment and Unemployment in Newfoundland suggested there is a strong correlation between economic development and the level of education of a population (Newfoundland and Labrador, 1986). If this is the case, attempts to generate social and economic development on the Northern Peninsula will be handicapped by the level of education among residents. It is one of lowest in the province. Approximately 39 percent of the population 15 years and older were considered functionally illiterate (less than a grade 9 education) in 1986, compared to 27 percent of the provincial population and 17 percent for the nation as a whole. Only 21 percent of the total population 15 years and older on the Peninsula had any form of post-secondary education, compared to 32 percent in the province as a whole and 40 percent in Canada (Statistics Canada, 1988).

With such a small number of people in the region having post-secondary education, the potential pool of volunteer expertise available to community based development efforts is limited. Moreover, numerous studies have shown a strong positive correlation between people's participation in formal organizations and their level of education and social and economic status. It would appear that the Peninsula was not a fertile ground for widespread mobilization and participation in community based economic development efforts.

Table 7

Highest Level of Schooling, Great Northern Peninsula Newfoundland and Canada, 1986			
Level of Schooling	% of Pop. 15 Years and Over		
	GNP	Nfld	Canada
Less than grade 9	38.6	26.6	17.3
Grades 9-12			
-without certificate	31.5	31.3	27.1
-with certificate	8.1	8.6	12.8
Trades certificate	1.4	1.7	3.1
Other non-university			
-without certificate	2.0	3.5	6.8
-with certificate	9.5	14.4	14.5
University			
-without degree	6.1	8.3	8.6
-with degree	2.9	5.6	9.6

Source: Statistics Canada, 1988.

Summary

The above description of the social and economic conditions on the Northern Peninsula highlights the difficult environment in which the GNPDC had to operate. With more than 60 settlements spread over more than 300 kilometres, the Corporation had to cover a large area. Many of the communities were characterized by weak labour markets, high levels of unemployment, low levels of income and education, out-migration of young educated individuals, and extensive external control over a large number of productive enterprises as well as some natural resources. It was in response to this situation that leaders of the regional development associations on the Peninsula felt it was necessary to take steps to initiate a local social and economic development program. The following chapter describes how they established the GNPDC with the hope that it could improve conditions on the Peninsula.

CHAPTER FOUR

FORMATION AND ORGANIZATIONAL STRUCTURE

Introduction

The formation of the GNPDC did not represent the first effort at collective self-help on the Great Northern Peninsula. The region has a history of local initiatives taken to deal collectively with social and economic problems. Both the Newfoundland Fishermen Food and Allied Workers Union, which is a major force in the province's economic and political life, and RDAs got their start in the area.¹ One of the first regional development associations in the province was formed in 1967 at a conference sponsored by the Extension Division of Memorial University of Newfoundland. The Northern Area Regional Development Association (NARDA) included members from all parts of the Northern Peninsula who felt that central decision makers were ignoring the extent of underdevelopment in their region. While it did get involved in one economic venture, NARDA mainly lobbied government and industry on a wide range of development issues.²

1 For a more detailed account of the formation of the Fishermen Food and Allied Workers Union see Inglis (1985) and Sinclair (1985).

2 In 1967, Bowaters Limited closed down its woods operation around Hawkes Bay throwing loggers out of work. In 1968, the NARDA executive negotiated a contract to sell pulpwood to the company in an effort to provide employment for laid-off loggers. The provincial government provided financial support and some equipment. The arrangement ended in 1969 when Bowaters and a large construction firm built a sawmill in Hawkes Bay and resumed logging operations (Brown, 1970).

The Corporation was formed when the RDAs on the Peninsula were unable to get government support for the proposed northern fisheries development corporation... The associations felt that government was not paying much attention to us and we were behind and lacking development, jobs, everything. We thought a corporation would get things done for the area (personal interview).

Another RDA member stated, "we took it upon ourselves to do something for ourselves" (personal interview). The following is a more detailed description of events leading up to the formation of the GNPDC.

Establishing the GNPDC

In response to a renewed crisis in the Atlantic coast fisheries in the early 1980s, the federal government established the Kirby Task Force. Its primary mandate was to recommend "how to achieve and maintain a viable Atlantic fishing industry, with due consideration for the overall economic and social development of the Atlantic Provinces" (Canada, 1983: 3). The report gave special consideration to the "Northern Fisheries", which included the commercial fishery in Labrador, the North Shore of Quebec and the Great Northern Peninsula north of fifty degrees latitude (the region north of Cow Head). This region was described as "one of the most grossly under-developed in the country" (Canada, 1983: 254). The Task Force maintained that if marginalization was to be overcome, "it will be only through government programs that generate jobs related to the exploitation of local resources. The only economic resource base in the area is the fishery" (Canada, 1983: 254).

The Task Force recommended the creation of a Northern Fisheries Development Corporation (NFDC) to coordinate economic, social and community development and

Development of the fishing industry was one of the NARDA's primary concerns. It lobbied the federal and provincial governments to stop the destruction of local fishers' nets by large off-shore draggers. The organization also lobbied for improvements in fisheries infrastructure (Memorial University Extension, 1968). However, NARDA was unable to generate widespread grassroots support. It was dynamic because of dynamic leadership made up of a loosely knit group of well educated people (McLeod and McLeod, 1971). In an effort to encourage more participation, the association was divided into zones where officers were elected to serve on the NARDA board of directors. However, NARDA was unable to maintain its regional identity and dissolved when the original leaders left the organization. The boundaries of the zones closely paralleled the present day boundaries of the area's six development associations (McLeod and McLeod, 1971).

In chapter two it was pointed out that RDAs on the Northern Peninsula became frustrated with their role as managers of short-term job creation projects. The formation of the GNPDC resulted from the desire to undertake long-term social and economic development initiatives in the region. As one RDA member put it: "The Corporation was formed because the development associations were looking for a vehicle that would stimulate the economy of the area by creating long-term employment." The "trigger opportunity" (Perry, 1987: 54), that propelled the Associations to form the GNPDC occurred when the provincial and federal governments failed to establish a northern fisheries development corporation proposed in a major federal government review of the Atlantic fisheries. The president of one development associations put it like this:

ensure that the fishery was organized for the benefit of the local population. Several options were discussed including the formation of a federal/provincial crown corporation that would be given allocations/licences for northern cod and shrimp to "generate revenues for social and economic development" (Canada, 1983: 252). In the end, the Task Force recommended that the mandate of an existing crown corporation - the Canadian Salt Fish Corporation - be enlarged so that it would become the designated development agency.

After the Kirby Task Force report was released, the RDAs on the Northern Peninsula began to petition the federal and provincial governments to accept local input in decisions on the structure and mandate of the proposed NFDC. The six RDAs on the Peninsula had been meeting on a regular basis - four times per year - since 1982 to discuss development issues common to the whole region. (These meetings were referred to as the Northern Zone Development Associations' Meetings.) From the start, the development of the local fishing industry dominated the agenda. The RDAs were concerned about the large amount of unprocessed fish that was being trucked out of the area as processing facilities lay idle. They also expressed concern over the lack of fisheries infrastructure such as ice-making and freezing facilities (Minutes of Northern Zone Development Associations Meetings, 1982-1986).³

For the Associations, any initiative that addressed these issues and retained more benefits for local people from the exploitation of the fisheries resource deserved support. At a Northern Zone meeting in September 1984, the RDA members discussed the

3 See chapter three for a more detailed description of the fishing industry on the Northern Peninsula.

formation of the NFDC with representatives of the federal and provincial governments. The provincial deputy minister for fisheries pointed out that little had been achieved in regard to the formation of a corporation and suggested that the Associations sponsor a seminar and present their suggestions and concerns to government officials who would attend (Northern Zone Development Associations, Minutes, 14 September, 1984).

At the next Northern Zone meeting, the RDA members decided each Association would hold public meetings to solicit the views of fishermen, fish plant workers and business people on the state of the fishing industry and the proposed NFDC. This information was expected to form the basis for a conference on the development of the northern fishery along with the structure and objectives of the NFDC (Northern Zone Development Associations, Minutes, 5 and 6 December, 1984). The public meetings were conducted; however, the conference, which was scheduled for February 1985, never took place. The federal and provincial politicians concerned with fisheries would not attend. Despite continued lobbying on the part of the RDAs, the two levels of government failed to establish the NFDC.

The federal and provincial governments were unable to come to an agreement on the structure of the proposed NFDC. While the province expressed general support, it refused to accept a corporation based on an expanded role for the Canadian Salt Fish Corporation. The province feared that it would have no control over the organization since it had only one representative on the Canadian Salt Fish Corporation's board of directors. Meanwhile, the federal government would not consider any alternatives (Press Release by the Provincial Minister of Fisheries, 2 May, 1985).

In September 1985, the provincial government presented a white paper on the NFDC to the federal government without consultation with the RDAs or other organizations and groups in the concerned area. In November 1985, a delegation from the region travelled to St. John's to meet with the Provincial Minister of Fisheries. In a report describing the meeting, the leader of the delegation indicated that the minister was unwilling to discuss the contents of the white paper. He also felt that the province did not give a high priority to the NFDC and was unwilling to press the federal government on the issue (Report From Meeting with Minister of Fisheries, Hon. Tom Rideout, 6 November, 1985; Records of the GNPDC).

In December 1985, the Federal Minister of Fisheries and Oceans informed the RDAs that "there has been no movement to set up an NFDC at this time because of a shortage of funds." He was unable to meet with the Northern Zone Associations in the near future (Letter, Hon Tom Siddon to St. Barbe RDA, 11 December, 1985; Records of the GNPDC). It is possible that the federal and provincial governments were not anxious to expand the operations of a crown corporation since the fishing industry in the province was being restructured and placed back into the private sector. By the mid 1980s, the newly restructured Fishery Products International, assumed operations of the large processing plants located at St. Anthony and Port-au-Choix. The RDA leaders felt that without these plants, the successful operation of the NFDC seemed unlikely (Letter to acting Federal Minister of Fisheries from the Northern Zone Regional Development Associations, 24 October, 1985; Records of the GNPDC). Eventually the formation of the NFDC became a non-issue with both levels of government and serious discussion

ended. However, for the RDAs, the long-term economic development of the fishing industry in their region was vitally important. They were not about to give up.

While they continued to lobby government to establish the NFDC, the RDAs decided to examine community-based economic development strategies as an option for development in the area. At a meeting of the Northern Zone group in May 1985, they requested assistance from Memorial University's Division of Extension to organize a seminar that would examine "alternate economic development structures", such as community development corporations. (Northern Zone Development Associations, Minutes, 5 October, 1985). A seminar took place in December 1985 with E.T. Jackson as resource person.⁴ When it became apparent that government would not establish the NFDC, the Associations focused their attention on initiating a community-based development strategy.

In the spring of 1986, the RDAs submitted a proposal to the Provincial Department of Rural Agricultural and Northern Development (RAND) for funding to carry out a study of the fishing industry on the Peninsula. A six member committee was selected to prepare the proposal and oversee the study (Northern Zone Development Associations, Minutes, 8 March, 1986). The study was expected to form the basis of an integrated development plan for the industry and assess ways in which the plan could be implemented by the RDAs (Northern Zone Development Associations, Fishing Industry Steering Committee, Minutes, March 22, 1986). At this point, the RDAs had hoped the region would receive a large development fund, similar to the Burin Peninsula

⁴ Mr. Jackson had done research in self-help fisheries development and written a report titled Community Self-Help and Small Scale Fisheries (Jackson, 1984).

Development Fund, that would be used to construct infrastructure in the fishing industry and make investments in various enterprises. RDA members felt that the Associations would have to lobby government to establish such a fund (Northern Zone Development Associations, Fishing Industry Steering Committee, Minutes, 22 March, 1986; Northern Zone Development Associations, Minutes, 10 and 11 September, 1986).

While the RDAs on the Peninsula were engaged in this process, they were encouraged by the final report of a provincial government task force that had been charged with the mandate to investigate all aspects of employment and unemployment in the Province of Newfoundland. The Royal Commission on Employment and Unemployment maintained that locally-based development initiatives should be important elements in the development of the province's economy. The report also called on government to "reaffirm and strengthen the role of Regional Development Associations" and to support the establishment of organizations such as cooperatives and community development corporations that could take a direct role in creating new business enterprises (Newfoundland and Labrador, 1986: 393).

Funding for the fisheries development strategy study was received in the summer of 1986, and a consultant was hired.⁵ The initial phase of the study consisted of consultations with community groups and individuals to look at conditions in the fishing industry and potential development opportunities within a context of regional ownership. As work progressed, leaders of the RDAs and the consultant concluded that some kind of community controlled regional development corporation was needed to resolve

5 The consultant, David Simms, had just completed work as a senior researcher with the Royal Commission on Employment and Unemployment.

longstanding problems in the industry (Northern Zone Development Associations, Fishing Industry Steering Committee, Minutes, 28 September, 1986).

At the meeting of the Northern Zone Fisheries Steering Committee in September, the consultant presented literature on New Dawn Limited, the oldest community development corporation in Canada and suggested it as a possible model (Northern Zone Development Associations, Fishing Industry Steering Committee, Minutes, 28 September, 1986). In October 1986, members of the Fisheries Steering Committee, five RDA coordinators, the fisheries study consultant, representatives from Memorial University Division of Extension and RAND officials visited Cape Breton to look at a number of community development corporations.⁶ During this visit, the Steering Committee decided to expand the fisheries study to outline the basic structure of a CDC. They also agreed to seek approval from the RDA boards of directors to proceed with plans to establish a CDC (Minutes of Northern Zone Development Associations Fishing Industry Steering Committee, Minutes, 18 and 19 October, 1986).

Additional funding was requested from RAND to expand the terms of reference of the fisheries study and extend the consultant's original contract so he could begin the process of setting up a CDC. The RDAs also requested and received funds to contract Greg MacLeod and Steward Perry to provide advice on establishing such an organization.⁷ In December 1986, Greg MacLeod visited the region and held a workshop

6 The Bonne Bay Development Association was not represented.

7 Both Men have an extensive background with the concept of community development corporations and have written on the subject. See MacLeod (1986) and Perry (1987). Mr. MacLeod was a founding member of New Dawn and Mr. Perry had been involved with CDCs in the United States for a long period of time. At the time he had taken a position with the Center for Community Economic Development in Sydney Cape Breton.

for RDA leaders (Northern Zone Development Associations, Minutes, 3 and 4 December, 1986). A draft copy of the fisheries study was also released at about this time. It appeared that leaders of the RDAs were now firmly committed to the idea of a CDC (Northern Zone Development Associations, Minutes, 3 and 4 December, 1986; Northern Pen., 9 December, 1986). The mandate of the proposed corporation was expanded to include all economic sectors and the adoption of a broad based development approach that would integrate social, economic and cultural factors in the development process. When the report was published it stated:

Community-based development corporation could provide an integrated framework for the development on the Northern Peninsula region and could possess enough resources (financial and technical) to help Development Associations and other groups to identify long-term development opportunities and act upon them (Simms, 1987: 39).

Details related to the formulation of a conceptual framework for the CDC were left to Simms and MacLeod. A preliminary outline was presented to the RDA leaders in January. They objected to several elements in this draft, including a provision that would have given individuals outside of the Associations a majority on the Corporation's board of directors.⁸ The leaders of the Associations wanted to maintain voting control on the CDC's board (Northern Zone Development Associations, Minutes, 16 and 17 January, 1987). These objections were taken into account - the number of external board members were reduced from eight to five - and an implementation plan that described the structure and mandate of the community development corporation was presented to RDA leaders

⁸ The draft suggested eight individuals with certain kinds of expertise should be nominated to the board of directors of the CDC. The six RDAs would appoint one board member each.

attending a Northern Zone meeting in February (Northern Zone Development Associations, Minutes, 6 and 7 February 1987).

MacLeod conducted a second workshop at this meeting. The RDA members discussed the mandate and structure of the proposed CDC and made a decision to incorporate the Great Northern Peninsula Development Corporation (GNPDC). The attending RDA members also appointed a provisional board of directors made up of one representative from each Association to concentrate on further organization of the Corporation, including incorporation under the Companies Act of Newfoundland (Northern Zone Development Associations, Minutes, 6 and 7 February 1987). The provisional board later became the first board of directors when the GNPDC was incorporated in April, 1987. In this way, the first board of directors of the GNPDC was not selected by the full membership of each RDA or even the full board of directors of each Association, but rather by a relatively small group of key individuals in each RDA who attended this Northern Zone meeting. Simms was hired as the GNPDC's executive director in February, 1987 (Great Northern Peninsula Development Corporation, Minutes, 25, February 1987).

Initial financial support for the new CDC came from RAND and the Secretary of State. In fact, funding from RAND was very important in the formation of the Corporation. The department saw this experiment in community-based development as a possible model for other areas of rural Newfoundland. On several occasions it readily provided funding that totalled \$60,000 over two years - about half of the budget in its Planning and Evaluation Program - to carry out activities needed to establish the

organization.⁹ With the organizational structure now in place and the executive director hired, the GNPDC sought revenue to maintain operations. In June, \$100,000 was received from RAND to do research on each resource sector in the area and identify possible development opportunities. The organization also received smaller amounts of revenue by administering and/or conducting various short-term research projects, such as an aquaculture study and seal skin product development study. The financial position of the Corporation was made more secure in November 1987, when it received \$618,900 over three years from the federal government's Innovations Program - one of the components of the Canada Job Strategy.

The Organizational Structure of the GNPDC

Incorporated in April, 1987 under the Corporations Act of the Province of Newfoundland and Labrador as a not-for-profit corporation, the GNPDC was established as an umbrella organization to plan and pursue long-term social and economic development in the region. As a corporation, it can raise equity capital, solicit loans and grants available to the private sector and invest in local business enterprises - business practices the RDAs were unable to follow. There are two major differences, however, that distinguish the Corporation from private companies. First, its board of directors is composed of volunteers who are indirectly elected by the general public through the RDAs. This form of control is expected to ensure that benefits from the GNPDC's activities flow to the

9 A year earlier, RAND's regional director had told RDA leaders that the Department was interested in their attempts to establish a CDC (Northern Zone Development Associations, Fishing Industry Steering Committee, Minutes, 22 March, 1986).

region in general rather than to any special group. Second, any profits realized from the Corporation's business activities must be reinvested in other business, social or human development programs. Its shareholders cannot receive dividends. The social and economic development of the Peninsula rather than maximizing profits is the stated objective of the Corporation. However, the aim is to ensure that the GNPDC can recover operating costs from its activities and thus become financially self-supporting.

When it was established, the six RDAs on the Northern Peninsula which comprise the Northern Zone Group were the GNPDC's only shareholders. Each RDA controlled one share. It was possible for an additional four shares to be issued to organizations "which in the opinion of the majority of the shareholders is a regional development association or a similar or like organization or body corporate".¹⁰ Therefore, the RDAs had the option to include other organizations as shareholders in the GNPDC. However, they never exercised this option in the first three years of operation. The RDAs were the Corporation's only shareholders during this period. Should a shareholder cease to operate or go out of existence, then its shares would be transferred, with the written consent of the majority of the remaining shareholders, or returned to the Corporation and cancelled (Great Northern Peninsula Development Corporation, Articles of Incorporation, 1987).

The board of directors of the GNPDC is the governing body of the organization and is legally responsible for its management. Each RDA board of directors elected one person to sit on the GNPDC board. (The Association's board of directors was elected by the general RDA membership which, in turn, was open to all area residents.) The persons

10 A maximum of 10 shares can be issued and each shareholder would have one vote.

appointed by the RDAs had to be members of the board of directors of the Association which appointed them. However if they ceased to be a member of the RDA they could still remain as the RDA's representative on the GNPDC board of directors and attend RDA meetings in an ex-officio, non-voting capacity. Each Association could remove its representative at any time if two-thirds of the board of directors of the RDA decided to do so. The Association's board of directors could then appoint a new member to the GNPDC board (Great Northern Peninsula Development Corporation, Articles of Incorporation, 1987). The six GNPDC board members appointed by the RDAs could in turn appoint up to five other board members who need not have been members of the RDAs or other development organizations in the area. These individuals would have been selected on the basis of expertise they could bring to the organization. Their appointment was not necessary for the operation of the board. These board members may have been removed at any time by a two-thirds majority vote of the GNPDC's board.

Each Corporation board member was expected to serve for a period of three years. However, the terms of certain directors could have been shortened to provide for staggered terms of office so that one-third of the directors elected by the Associations would retire annually. The reason behind this provision was to ensure some continuity. The board would always have the benefit of experienced members. A director was eligible for re-election or re-appointment upon expiry of his/her term of office. Persons holding elected office in municipal, provincial or federal government were not eligible to be board members of the Corporation. The Corporation did not wish to have any ties

with any political party and wished to be non-partisan (Great Northern Peninsula Development Corporation, Articles of Incorporation, 1987).

The major roles of the GNPDC's board of directors were to set general policy, approve any initiative and ensure that the staff managed the Corporation in accordance with the board's policies. Since the full board would meet on average just four times per year, an executive committee was formed to supervise the operations and activities of the Corporation on a more regular basis, transact necessary business and make decisions between board meetings within limits established by the full board. Additional full board meetings could be called by the executive committee or three directors who were elected by the RDAs. The executive committee was made up of a chairperson, a vice-chairperson, a secretary, and a treasurer.

The executive was elected by the Corporation's full board at each annual general meeting and would hold office for one year. Only those board members who have been appointed by the RDAs could vote for or become a member of the executive committee. In 1989, the executive was the only functioning committee in the organization. However, the Corporation's board could have appointed standing or temporary committees to address certain issues such as fisheries, research and development and finance if it is deemed necessary. Members of these committees may have included persons who were not members of the GNPDC's board of directors. In this way, more individuals in the area could have become involved in the Corporation's activities. In its first three years of operation, the Corporation had not formed any of these temporary committees.

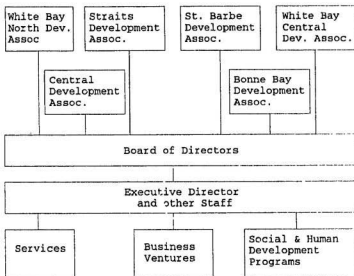


Figure 1: ORGANIZATIONAL STRUCTURE of the GNPDC

With the funding received from the Innovations Program, the Corporation was able to hire several staff members. The executive director was responsible to the executive committee and the board of directors. He/she would oversee the day to day affairs of the GNPDC and the development of business opportunities along with other programs. A business development officer was also hired to provide assistance in business plan development, identification of business opportunities and other assistance in business development. An aquaculturist was hired to provide assistance to people in the development of aquaculture businesses, particularly mussel farming. An administrative assistant was hired to take care of the secretarial and clerical duties at the Corporation's office. On several occasions, the Corporation hired a business student through the Faculty of Business Administration's co-operative program at Memorial University. Students compete for placements in companies during "work terms" for four months as part of their degree programs.

Summary

It is important to keep in mind that the Great Northern Peninsula is a large geographical area in which the level of peninsula wide social interaction tends to be very low. People often interact within much smaller geographical areas such as settlements. It is within these localities that people have the strongest psychological ties - to other people and to the place itself (Midgley, 1986; Oakley and Marsden, 1984). The discussions that led to the creation of the GNPDC involved individuals who attended meetings of the North Zone Development Associations. These meetings were one of the few sources of

structured peninsula wide interaction. While issues pertaining to the social and economic development of the whole peninsula were discussed, the Northern Zone meetings normally occurred only four times per year, were never attended by more than 25 individuals and usually by only the top leadership on the RDA's board of directors. As a result, only a small number of individuals were involved in peninsula wide discussions concerning the creation of a CDC. In fact, a smaller group of RDA leaders who made up the fishing industry steering committee, along with a number of consultants, were primarily involved in establishing the organization.

The exact organizational structure of CDCs varies according to local circumstances, history and preferences. Their structures and operating procedures are often influenced by the people involved in their formation, including outside consultants.¹¹ It is not uncommon for organizations to be formed by a small group of community leaders. In most situations, relatively few people normally want to give time and energy to establish a community-based economic development project. However, if a CDC is to be grounded in the community, the leadership who form the organization must communicate with community residents and get their input. The formation of the GNPDC highlighted another important point - the importance of government assistance. This is not uncommon among CDCs. They often receive some form of government aid (Perry, 1987). However, it is important to ask what kinds of conditions governments may place on their assistance.

¹¹ The importance of the consultants in setting the dialogue and offering suggestions concerning the structure and mandate of the GNPDC should not be underestimated. Many of the RDA leaders were unfamiliar with the concept of a CDC.

CHAPTER FIVE

ACTIVITIES OF THE GNPDC AND NEW DAWN

Introduction

CDCs are organizations with a broad based development mandate. They are viewed as organizations that engage in a multi-program development strategy, i.e. they are community development institutions. The projects initiated by CDCs vary according to local circumstances. The literature on CDCs in the United States indicated that when government funding was withdrawn, CDCs there concentrated on economic success. Although the GNPDC did acquire substantial federal government support, this was not until about one year after its formation. Moreover, the funding was designed to last just three years. Thus, it is certainly worth analyzing the extent to which the GNPDC was 'forced' into a focus on economic success right from the start. Wherever possible, suitable comparisons will be drawn with the experience of New Dawn Limited as I look in this chapter at the GNPDC's objectives and activities in its first three years of operation.

The GNPDC's Objectives

As previously mentioned, the GNPDC was formed to provide a "framework for the integrated development" of the region's resources (Simms, 1987:2). The Corporation was expected to provide greater local control and ownership over the development of the

region's resources, thereby reducing the flow of capital and jobs from the region. The RDAs' members felt that development potential existed that was not being fully utilized for the welfare of the local population because of weak local institutions and a dependence on outside companies that were extracting the areas's resources without providing full local benefits. This was particularly true in the fishing industry. In the words of one association member, "The Corporation was formed because a lot of fish was being trucked off the peninsula not processed. And people felt that the full benefits from the fishery were not being kept on the peninsula" (personal interview). Since the RDAs lacked the technical capacity to pursue long-term development goals, new capacity was needed to initiate locally controlled projects that would strengthen the region's economic base.

The flexibility of a corporate structure gave the RDAs the capacity to combine development goals with long-term job creation by allowing them to engage in any type of business activity, as well as community, social and human development programs. In its efforts to achieve its mandate, the GNPDC was expected to follow a number of guiding principles set down by the RDAs. These included:

A belief in adopting a comprehensive and integrated approach to the development of the Northern Peninsula resources; one which encompasses social, cultural and economic goals for the whole region and within the same organizational structure.

A belief in the capacity of the people on the Northern Peninsula to manage and control their own economic development.

A belief that community economic development and self-reliance can be achieved by maximizing the use of local resources for regional benefits, especially renewable resources such as the fishery.

A belief that the Development Corporation itself must retain a not-for-profit status; that its profits are to be used for the benefit of the Northern Peninsula as a whole and are not solely for the Corporation members.

A belief that the people of the Northern Peninsula must be in full control of the development process by having the Development Corporation deeply rooted in all communities in the region with its ownership structure belonging to the six Regional Development Associations.

A belief that democratic decision-making processes must be maximized; that each member Association has only one vote and that membership on the Board of the Corporation as well as approval of long-range development plans must require majority approval of the members (GNPDC, 1987b).

These guiding principles distinguish the GNPDC from the private sector. The primary aim of its business activities is social - community improvement - rather than the private profit of shareholders as is the case with private sector corporations. The RDAs are unable to receive dividends from the Corporation's business activities. Any profits must be reinvested in other enterprises to create more employment or used for social programs. Moreover, unlike private sector corporations, the GNPDC is controlled by local democratic organizations - the RDAs - that are expected to guide the corporation's activities. The GNPDC, like other CDCs, had two objectives: (1) to stimulate social and economic development in the region, in particular economic development; and (2) to ensure community control over the development process. The Corporation was expected to contribute to the economic and political self-reliance of the Northern Peninsula by putting in place the capacity to improve the ability of residents to mobilize and organize local and extra-local resources in the pursuit of communally defined goals (GNPDC, 1987b). The Corporation's strategy for achieving this objective was outlined in its proposal for Innovations funding.

The GNPDC indicated that the Innovations funding would allow it to defray administration and program costs over three years while, "a permanent system of regional development and job creation that will integrate the fragmented efforts of 63 small rural communities," was put in place (GNPDC, 1987a:1). Revenues from business initiatives and other financial support were expected to allow the Corporation to continue operations after this funding had terminated.

To achieve its objectives, the GNPDC proposed a three pronged strategy. First, a number of training programmes designed to increase the skills of the volunteers responsible for formulating the Corporation's policies were planned. Second, a communications system that would facilitate the flow of information between the Corporation and the RDAs would be put in place. Finally, the Innovations funding would be used to "institutionalize" a capacity in business venture development. The anticipated result of these activities was a "system of appropriate self-development, education, training, communication, and ultimately and specifically, strong business development" (GNPDC.1987a: 6).

Community development corporations are governed by volunteers who make up the organization's board of directors. As representatives of their communities, they have the responsibility to establish specific policies for the CDC and plan an overall strategy. Since many of the GNPDC's board members had no specific skills in economic development, training was important to prepare them to take on their task, particularly given the multi-purpose function of a CDC. Board members must not only understand the technical nature of making good business decisions, they must do so while

considering the benefits to the general community. In effect, they must integrate normal business policy with social policy. Balancing economic and social goals is not easy.¹

The GNPDC proposed to carry out a program of "skill-building" for its board of directors through a number of internal workshops designed to improve their strategic planning skills. These sessions were expected to provide training in the areas of: (1) the role and responsibility of board members; (2) the formulation and reformulation of the corporate mission and goals to help the board clarify what it is trying to achieve; and (3) processing and evaluating investment proposals. The Corporation also planned to present another series of workshops that would include RDA board members. These sessions were expected to provide a more general overview of CDCs and community economic development. They would include information on issues such as: (1) the basic concept of community economic development; (2) variations in business development strategies - such as the scale of the venture and ownership structure; and (3) the nature and forms of capital available for community economic development. The Corporation further proposed to work with the RDAs' staff and board members to help them plan ways in which short-term make work projects could contribute to the long-term development needs of the region and have a lasting impact on job creation. These planning initiatives could then be linked to planning carried out by the GNPDC at the regional level (GNPDC, 1987a).

1 The importance of a competent board should not be underestimated. Studies, such as the one conducted by Kelly (1977), indicate that the success of a CDC was strongly related to the success of the board members in setting goals, strategies and policies.

In its proposal for Innovations funding, the GNPDC pointed out that the geography of the Northern Peninsula adversely affects coordination and communication between the GNPDC and its shareholders. While the Corporation's office is centrally located, it takes several hours to reach the RDA offices in the north and south. The Corporation proposed to address this problem by using part of the funding to establish a computer linked network connecting its headquarters with all six RDA offices. The network was also expected to provide the RDAs with access to a data bank of information located at the Corporation's office. The data could be used by the Associations to improve their planning capabilities. Finally, information on the Corporation's goals, activities and services was to be made available to the general public through newsletters and brochures (GNPDC, 1987a).

Business development is a central aspect of any community economic development effort. "Building businesses is not necessarily the centrepiece of every community economic development strategy, but it is always an essential part" (Perry, 1987:107). The GNPDC indicated that Innovations funding would be used to establish a solid capacity in this area. A CDC can get involved in business development in two ways. It can provide assistance to local entrepreneurs who wish to start or expand a business, or the corporation can establish subsidiary companies either on its own or in partnership with other companies. The GNPDC proposed to carry out both strategies (GNPDC, 1987a). The executive director described how the Corporation would get involved in business development in the following way:

The Corporation in the first instance is providing the region with a new sense of professional, organizational capacity that can enable the various economic sectors

on the peninsula to develop beyond the state at which they presently exist. And the Corporation can do that in a couple of different ways. First it can do it for a fee for service; that the local small business sector will come to recognize the Corporation as a centre of expertise which it can hire or purchase to service its needs, if those needs are in keeping with the long-term development needs of the region through the building of new locally controlled and owned economic enterprises. Second, the Corporation sees itself in particular playing a major role in terms of filling the gap that has been left in the region by the private sector in terms of they are not being an effective local response to the opportunities that exist. Therefore, the Corporation will take a very proactive stance towards getting directly involved itself in initiating and implementing business enterprises which the Corporation may come to own and control itself or through new cooperative structures with the private sector (personal interview).

Most of the RDA leaders interviewed agreed with the executive director's views.

Only two people indicated that the Corporation should only provide assistance to local entrepreneurs. They feared that by creating business subsidiaries, the GNPDC would compete with the private sector. While all RDA leaders agreed that the Corporation should not compete with private entrepreneurs, most felt that it was important to take a proactive approach and establish enterprises. They maintained that the organization needed potential profits to achieve financial self-sufficiency. As one RDA president put it; "The Corporation should help local people start or expand their businesses, but it also has to start and control its own businesses if it is to survive" (personal interview).

The GNPDC's Innovations proposal outlined how the Corporation would use the funds to build itself into a strong community economic development institution. However, CDCs operate in a changing environment where unexpected opportunities often appear. A decision must then be made to follow an established plan or pursue the new opportunity. Such a decision could have significant repercussions. The GNPDC was faced with this situation when major business opportunities emerged in two of the region's most

important industrial sectors. The Corporation decided to pursue these openings. As a result, most of the organization's resources were devoted to business venture development, while the other two sets of objectives outlined in the Innovations proposal were put on the back burner. In the first three years of the Corporation's operations, just one workshop was conducted and it was poorly attended. While three newsletters and a number of brochures were printed and distributed to the general public, the computer network was never put in place. Some of the implications of this decision will be discussed in greater detail in a following section and will be taken up again in the next chapter; but first a brief description of the corporation's business ventures.

The GNPDC's Business Ventures

The GNPDC employed a two-tier organizational structure common among CDCs. The Corporation was designed as a non-profit holding company that could develop subsidiary for-profit commercial ventures. These ventures could be owned in whole or in part by the GNPDC. Separate incorporation prevents the creditors of one business from reaching the assets and profits of another if one business fails (Kelly, 1977). The GNPDC's non-profit status provided some tax exceptions since financial benefits could not be distributed to individuals and had to be used for social purposes. The non-profit status could also enhance the organization's legitimacy with the community and the state, since it provided assurances that activities were intended for the public good and not a small group of individuals. At the same time banks and other lending institutions might feel more comfortable dealing with a CDC's for-profit subsidiaries that have mortgageable assets.

These companies might also be eligible for government assistance which was not available to non-profit corporations (Perry, 1987).

The GNPDC developed a policy of maintaining majority control over the long-term business objectives of any subsidiary enterprise in which it invested. While subsidiaries could employ managers who were responsible for the operations of the enterprises on a day to day basis, the overall management of the subsidiaries was to be carried out by the development corporation's staff. The consolidation of management staff in the GNPDC had several advantages. It allowed more flexible and innovative accounting procedures. It cut down on administrative costs by banding together technical and machine resources. The staff might be available to work on several projects which would bring in more revenue. The one accountant, for example, could manage the accounts of several enterprises. The centralization of management staff would, therefore, make the operation more efficient.

Northchip Limited

In the spring of 1988, Newfoundland and Labrador Hydro began construction of a 5,000 kilowatt, wood fired, electricity generating station at Roddickton, on the Peninsula's north-east coast. The facility was completed in the fall of 1989. It replaced two diesel burning generating plants that had previously produced electricity for the Roddickton and St. Anthony areas. The plant was expected to consume up to 50,000 tonnes of woodchips per year (Northern Pen, November 29, 1989). The region is outside of the primary supply zones for the province's three paper mills. Therefore, logging for pulpwood was

almost non-existent. Sawmilling had become the major forestry activity. However, the absence of a market for non-sawlogs meant that large sections of the forest were not being utilized - over half of the Annual Allowable Cut. The wood fired generating plant was expected to utilize more of the forest resource and create much needed employment in the area.

According to the forestry management plan, waste wood from existing sawmill operations must make up a portion of the woodchips supplied to the generating plant. Residue and insect damaged trees, cut while harvesting saw-logs make up the remainder of the supply. Sawmills in the area are small and no single operator could supply the amount of woodchips required. Given these circumstances, wood from a number of sawmillers would need to be included. In the spring of 1988, shortly after construction of the generating plant began, the GNPDC and five sawmillers in the region started discussions on the possibility of forming a joint venture company to bid on supplying woodchips to the plant. With financial assistance from ACOA, a forestry engineer was contracted to assess the requirements and potential of the venture. Northchip Ltd. was incorporated in August, 1988 and a tender for the contract was submitted in open competition against companies from outside the region. The company was awarded a four year contract in December 1988 to supply most of the woodchips required. Northchip bought the waste wood from the five shareholding sawmillers and then sold the chips to Newfoundland Hydro - all under fixed contracts.

Consistent with its policy of maintaining majority control over any business venture in which it participates, the corporation controlled 51 percent of the voting shares

in Northchip Limited. The five local sawmilling companies controlled the remaining 49 percent. The board of directors of Northchip consisted of seven individuals. The chairperson and three others were appointed by the GNPDC and the remaining three directors by the sawmillers. The board was expected to meet at least three times per year to review business activities and consider various matters. The GNPDC could make no major policy decision concerning Northchip without the support of at least one of the larger sawmillers. Decisions such as amendments to the Articles of Incorporation, investment in other business activities, the approval of budgets and expenditures over \$10,000 called for a special resolution by the shareholders which required not less than 60 percent of the voting shares issued (Northchip Limited, Shareholders Agreement).

The five sawmillers each invested from \$5,000 to \$25,000 in the venture through a separate venture capital company. This equity investment was used to access other funds. Initially the GNPDC had hoped to receive a business development grant through ACOA's Action Program to capitalize the new corporation, but a change in ACOA's policies made this impossible. In May 1989, the Agency imposed a new ceiling of \$200,000 - down from \$20 million - in eligible costs under the Action Program (Savoie, 1992). Northchip required funds of approximately \$850,000 to purchase needed equipment to engage in the woods operation. However, the company did receive a loan guarantee from ACOA that enabled it to obtain a commercial loan from a chartered bank. This meant the company began operations with a debt of approximately \$850,000. It was unlikely that Northchip would earn substantial profits in its first several years of operation. If this did occur, profits would be distributed among the shareholders in

accordance with the number of common shares they own. However, the sawmillers did receive returns from the sale of wood waste to Northchip Ltd.

The GNPDC was responsible for the overall management of the company, including the organization of funding for working capital and any planned capital works. The GNPDC staff took care of all accounting from the corporation's head-office. Northchip itself, directly employed only three people - an operations manager and two equipment operators. The market for non-sawlogs and sawmill waste allowed sawmillers to expand their operations and increase the number of workers they employ. It is estimated that an additional 10 to 15 jobs were created here and at a local trucking company that was contracted to transport woodchips to the generating plant (Felt and Sinclair, 1990).

Great Northern Seafoods Limited

The fishery is the most important economic sector on the Great Northern Peninsula and its development has been a central part of the economic planning of the GNPDC. The Corporation, in fact, grew out of research on possible strategies to promote locally controlled development in the industry (Simms, 1987). In the spring of 1988, the Corporation obtained a \$42,000 grant from the Provincial Department of Fisheries to hire consultants to further analyze additional opportunities in the fish processing sector (GNPDC, Newsletter, vol.2 no.1, May 1988). The initial report by Simms (1987) and these later studies outlined several problems in the industry, including fragmentation and competition among local processors marketing similar products.

A large number of the processing plants in the area were built through the efforts of community groups and then leased to local private operators. In most cases physical plant development and the addition of machinery had been restrained by the lack of financial depth of these operations. For example, under-capitalization meant a lack of freezing and cold storage capacity. Therefore, fish cannot be processed beyond the fresh fillet state. This means marketing has been a particular problem for the local processors. Semi-processed fish had to be sold immediately to intermediaries such as National Sea Products. Less processing meant fewer jobs in the area. Sometimes, financial losses were incurred when small landings did not warrant economical shipment (Simms, 1987). The local processors were in a vulnerable position, making sales in reaction to unpredictable short-term openings in the market over which they had little control. In August 1988, for example, many operators lost their only market when National Sea Products in Nova Scotia stopped purchasing their products (Northern Pen, August 3, 1988). Moreover, the processors had little training in management techniques and no marketing expertise. They operated in an insecure environment and made decisions on a short-term basis.

In the summer of 1988, the Corporation began discussions with the small independent processors in the region on how to address their marketing problems. In particular, the Corporation worked with a group of five processors to look at ways of collectively marketing their products.² It was felt that collective marketing would strengthen their negotiating position, which would allow them to obtain better prices from buyers, and reduce shipping, packaging and advertising costs through economies of scale.

2 The five plant operators had earlier jointed forces as the Glacier Group to purchase fish landed on the south-west coast of the province during the winter fishery.

The technical assistance provided by the Corporation would have given the processors a marketing capability that neither could have achieved alone. However, the marketing venture was soon put on hold when GNPDC's attention shifted to securing the lease on a medium sized processing plant.

A private company, operating the fish processing plant at Brig Bay on lease from the provincial government, failed to pay its labour force and was forced to give up its lease in the fall of 1988. The GNPDC recognized the possibility of putting an economic development plan for the local fish processing industry into action. With its freezing capacity, the Corporation saw the Brig Bay plant as the centre-piece in a strategy that would solve many of the problems faced by the local fish processors. The facility would provide them with a secure market and further process fish in the region, which would open up new marketing possibilities. The plan was also expected to provide stable employment for approximately 135 workers during peak production. Moreover, the Corporation wished to retain local control of economic development in the region and did not want the lease to go to outside companies. The GNPDC sought the co-operation of independent processors in the region and in the fall of 1988 discussions began on forming a joint venture company - Great Northern Seafoods Limited (GNS) - to bid on the Brig Bay lease.

Originally, ten local processors were interested in the project, but six decided to withdraw early in the discussions because they were unable or unwilling to make an equity investment. However, the GNPDC and the four remaining processors continued the initiative and plans proceeded on creating a structure for the new company. It was

expected that the processors would control 49 percent of GNS through a separate venture capital company - Norfish Ltd. This arrangement would have allowed GNS to take advantage of a venture capital program offered by the Newfoundland and Labrador Development Corporation (NLRDC), a provincial crown corporation with a mandate of encouraging economic development in the province. Under the program, NLRDC would match the amount of capital invested in the venture capital company. The GNPDC would control 51 percent of the shares and carry out overall management. The board of directors of GNS would consist of seven individuals, four appointed by the GNPDC and three by Norfish. And the executive director of the development corporation would act as chairman of the board.

The GNPDC submitted a proposal to the provincial government to operate the plant at Brig Bay. The proposal outlined that a stable supply of raw material for the plant would be provided by the independent plant operators who would sell their semi-processed fish to GNS for further processing, and packaging. In this way the independents would have a secure market and further processing would add value to the product which could command higher prices in the marketplace. The GNPDC would carry out marketing through a contracted marketing manager. In December of 1988, the government accepted the GNS proposal and gave the company a five year lease on the facility. However, the initial arrangement between the GNPDC and Norfish would soon run into difficulty.

It is not clear that the provincial government preferred local control over the fish processing industry on the Northern Peninsula. While the GNS proposal beat out bids by

two larger outside companies, the fact that the facility would be used to further process existing catches was possibly the major reason why GNS received the lease. The government was already concerned with existing over-capacity in the fish processing industry. The GNS proposal was based on co-operation between existing processors to extend processing of their existing products. Moreover, the Brig Bay plant had experienced problems in the past in securing a supply of fish because there was no fishing fleet attached to it. According to the Provincial Minister of Fisheries, the GNS strategy appeared to solve this problem (Fishermen's Broadcast, CBC Radio, December 5, 1988). Finally, the proposal was based on strategic long-term planning, backed up by extensive research carried out by a reputable fisheries consulting firm.

Soon after the Brig Bay plant began operating in the spring of 1989, a dispute flared up between Norfish and the GNPDC. In June of 1989, the conflict reached an impasse and Norfish withdrew from the arrangement. The shareholders' agreement was never finalized. The Corporation was forced to take over GNS on its own. However, it had virtually no investment capital. Considerable time and resources went into "creating another financial arrangement which would underwrite the company's long-term debt as well as provide sufficient money to meet routine operational cash flow requirements" (Felt and Sinclair, 1989:16). The Corporation was successful in getting the processing company started when it received a \$1 million loan guarantee from the provincial government to cover initial operating costs. However, the loan meant the Corporation was forced to carry a heavy debt load. Meanwhile, the GNPDC continued to seek equity

investment from other sources including other plant operators and the general public (Northern Pen, August 2, 1989).

At the end of 1989, the future viability of GNS looked uncertain. The split with Norfish sent the GNPDC in search of new supplies of raw material for the Brig Bay plant. One of the major processors in the original arrangement reverted to traditional buyers and stopped selling to GNS (Northern Pen, August 16, 1989). Supplies were found from processors in the northern section of the Peninsula who were not part of the original arrangement. However, the depressed state of the cod stocks in the Gulf of St. Lawrence was a serious threat to the long-term viability of the plant. Low landings by fixed gear fishermen, who supplied most of the smaller plants expected to sell to GNS, had a serious effect on the company's operations. An insufficient supply of raw materials meant the company suffered financial losses in the 1989 season (Felt and Sinclair, 1989). In an effort to strengthen the plant's viability, the GNPDC requested a shrimp processing licence from the provincial government (Northern Pen, August 23, 1989). The Corporation had made provisional arrangements to enter a joint venture with an international marketing company in which the GNPDC would control 51 percent while the marketing company would control 49 percent and provide technology, training and marketing services (Felt and Sinclair, 1989). No licence was provided by the provincial government in 1989.

Other Business Activities

At the end of 1989, Northchip and GNS were the only two companies the GNPDC had established. However, the Corporation had carried out research and planning on a number of other possible business ventures. In the spring of 1988, the Corporation conducted a feasibility study of operating a student residence and tourist facility in St. Anthony. The proposed facility was expected to meet the needs of students attending the St. Anthony campus of the Western Community College from September to June and then serve as accommodation for tourists during the summer. The assessment revealed a need for such a complex. However, the financial analysis showed that projected revenues would only support the operating costs and not the debt servicing charges associated with the capital costs of constructing the facility (GNPDC newsletter, vol.2, no.2, January 1989). In October of 1988, the GNPDC submitted a proposal to ACOA, requesting \$1.29 million to build the facility. ACOA rejected the proposal stating that it was only interested in the tourist component and not the student residence aspect of the project (Felt and Sinclair, 1989).

The GNPDC has also done extensive planning in aquaculture, particularly mussel farming. The aquaculturist employed by the Corporation put together a development plan for mussel farming on the Peninsula (GNPDC newsletter, vol.2 no.2, January 1989). While the Corporation did not enter into partnership with any of the nine active mussel farmers in the area, it provided assistance with grant applications, and technical and marketing advice (Northern Pen, March 22, 1989). In September 1989, the GNPDC received a grant to study processing and marketing options for mussels grown in the area

and examined the possibility of setting up a marketing co-operative (Northern Pen, September 27, 1989). The Corporation also studied the feasibility of establishing an arctic char hatchery near a zinc mine at Daniel's Harbour that was scheduled to close (Northern Pen, September 27, 1989). Finally, in co-operation with the Straits Development Association, the GNPDC received funds to establish a one year pilot project in an effort to improve the production and marketing of sealskin crafts industry in that section of the Peninsula. The funds were used to implement a business plan that addressed the possibility of establishing a co-operative approach to issues such as design, marketing and quality control (Felt and Sinclair, 1990).

The GNPDC's emphasis on business development is a reflection of its drive to become financially self-sufficient. Although it received initial government assistance, the Corporation was expected to achieve financial self-sufficiency within several years. This is not unique among CDCs in Canada. For example, the Nanaimo Community Employment Advisory Society, a CDC in Nanaimo, British Columbia, provides loans to entrepreneurs unable to secure debt financing from traditional sources. The Society was expected to make a profit from interest paid on these loans and become self-sufficient (Baron and Watson, 1988). CDCs are forced to search for ways to generate the revenue needed to meet administrative expenses. Since creating employment for local residents was one of the GNPDC's major objectives, one of the most logical options was to engage in some form of business activity to secure profits.

However, CDCs are expected to be more than business enterprises. They are seen as organizations that form the basis of more comprehensive community economic

development process. This means they are expected to take on a number of different activities that would characterize them as development institutions. The GNPDC at the time this research was conducted was a young organization. From the start, it devoted a great deal of its resources to forming and operating business ventures. The consequences such an approach would have on its ability to function as a community economic development institution may be illustrated by referring to New Dawn Limited, the oldest CDC in Canada. Like the GNPDC, New Dawn established a number of for-profit subsidiaries as a way of becoming financially self-sufficient. However, managing these companies consumed almost all of the CDC's human resources, making it difficult to carry on other development activities.

New Dawn Limited

New Dawn Limited was incorporated as a CDC in 1977 in Sydney, Nova Scotia. It grew out of the efforts of the Cape Breton Association for Co-op Development, a group formed three years earlier. The Association's first endeavour was the purchase of a building to provide classroom and office space for a local handicraft organization. This building also contained apartments on the second floor. Because the Association had no capital to purchase the building, the members used personal guarantees to acquire a short-term loan. The remainder of the purchase price was obtained through a mortgage with a local credit union.

Federal government short-term job creation projects were accessed to help pay for the labour costs of renovating the building.³ The value of the building increased, the mortgage was adjusted accordingly, and the short-term loan was paid off. Rents for the apartments and store were set at regular market rates which enabled the Association to pay off the mortgage and other expenses. From there the group went on to purchase, renovate and rent other buildings by tapping into government job creation projects where possible and arranging financing through the Canada Mortgage and Housing Corporation's (CMHC) non-profit housing program to make the projects viable (Hanratty, 1981; MacLeod, 1986).

In 1976, the Association for Co-op Development received a grant from the Federal Department of National Health and Welfare to set up a pilot project called New Dawn. Beginning with \$120,000 in the first year, the grant was reduced yearly until it ended in 1980 at \$20,000. New Dawn was incorporated under the non-profit section of the Companies Act of Nova Scotia and full-time staff were hired. The name of the Association for Co-op Development was changed to the Cape Breton Association for Housing Development and maintained as a subsidiary of New Dawn (Hanratty, 1981).

The Cape Breton Association for Housing Development (CBAHD) is the largest subsidiary under the New Dawn umbrella and the major focus of activity throughout its history. Registered as a non-profit organization under the province's Society's Act, the Association is New Dawn's housing division. At the time research was collected, it owned 221 apartment units, 190 of which were part of CMHC's non-profit housing

³ These were the same type of projects which the RDAs in Newfoundland had focused most of their attention on accessing and administering.

program. Under this program, CBAHD held the mortgage on the apartments but CMHC subsidized the interest on the mortgage. In return, the Association agreed to administer the housing project according to CMHC's guidelines. To ensure the apartments were available to lower income families, the Association was not permitted to make a profit from rents, which equalled 25 percent of each tenant's gross monthly income. However, the Association did not receive financial assistance from the provincial or municipal governments or from CMHC if it ran into any operating deficits. In determining rent, CMHC and the Association arrived at an amount that enabled the projects to be self-supporting. With this sum in mind, the Association chose people from various income brackets to make up the necessary amount (interview with New Dawn staff).

CBAHD was responsible for managing each of the housing complexes for which it received an administration fee from CMHC. The fee helped pay the salaries of five New Dawn employees. CBAHD is the "meat and potatoes" (personal interview) of New Dawn. It is the major source of revenue and equity. Since New Dawn is a non-profit corporation it has been able to subsidize the maintenance costs associated with owning 221 apartments by acquiring job creation projects funded by the federal government. These projects were designed to provide training as carpenters to unemployed individuals, but they also had a heavy labour component.

New Dawn owns and operates a senior citizens' care facility, New Dawn Guest Home, which it acquired in 1977. Part of the home's operating budget is provided by the provincial Department of Social Services. For managing the home, New Dawn receives a fee, which pays the salary of the home's manager, who is also a New Dawn employee.

The fee contributes to the payment of some of New Dawn's administrative expenses. The remaining revenue for the operating budget comes from the home's residents and from the municipal government. The New Dawn Guest Home had a capacity for 27 occupants cared for by 19 unionized staff who were employed on a full- and part-time basis by New Dawn Guest Home.

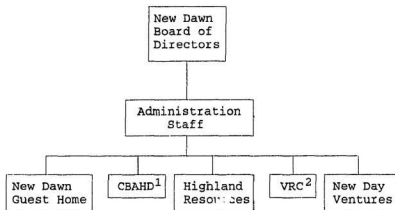
New Dawn opened the Volunteer Resource Centre in 1983 with three years of funding provided by the federal government. The aim of the centre was to provide information to individuals who wanted to volunteer their time for various organizations. The centre would then refer these individuals to the organizations looking for volunteers. It also administered several social service programs, such as snow shovelling, for senior citizens. The centre received funding from the United Way, the City of Sydney and Cape Breton County. The funds paid the salary of a coordinator who is also a New Dawn Employee. New Dawn provided office space free of charge.

In 1989, New Dawn operated just one for-profit company, New Day Ventures. New Dawn had not been successful in establishing business enterprises that compete in the market place. Almost all of its subsidiaries delivered programs funded directly or indirectly by public agencies. In 1977 New Dawn established a subsidiary construction company that engaged in competitive public bidding. It closed down two years later. In 1983, the organization created a company that sold used auto parts with the aim of providing employment to ex-offenders. It closed several years later (interview with staff).

New Day Ventures employed three individuals in 1989 on an as-needed basis to undertake small construction jobs for CBAHD and the general public. Most of the

company's revenues was derived from contracts with individuals in the surrounding area. The employees were not unionized and not paid union rates for their labour. The company was managed by a New Dawn employee who received a percentage of each contract. Any other profits went to New Dawn. New Day Ventures covered its own operating costs, but New Dawn paid for office expenses and advertising. The level of activity of this company fluctuated according to the procurement of contracts.

At the time that the research was conducted in 1989, New Dawn's last subsidiary, Highland Resources, was inactive. It had been established as a non-profit consulting firm to provide research services to business, government and other organizations in the locality. It later became the organization through which New Dawn accessed and administered a small number of job development projects funded by the federal government. New Dawn would receive a small fee for administering the projects and would sometimes utilize a staff member to provide aspects of the training component which would be charged to the project. Many of these projects were based on training carpenters and here New Dawn was able to benefit by receiving labour to maintain its building. In one case, after Highland Resources had completed a training program in home care, New Dawn provided five participants a small interest free loan and helped them establish a cooperative. As part of the training program, the participants received instruction on operating a cooperative. New Dawn also received funds through the project to train a manager for the cooperative. In return, the cooperative signed an agreement whereby New Dawn would provide management services for a period of two years for which the Corporation received a fee (interview with staff).



- 1 Cape Breton Association of Housing Development
- 2 Volunteer Resource Center

Figure 2: NEW DAWN'S SUBSIDIARIES

New Dawn acted as an umbrella organization which supervised and coordinated the activities of a number of subsidiary companies which it had established. All staff members in the New Dawn structure, except employees of the New Dawn Guest Home and New Day Ventures, were employees of New Dawn and their services were contracted out to the different subsidiaries. In 1989, New Dawn had a full-time staff of ten. At any given time, this number could have been augmented by individuals contracted to administer other projects, in particular job creation projects. This consolidation of staff has the same advantages as those outlined in the case of the GNPDC above. The subsidiaries are monitored by standing committees made up of individuals who sit on New Dawn's board of directors. The committees can make certain decisions regarding the subsidiaries which must be later ratified at a meeting of all board members.

New Dawn had become very successful at providing low cost housing for residents in the Sydney area. However, when New Dawn's leadership wanted to expand the organization's role and become more involved in business development to address the unemployment problem in the area they faced a major problem. Almost all of the Corporation's human resources were tied up managing its existing subsidiaries. It was difficult for the organization to find the resources needed to identify and study the feasibility of potential business opportunities. This was viewed as a significant barrier by a large number of New Dawn board members. The chairman of the board of directors voiced these concerns when he said:

One of our goals would be to have a person on staff dedicated to research. If we could afford that, this would be great, to have a research division, one person or part of one person's time; this would be great (personal interview).

Revenues from New Dawn's subsidiaries were just enough to cover the administrative costs of its core staff. There was never any surplus to acquire the long-term capacity needed to develop new initiatives. While, on occasion, the organization was able to procure some government funds to hire personnel to explore the feasibility of potential enterprises, these funds were *ad hoc* and their availability was unpredictable. Moreover, the funds were only available after some initial work on a specific project had been completed. On this issue one New Dawn staff member had this to say:

A lot of our time, our money, our salaries goes to managing all these projects we have going now, goes to managing CBAHD. I don't want you to get the idea that we are getting a free ride out of the Association. A lot of time goes into it and the other projects ... And couple that with a volunteer board, you don't get volunteers to meet every second night. Every second week if you are lucky. So we have a very delicate balance here. Through the things we do we free up a few hours each day for different people to do different things (persncal interview).

It would be difficult for CDCs to take on the social goal of forming the basis of a comprehensive system for community-based economic development while, at the same time, function as a financially self-sufficient enterprise. New Dawn illustrates this point well. With most of its staff's time tied up with managing existing projects and no surplus capital to hire additional staff, the organization relied on *ad hoc* project committees, made up of volunteers, to identify and conduct the preliminary assessment of possible projects. A number of individuals on these committees may be New Dawn board members but efforts were made to include individuals from the surrounding area on the basis of their knowledge and expertise of the particular type of project under investigation. However, as volunteers, people on these committees were unable to devote the amount of the time or resources to the kind of extensive research and development of the potential

opportunities that was needed. One New Dawn board member made this point in the following way:

It is important that we find the capital to get involved in research and development. Right now we do it on a volunteer basis. Therefore, it takes us four years to do something that should take us six months. You got to have money to pay people to do specific aspects of it (personal interview).

While the project committees were able to do some of the preliminary investigations of possible projects, a more focused assessment would be required to do detailed analysis.

The problem is that ultimately you have to go to get financing and in order to get financing from the lenders you have got to have the appraised reports. It is at that point you cannot expect volunteers to produce that information. Because you have now transformed this project into a two or three year research and development kind of peddle along hope to god the volunteer will come to next Thursday's meeting. And all of a sudden the thing just drags on forever (personal interview).

CDCs in urban centres such as Sydney have a larger pool of volunteers with specialized technical skills from which to draw than CDCs in remote rural areas such as the Northern Peninsula. One New Dawn board member made this comment: "We have been able to harness good volunteers, professional people who have put some honest work and grinding hours in for free and do the evaluations of these projects" (personal interview). Without a ready pool of individuals with the knowledge and skills to engage in development planning, training becomes a more critical issue. In the case of the GNPDC, its failure to carry out training programs in community economic development for its own board members and the board members of the RDAs meant a lost chance to strengthen the capacity of its volunteer membership in identifying and doing some preliminary assessments of development opportunities in the region. The RDAs did not

have a strong capacity to plan and carry out long-term development initiatives. This was the reason they formed the GNPDC.

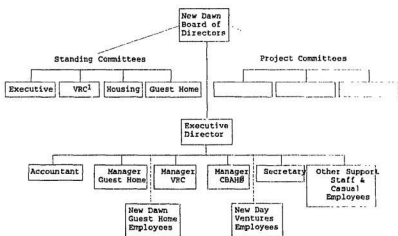
While the experience of New Dawn illustrated it was not enough to depend on volunteers to plan development initiatives, strong support from the volunteer standing committees was critical in augmenting the staff's efforts. With a small staff busy managing existing projects and few funds to hire additional personnel, the volunteer boards of the GNPDC, as well as the RDAs, could provide some means of not only guiding the Corporation but also assisting it in its development efforts. Improving the skills of these volunteers could have drawn them into the process as part of a community economic development "system." Capacity building is, after all, seen as one of the primary objectives of community economic development efforts (Fontan, 1993; Perry, 1987).

Even if a proposed project could be formalized and all of the feasibility studies were done, the organization would have to find the investment capital to get the project off the ground. Most of New Dawn's board members and the staff who were interviewed felt that acquiring investment capital would not be a problem. But a minority thought that it would if the project under consideration was a substantial size. New Dawn had an advantage in that it could, if it chose, use its equity in property holdings as leverage in obtaining investment capital. However, the Corporation took a cautious approach to investment decisions. One board member expressed frustration over this:

I am not an advocate of getting into bed with the government and everything you do is contingent on the government or getting government funding. I think we should manage our existing resources more and use them as leverage more. We

tend not to do that We have a fairly large property portfolio and there is a lot of equity there but we don't use it (personal interview).

Finding investment capital, particularly for a new CDC could be a major problem and it could have a number of repercussions on the organization's activities as the experience of the GNPDC outlined below illustrates.



- 1 Volunteer Resource Center
 2 Cape Breton Association of Housing Development

Figure 3: ORGANIZATIONAL STRUCTURE OF NEW DAWN

Partnerships with the Private Sector

The GNPDC had few capital resources that it could use to start up business ventures on its own. Partnerships with the private sector were one way to accumulate resources needed to initiate projects. Partnerships of this nature have not been unique to the GNPDC. Due to severe cut backs in government assistance during the 1980s, CDCs in the United States have also come to rely more on partnerships with the private sector (Brodhead, Lamontagne and Peirce, 1990; Twelvetrees, 1989; Vidal, 1992). The Corporation was not ideologically committed to social ownership and saw no problem in cooperating with the private sector. In fact, several of its board members felt that the Corporation should primarily provide support for local businesses. The GNPDC's chairman felt that the Corporation should "help bring local businesses together into cooperative ventures in situations where normally we would have to look to the outside for companies of that size to make it work" (personal interview). Local ownership and control over economic activity was seen as the critical issue. The Corporation saw its joint ventures with the private sector as one way of ensuring that local rather than outside interests controlled businesses on the Peninsula. In the words of the executive director:

Our reason for being involved with the sawmillers and the way in which we are involved is dictated by certain guiding principles which we try to adhere to. These principles are local control, local ownership, maximizing local benefits, and getting access to profits so that profits can be redistributed to further develop the region's resources and resource based industries (personal interview).

In fact, the technical capacity of the GNPDC and its willingness to work with and organize local entrepreneurs were critical factors in establishing Northchip and GNS. None of the entrepreneurs in the region had the necessary planning skills to organize the

joint ventures, arrange financing and put together a competitive bid to secure the contracts that formed the basis of the two companies. Without the Corporation's participation, it is likely that the contract to supply woodchips and the lease to operate the Brig Bay plant would have gone to companies from outside of the area.

There are other reasons why the GNPDC entered joint ventures with the local private sector. The partnerships provided a good occasion for the Corporation to achieve some business success and raise its profile in the region. There was also a widespread belief among RDA leaders that the Corporation should not compete with local business people. One of the RDA leaders said, "If the Corporation starts businesses I would not want to see it competing with the private sector" (personal interview). Partnerships would be one way of avoiding competition. Finally, and possibly most importantly, the GNPDC required investment capital before it could engage in business development. The joint ventures with the private sector allowed the Corporation to devise strategies that resolved this problem.

The availability of capital and the lack of good managerial and technical capacity are the two most important problems facing community economic development efforts (Gaudin, 1984; Perry, 1987; Wismer and Pell, 1984). With the Innovations funding in place, the GNPDC was able to put together strong managerial and technical capacity. However, access to initial investment capital was a serious problem. This fact was recognized by a number of RDA leaders and the Corporation's executive director. One person thought that "the future of the corporation looks great but there needs to be monies available when opportunities are identified" (personal interview). The executive

director summed up the situation when he said: "In the absence of any capital or any locally owned and controlled investment fund that might have been established as an adjunct to the Corporation we are very much in a vulnerable position in terms of what we might or might not be able to put in place" (personal interview).

Sources of investment capital can be external or internal to the region. They can come in three forms: (1) equity investment where the investor takes a share in the company with the expectation of receiving returns from profits; (2) debt investments where the investor provides a loan with the expectation of receiving interest when the loan is repaid; (3) grants which are normally given by governments and not paid back. Given the depressed state of the economies in which CDCs work and their social as well as economic objectives, government grants have represented an important source of funding.

When CDCs first emerged in the United States they received grants, for both administrative and investment purposes, from the federal government through the Special Impact Program of the Office of Economic Opportunity (Garn, 1975). A request for a pool of venture capital was not included in the GNPDC's application under the Innovations Program. It had expected to access investment capital from ACOA (GNPDC, 1987b). Shortly after it was formed, the Corporation submitted a proposal to this agency for a grant to establish a venture development fund which it could use to make equity investments (GNPDC, board meeting, July 11 and 12, 1987). However, the application was not successful. Moreover, reductions and changes in ACOA's funding policies in the spring of 1989, made grant funding more difficult to access. According to the executive

director of the GNPDC; "All of these cutbacks are going to handicap us in what we had hoped to achieve" (Northern Pen, May 24, 1989:3).

Without government programs to provide block grants that can be used for equity investments, internal sources of capital must be mobilized.⁴ Banks and other lending institutions require equity before they consider providing a loan. And government programs that provide financial assistance to entrepreneurs in marginalized regions require that the applicant have equity equal to a percentage of the amount of capital requested. In the case of ACOA, this is normally between 50 and 70 percent of the total capitalization costs depending on the type of activity (Canada, 1989b).

Internal equity capital is seldom available in large chunks and must be aggregated from small amounts in the region. There are a number of different ways in which this can be done. A general purpose venture capital fund controlled by the CDC, in which community residents invest, is one possible source. A general purpose equity fund will give a CDC the flexibility to initiate any project that it chooses. While, marginalized regions are not the best areas to find people with capital to invest in such a fund, small amounts may be aggregated over a period of time. For example, residents in north Philadelphia invested \$10 per month for 36 months to purchase shares in a community economic development fund controlled by a CDC. This money was then used to finance projects and lever additional capital (Perry, 1987). Residents must be convinced that they will receive some form of return on their investment. Whether they would agree to accept a lower return on their investment in lieu of some public good, or whether they demand

4 Equity capital is the most flexible and powerful in terms of leveraging other investment funds.

a monetary return above other possible investments, depends on the ability of the CDC to mobilize public participation and present itself as a social development institution worthy of support. The GNPDC has not explored the potential of this strategy.

General purpose capital can also be generated from the profits of successful ventures. However, relying on profits puts the cart before the horse. Significant initial investment is necessary before profits that are sufficient to finance new projects start to come in. This issue was highlighted by the GNPDC's chairman when he said the future of the Corporation "will depend on how well the Corporation can secure investment funds to get ventures off the ground until we reach the point where money is being brought into the Corporation from ventures" (personal interview). In fact the whole idea of using CDC profits as the catalysis for further social and economic development is suspect. Almost every study of CDCs indicates they are unable to generate enough profit to cover administration expenses and at the same time function as a social and economic development organization (see for example, Beale, 1989; Berndt, 1977; Cummings and Glaser, 1985; Twelvetrees, 1989; Vidal, 1992).

Private sector business corporations and co-operatives raise equity through the sale of shares. CDCs have tended not to issue stocks for this purpose (Cummings and Glaser, 1985). The reason for this is that investors who risk an equity position normally expect a return from their investment. Most CDCs are non-profit organizations; therefore, shareholders are unable to receive dividends. However, equity may be raised in this way for specific projects. If the CDC establishes for-profit subsidiaries, then it is possible to open the sale of shares in these companies. This was the general strategy employed by

the GNPDC. Shares in its two business subsidiaries were sold not to the general public, but to the local entrepreneurs who became the Corporation's partners. The equity capital that they invested was then used to lever additional funds. The Corporation was able to acquire 51 percent of the shares in the joint ventures through the innovative use of sweat equity. While the GNPDC did not have investment capital it was able to convert its human resources, in terms of the time spent by the GNPDC's staff on planning the joint ventures, into shares in the companies. The Corporation also functioned as overall managers of the joint ventures and this contribution was also converted into equity.

Entering partnerships with private entrepreneurs may be one way for a CDC to utilize local resources, but this strategy does present certain problems. Public/private partnerships assume mutual goals. However, this may not always be the case. Private entrepreneurs enter business to make a profit, while CDCs have social as well as economic goals and are expected to operate for the general benefit of the community. The two goals may not be mutually compatible. For example, in a community economic development framework, business development is not seen as an end in itself but as a means of achieving certain social goals such as the creation of employment for residents of economically disadvantaged regions. In the private sector, employment is considered an outcome rather than the objective of the production process. In fact, employment is considered a cost rather than a benefit. The conflict between the GNPDC and the members of the Glacier Group who pulled out of the initial GNS proposal may help to illustrate this point.

The dispute between the GNPDC and the Glacier Group centred around the control of GNS. The processors felt they had no input into the operation of the company. One of them said: "We thought the development corporation came here to enter into partnership with small industry not to dominate small industry" (Northern Pen, August 23, 1989).⁵ The processors were unhappy with the fact that the GNPDC had majority control in the company and questioned the management practices of GNPDC's executive director, who was also the chairman of the board of GNS. They demanded his resignation as chairman of GNS. They also wanted changes made in the share structure of the company to give them and the GNPDC equal shares with 49 percent and the remaining two percent controlled by the provincial government (Northern Pen, August 23, 1989). However, the GNPDC wanted to maintain control over the company. At the height of the dispute, the executive director was quoted in the local newspaper: "From the start, Great Northern Seafoods was intended as a subsidiary company of the corporation because it was felt it must not become a corporate body controlled by a small group of interests on the Northern Peninsula" (Northern Pen, August 2, 1989).

Differing attitudes towards unionization may have been one of the major factors in this dispute. Workers at the Brig Bay plant were unionized before the GNPDC received the lease. The union representing the workers was guaranteed successor rights and the Corporation entered negotiations to secure a new labour agreement. The independent processors who made up the Glacier Group opposed this move. They all

⁵ This statement seems instructive for two reasons. First it suggests that this person did not think of the Corporation as an organization that emerged from the communities in the region but rather as an outside force that "came" to the area. Second, he felt that the Corporation was established to assist small business.

operated non-unionized plants and were afraid that their involvement in Brig Bay would facilitate the spread of the union to their plants. The Corporation stood firm on this matter, however, and was able to negotiate a contract with the union.

Felt and Sinclair (1989) maintain that the dispute reflects more than peculiar factors such as attitudes toward unionization and questions of management style. It reveals a more fundamental conflict over the expected role of the company. For the development corporation, GNS was viewed as a major component in its long-term plans for fisheries-related economic development on the Peninsula. Profits from the operation would provide the Corporation with some of the capital needed to achieve self-sufficiency and to initiate other economic development projects to create more employment. The private entrepreneurs expected GNS to fulfil a different function. They did not see it as a vehicle for general community economic development, "but rather as a mechanism to allow them greater stability of income and higher profits," by providing a secure market for their products (Felt and Sinclair, 1989: 18). One of the members of the Glacier Group commented that GNS existed for his company to make money. Another stated that the company was expected to promote the small, independent processing companies in the area (The Sunday Express, September 10, 1989). Furthermore, there is no reason to believe that private entrepreneurs would invest profits in the region rather than elsewhere or spend it on personal consumption.

The unique way in which GNS was set up may have been another source of conflict between the fish processors and the GNPDC. It was in the best interest of the GNPDC that capital accumulate in GNS, while the independents would benefit the most

if capital accumulated in their own operations. They would get the highest return at the point of sale to GNS and not from profits that GNS would receive. "Thus, there was some pressure on GNS from the beginning to pay higher prices and be less sticky on grading practices" (Felt and Sinclair, 1989: 18). (The price paid to the fish plant operators for their products by GNS was in part determined by its quality.) Moreover, given GNS's heavy debt load it would have taken a number of years before the company could have generated any profits. Therefore, their small investment in the company as shareholders would unlikely have ensured the processors' commitment to the operation if they were able to receive a slightly better deal elsewhere.

There is a fine line between public/private co-operation and domination of the development process by the business community. Where CDCs and private enterprise enter into partnership, the interests of the entrepreneur may take precedence over other community residents if care is not taken. The goal of the private sector is to make as much profit as possible, which is arguably inconsistent with meeting the needs of the general community, especially workers. The latter would like meaningful well paid work, while private entrepreneurs are less concerned with the inherent quality of the work and sees wages as a cost that threatens their profits. Moreover, partnerships between CDCs and the private sector are also likely to influence the form of internal operation of the venture. It is unlikely that experiments in worker ownership or extensive worker involvement in decision-making will be initiated (Gaudin, 1984).

The degree to which the GNPDC represented worker's interest is ambiguous. The GNPDC did stand firm against the Glacier Group's demands to take a hard line with the

union. While workers at the Brig Bay plant received wages higher than those at non-unionized plants, they were still lower than wages received by workers at larger unionized plants. The Corporation did, however, implement a small profit sharing program with the workers and indicated that structures would be put in place to facilitate worker input in the decision-making process through a worker/management committee (Northern Pen, May 24, 1989). The lower wages reflected the weak financial position of the Corporation and points to one of the problems with CDCs in general. CDCs are expected to avoid competition with the private sector by engaging in activities that are not being carried out by private entrepreneurs. This, coupled with low amounts of start up capital, often forces CDC enterprises into economic sectors where profit margins and wages are low (Gaudin, 1984). The result is two fold: first low profits make economic self-sufficiency difficult; second by paying low wages, the CDC may be undermining community benefits by weakening labour's position with the private sector.

The GNPDC's other subsidiary, Northchip, directly employed only four workers and while they were well paid, loggers working for the sawmillers who held shares in Northchip were not. In fact, the Corporation has faced criticism from unemployed loggers in the Roddickton area. Citing estimates from an initial study on the woodchip generating plant, the loggers maintained that Northchip had failed to create the expected number of jobs. They felt that more jobs would have been created if a private company had secured the woodchip contract (Northern Pen, December 13, 1989). They also pointed to the low wages paid by the sawmillers, and argued that if a large outside company had won the contract, the loggers would have higher pay. While the basis for

the unemployed loggers' arguments may have been unfounded, their estimates of the number of jobs that should have been created were based on initial studies, and local sawmillers would have been involved, even if a large company had won the contract to supply woodchips. The point is that the unemployed loggers believed the Corporation did not represent their best interests. This feeling was reinforced by the GNPDC's failure to communicate with them. It was only after the situation had reached a crisis point and the local RDA began to oppose the Corporation that the executive director met with the loggers to discuss their concerns (Northern Pen, November 1, 1989).

The tension between private sector and community benefits outlined in the public/private partnerships described above is also present within CDCs. An emphasis on profitability could lead to exploitation of community residents by the profit-seeking subsidiary. However, public legitimacy depends on the capacity of a CDC to create employment with wages and working conditions to meet the expectation of community residents. If CDCs maximize revenue-generating opportunities in an effort to be financially self-sufficient, they could lose sight of their fundamental commitment to community benefits and forfeit their public legitimacy. Therefore, CDCs must constantly deal with a tension between their social objectives on the one hand and their economic goals on the other. CDCs are "neither private entities nor public agencies." They are expected to combine social goals with business success. As a result they have a "built-in structural conflict over the allocation of limited resources" (Blakely and Aparicio, 1990:116). CDCs must attempt to balance economic success in an effort to become financially self-sufficient with a commitment to address a social problem facing

community residents. In effect, CDCs should be socially useful as well as economically viable.

The success of a CDC is not only measured in terms of economic performance as a business but also by social criteria which include success as a "development institution" capable of planning and implementing a number of development projects in the community. CDCs can also be judged by the level of democratic community control within the organization. Moreover, community control is the best way to deal with the problem of ensuring that the trade-off in the allocation of the CDC's resources in its different activities will benefit the community. Community control offers the justification for making the choices. It also guards against the domination of particular interests in the CDC's decision-making process and contributes to the assurance that benefits are not monopolized by one group. The next chapter will examine the extent of community control over the GNPDC.

CHAPTER SIX

COMMUNITY CONTROL OF THE GNPDC AND NEW DAWN

Introduction

This chapter will examine if the GNPDC was successful in combining an entrepreneurial approach in its development initiatives with community control, during the first three years of operation. Reference will also be made to the extent of community control of New Dawn. A number of studies of CDCs in the United States found there was a positive correlation between the extent of community control and the CDC's success. However, community control was measured in terms of the percentage of the CDC's board of directors who lived in the geographical area served by the corporation (Centre for Community Economic Development, 1977; Kelly, 1977; Vidal, 1992).

The degree of community control will be measured by looking at the representativeness of the GNPDC's board of directors as well as the balance of control over decision-making between the board and the executive director. To assess the extent of community control, it is also important to look at the influence of the boards of directors of the RDAs over the decision-making process of the Corporation. Even if the GNPDC board members are the chief determiners of the Corporation's policies, unless the RDA members are involved in the development process, community control is not taking place. Democratic control requires two way communication - a dialogue between

the CDC's leadership and its membership as well as a way for the membership to influence decisions.

Among the guiding principles of the GNPDC are the following: "A belief in the capacity of the people on the Northern Peninsula to manage and control their own economic development" and "A belief that the people of the Northern Peninsula must be in full control of the development process by having the Development Corporation deeply rooted in all communities in the region with its ownership structure belonging to the six Regional Development Associations" (GNPDC, 1987c: 2). In its first newsletter the Corporation maintained that: "The emerging community-based organization is owned and controlled by residents of the peninsula. They have a direct say in the direction that is assumed by the corporation in its long-range activities" (GNPDC Newsletter, vol. 1 no. 1, December, 1987). However, the Corporation is a structure on top of another structure. It is not directly linked to the communities. How well the GNPDC represents the local population depends on two factors: (1) the level of participation by the community residents in the RDAs; (2) the level of association participation in the Corporation.

Community control and participation in the GNPDC was expected to flow from people's involvement in RDAs at the regional and community levels. The board of directors of the RDAs was expected to bridge the gap between the communities and the RDAs. The board of directors of the GNPDC was expected to bridge the gap between the RDAs and the Corporation. Communication was expected to flow both upward and downward through these people. The potential for a breakdown in the lines of communication and effective participation can occur at a number of levels in this

structure. Do people participate in the RDA committees in their communities? Does the RDA board of directors actually represent a bridge between the communities and the regional structure? Does the GNPDC board bridge the gap between the RDAs and the Corporation? An analysis of the extent of community participation in the RDAs is beyond the scope of this study. Given the study's limitations, it was only possible to examine the relationship between the RDAs and the GNPDC. However, several general observations concerning the level of public participation in the RDAs can be made. For example, it appears that the most active RDA members tend to be community leaders interested in the social and economic development of their areas. In this sense, the membership of the development corporation can best be seen as a community of interest.

Public Participation in Regional Development Associations

At the settlement level people participate in RDA committees elected by the general membership. A person can become a general member with voting rights simply by signing a membership list and in some cases paying a nominal fee, usually \$1. The committee or general membership in each settlement elects representatives to sit on the regional RDA board of directors. Evidence suggests that the degree of public participation in RDAs tends to be low. A 1970 study of RDAs suggested that public meetings held to elect the community committees were attended by fewer than 10 percent of community residents (Brown, 1970). There is little indication that the extent of participation has increased significantly over the past 25 years. The RDAs have not

placed a priority on raising the level of social and political consciousness of the local people. Yet this educational process is important in mobilizing people in any community development effort. Moreover, the role of community workers (also referred to as change agents, extension workers or community organizers) in fostering the involvement of people in community development organizations is a major element in most discussions on the promotion of community participation (Midgley, 1986).

External change agents employed by the Provincial Department of Rural Development and Memorial University of Newfoundland's Extension Services were important in organization of the first RDAs on Fogo Island and the Eastport Peninsula. These early initiatives received a great deal of attention. During the 1970s, the number of associations expanded rapidly. Yet the number of community workers employed by the provincial government and Memorial University's Extension Service remained small, making it very difficult for these people to work extensively with any particular RDA. There were only 10 field workers in the Department of Development throughout the 1970s to attend to the whole province (Johnstone, 1980). Moreover, Winsor (1977) argued that the field workers served more as information gatherers for their employers than resource people for the local population. The RDA staff have focused their time on applying for and managing federal government sponsored "make-work" programs, rather than community organizing. This is a reflection of several factors, including the limited amount of resources available to these organizations to undertake a community participation process. In effect, the co-ordinators have become administrators of

"make-work" projects as the RDAs attempt to manage the unemployment crisis in rural Newfoundland (see chapter two). They have little time to act as community organizers.

The activities and goals of the RDAs also influence the level of citizen participation. The first RDAs not only received a large amount of support from outside agents but also mobilized around advocacy issues. For example, foreign overfishing off the Northern Peninsula and lack of social services in the area were major mobilizing issues for NARDA (Brown, 1970). On Fogo Island, the threat of relocation under the government sponsored resettlement program motivated a large number of people to take action (Carter, 1985). When RDAs were institutionalized and received funding from the state, advocacy or political action roles were largely replaced by service-delivery functions; applying for and managing government sponsored short-term "make-work" projects. Writing proposals and contacting funding officials are not activities that encourage involvement of a widespread membership.

In a study of community organizations, Gittell (1980) maintains organizations that provide services to low-income citizens are less likely to involve large numbers of people in the decision-making process than organizations which take advocacy and political action roles. In her study, when organizations changed from an advocacy to a service role the level of citizen participation declined. "The goal of involving large numbers of low-income citizens in major decisions affecting their lives has been replaced by a strategy of providing services to needy clients" (Gittell, 1980: 242). This is understandable. It is difficult to sustain advocacy efforts over long periods of time since large numbers of people must be mobilized to bring political pressure to bear on the larger political system.

Organizational maintenance often detracts from the energy and commitment required for advocacy. To sustain themselves as organizations, the RDAs were able to acquire government funding. However, at the same time they were steered into a position as administrators of short-term "make-work" projects for unemployed residents as both the federal and provincial governments attempted to manage the unemployment crisis in rural Newfoundland.

The principle of participation followed by RDAs has emphasized the representation of all communities within the associations' geographical boundaries and participation by people from a wide cross-section of social groups. Such a basis of mobilization was also a barrier to large numbers of citizens participating in the organizations. The attempt to encompass all social groups along with the general nature of the associations' goals - social and economic development - made extensive community participation difficult. Organizations based on more specific group interests and/or goals tend to have higher motivation levels which would in turn facilitate mobilization efforts (Bhadun and Rahman, 1982). According to Johnstone (1980: 112):

In terms of group interests and behavioural incentives, and their important motivational and mobilizational implications, the Development Associations are somewhat weak social groups (though no less important in principle for being so). This is possibly the greatest underlying problem faced by the rural Development Associations: their lack of a 'class base', the diffuseness of the 'regional social interest' they represent and the very diversity of specific interests they may work for.

Finally, the low level of participation in RDAs may be due to the fact that participation was seen as a means to an end rather than an end in itself. It was felt that local people had more knowledge of their particular area. Therefore, encouraging people

to become involved in government sponsored economic development projects was expected to raise the chances of success of the projects. Participation was seen as a means to achieve results in government controlled development projects rather than a social aspiration by the people to become involved in a social movement to control economic development in their region. The lack of a tradition of collective involvement in development groups in rural Newfoundland may be another factor that has inhibited widespread community participation in the RDAs (Wadel, 1969). In a study of political culture and community development on the south coast of the province, Carlson (1973) pointed out that many people were reluctant to become involved in self-help organizations. Placing a high value on conflict avoidance and egalitarianism, they did not want to take leadership roles. While the percentage of the population involved in the RDAs may be small, it is important to remember that these organizations are open to all community residents. Access to the governing bodies of the RDAs is based on democratic procedures that allow anyone in the region to assume leadership positions. However, like any other organization, a small percentage of the total population takes an active role. There is no evidence to suggest that the organizations are controlled by a local elite. In fact the profile of RDA board members reveals that they tend to be representative of the general population.

In the winter of 1987, the Research and Analysis Division of the provincial Department of Rural, Agricultural and Northern Development conducted a survey of RDA board members in the province. The results of the survey conducted on the Northern Peninsula showed that the board members selected by the general membership

are fairly representative of the local population, rather than the social and economically better off residents of the region. According to the study, 75 percent of the RDA board members had been unemployed for a period of time during the previous year. Fishers were the largest occupational group, followed by fish plant workers. At the time of the survey, 80 percent indicated they had annual personal incomes under \$20,000. The majority of the RDA board members had not graduated from high school. Most were men, but over one quarter were women (Sinclair, 1989). In two associations women held a number of executive positions on the board of directors.

Community Control of the GNPDC

The internal structure of a CDC consists of three major organizational categories - members or shareholders, a board of directors, and a staff. Membership is made up of individual community residents, where membership is open to anyone who lives in the area, or other community-based organizations with open membership. The membership is expected to be representative of the community and ultimately responsible for determining the CDC's policies by choosing a board of directors and monitoring the policies and operations of the board. The board of directors is responsible for establishing and reassessing detailed policies and ensuring these policies are properly executed. The staff provides the on-going day to day management of the projects, carries out board policies and supports the board by providing information and reports that they can use when making decisions (Perry, 1987).

A particular challenge for any CDC is to ensure that the lines of responsibility between the various categories are well understood and maintained. Lines of formal control and authority should flow from the membership through the board of directors to the staff. Management of a CDC is complicated by the addition of social as well as commercial objectives which present a tension over the emphasis that should be placed on each. The problem is not insurmountable but requires clear objectives and agreement on the role and responsibilities of the membership, board of directors and the staff.

The GNPDC's bylaws determine who is eligible for membership and how individuals will be selected to serve on the board of directors. In its first three years of operation, membership was restricted to the six RDAs which were the Corporation's shareholders. The selection process to the board of directors is important since it determines who is given responsibility to act on behalf of the membership. (The selection process was outlined in chapter four.) According to the Corporation's bylaws, it was possible for the six GNPDC board members appointed by the RDAs to appoint up to five additional board members, on the basis of technical expertise. These appointments raise an important question concerning the extent to which the GNPDC board was accountable to the community.

However, in the first three years of the Corporation's operation this did not become an issue. Only two board members were appointed on the basis of particular expertise. Moreover, their level of involvement appeared to be minimal. In fact one member lived in St. John's, about one thousand kilometres away from the Corporation's headquarters. This person did not participate in the Corporation's decision-making

process. In fact he was not sure why he was appointed to the board (personal interview). Obviously the Corporation was unable to avail itself of his technical skills.

Structurally, the RDAs control the GNPDC through their representatives on the Corporation's board of directors. While the structure of the GNPDC appears democratic, it is important to look at the CDC's operations to determine if the democratic structure translated into actual democratic control. The control mechanism can break down if there is not effective communication between the RDAs and their representatives. Moreover, given the complex nature of business development, it may be difficult for the board of directors to guide the staff effectively rather than rubber stamp their recommendations. Therefore, it is important to look at the operations of the GNPDC to determine if the structural lines of control worked in practice. First the relationship between the board of directors and the Corporation's staff will be examined.

The Board of Directors of the GNPDC

The CDC board of directors is a key group of individuals in the community economic development process. Since all community residents are unable to participate directly in the GNPDC's decision-making mechanism, several individuals must be selected to represent their interests and guide the process. As representatives of their communities the board of directors is the source of community control over the policies and activities of the Corporation. The question is whether they will translate the idea of community control into reality. It is important to determine who they are and what they do as board members.

The board of directors of the GNPDC was not representative of the RDA membership. While they may not have been members of a local elite, the directors were middle class, relatively well off and well educated. Moreover, none of the Corporation's board members was female. All had graduated from high school and completed some post secondary education. Only one, a fisher, had experienced some unemployment in the previous year. The other board members held professional jobs and two had business interests. Only one board member indicated his annual personal income was under \$20,000. Two others said their annual personal incomes were more than \$30,000.

It is not surprising that the GNPDC board was not typical of the local population. The Corporation's board members were probably chosen in part because the RDA board of directors felt they had particular abilities reflected by their higher educational levels. Several board members also indicated that they were selected because they were involved in the formation of the Corporation. In this case, their appointments may have indicated a decision by the RDA board that these individuals were already familiar with the Corporation and the best qualified. Individuals who are typically the most representative of a marginalized community rarely have the technical expertise to direct a corporation's entrepreneurial activities (MacLeod, 1986). However, those who do have that skill may not be personally aware of the problems low-income earners' experience.

Whether a CDC's board of directors is representative of its membership is irrelevant if the board does not control the decision-making process of the corporation and determine policies. It was beyond the scope of this thesis to observe first-hand the interaction of board members at board meetings. Rather, conclusions about the level of

involvement in the decision-making process at board meetings were based on what they said about the extent of their participation in board decisions. With the management of a CDC falling to a volunteer board whose members are not direct beneficiaries of the corporation's activities, there is a danger that the staff may come to see the organization as their own and by-pass the board of directors when making decisions. There is no evidence to suggest that this occurred in the case of the GNPDC.

Attendance at board meetings is obviously a necessary prerequisite for effective participation. The board members indicated that they usually met once every six or eight weeks. Each board member had been able to attend all meetings. In fact the Corporation's by-laws state that any board member can be removed by a simple majority of those in attendance if he/she missed three consecutive board meetings without just cause (Great Northern Peninsula Development Corporation, Articles of Incorporation, 1987). The RDA's board of directors is then requested to appoint another representative. The Corporation's directors were also asked a number of questions concerning the level of their involvement in decision-making at board meetings. Every board member indicated that they were equally involved in planning specific policies. One board member commented:

We have some excellent board meetings. We try as much as possible to ensure that everybody expresses their opinions on any activity the board takes. In fact we have a policy whereby in our board meetings we make sure every board member speaks. There are no exceptions to this; at least not yet.

However, the executive director's technical knowledge did have a bearing on the board's decisions. The board members were asked how much influence various groups

and persons had on determining the policies and actions of the Corporation. Almost all of the board members indicated that the executive director had a great deal of influence because of his technical knowledge. However, the board members made it clear that they were the chief determiners of the Corporation's policies. One board member put it like this:

The executive director has a lot of influence on most issues, he has the technical knowledge. I have not felt overburdened to vote in the way I think the executive director or chairperson wanted. Although the executive director does have the most influence on some of the policy decisions.

The influence of technical knowledge cannot be underestimated. While the board had control over making final policy and 'go-no-go' project decisions, the way the decisions are presented to the board is heavily influenced by the way the staff presents them with choices. Because of their access to technical information and their position of knowledgeability, senior staff members have power to influence the decision-making process by presenting to the board what they consider the most "feasible" options.

Given the complexity of many of the projects undertaken by the GNPDC, some form of training program for the board of directors would have been useful in providing them with skills to make more effective decisions. Hallman (1970) maintained that insufficient training of boards of directors as well as staff was a major deficiency for CDCs in New York during the 1960s. Training would have provided the community representatives with some technical skills to effectively set policies for the specialist. This was particularly relevant since the board met only once every six to eight weeks. Without training, board members would likely find it difficult to become familiar with the Corporation's operations and their responsibilities. Such a situation could easily have

translated into greater influence of the staff and more experienced board members on the executive committee over decision-making. However, the Corporation's board members received little training. One workshop was carried out in September 1988 but it only provided an overview of the concept of CDCs. (It will be discussed in more detail in the next section.) Moreover, just one GNPDC board members attended the workshop (GNPDC, 1988).

The Relationship Between the RDAs and the GNPDC

Any CDC that presents itself as a community controlled institution will always experience a conflict between flexibility and efficiency on the one hand and community participation on the other. The need to balance the tension between flexibility along with quick decisions based on acquired business knowledge and maximum participation was recognized by the RDAs members at a Northern Zone Meeting held in February, 1987. It was felt that too much control by the RDAs would cause problems. If too much business had to be taken back to the Northern Zone Group then it would be hard to get things done (Minutes of Northern Zone Meeting, February 25, 1987). However, several months later RDA members at another Northern Zone meeting expressed concern that they were not getting enough information from the Corporation (Minutes, Northern Zone Meeting, September 26/27, 1987). The apprehension felt by the RDA leadership over the lack of proper communication was discussed at a GNPDC board meeting several months later. The GNPDC board members felt that any major issues or concerns pertaining to the functioning and organization of the Corporation should be addressed at the

Corporation's Annual General Meeting (Minutes of GNPDC board meeting, October 4, 1987).

However, the first Annual General Meeting was structured in such a way that it was really an information session rather than an opportunity for RDA members to discuss and vote on important policy matters. They were not given an opportunity to raise issues with the board of directors or staff. Many of the RDA delegates who attended the meeting were uncertain why they had been sent since they were unable to vote on any issues or make any decisions. Although the RDAs can remove their representative on the GNPDC board at any time with a two-thirds majority vote by the Association's board of directors, simply removing an individual may not effect a major change in policy. If the RDAs were to remove all members, this would require a large commitment of time and energy and the costs of mobilizing and solidifying alternative policies on how the Corporation should operate may be deemed too expensive.

Responsibility for communications between the RDAs and the Corporation rested with the RDAs' representatives on the Corporation's board of directors:

It will remain up to the individual members (GNPDC board members) to ensure that non-sensitive matters discussed at board meetings are properly channelled to their respective development associations" (GNPDC minutes of board meeting, April 2, 1987).

However, there was no way to ensure that this person would effectively carry out this task. Several RDA leaders indicated they were uninformed about the Corporation's activities since their representatives on the Corporation's board of directors were not attending RDA board meetings. In the words of one leader: "We are not getting any reports. The board member is not coming back to the association to get directions or

opinions" (personal interview). Another RDA leader commented that "The Corporation board member is not keeping me informed enough. The Corporation is probably doing a good job but I don't know enough about it. I am not informed about the Corporation" (personal interview). And another leader said:

We are not informed in what is going on in the Corporation. We do not get any correspondence from the Corporation. We don't get any minutes from the board meetings. We are not informed on what is happening. We are there in member only (personal interview).

They indicated that their representatives on the Corporation's board of directors were not communicating information on a regular basis. A small number indicated that they communicated with the executive director and received information in this way. Several RDA leaders indicated that while they were dissatisfied with the lack of information received concerning the Corporation's activities, they had not taken steps to demand more accountability from their representatives:

We (the RDA board members) have not been pressuring the Corporation or the Association's board member on the Corporation for information. But I feel that the board member is suppose to keep the Association informed. To date he has not done this very well (personal interview).

Another RDA leader commented that while the Association could have made a greater effort to acquire information from their representative on the GNPDC's board, written reports of the Corporation's board meetings should have been made available to the Association:

We are not getting a lot of reports back from the association's board member on the Corporation. Maybe it is just as much our fault as his because we are not putting enough pressure on him to get those reports. I know the board member is busy and may have problems getting to all the Association meetings but he could do up a written report.

Simply appointing a board member to the Corporation once every three years was not an effective form of participation for RDAs. Full participation is an ongoing process, not an occasional election of representatives. According to Midgley (1986) effective participation requires the voluntary and democratic involvement of people in contributing to the development effort and the decision-making process in respect to setting goals, formulating policies, and planning and implementing development programmes. The RDAs' leadership needed a clear sense of where and how they fit into the overall CDC structure and process. Without a feeling of involvement in the CDC, identification with it and a feeling of efficacy with respect to the decisions made, their participation is just tokenism.

Many RDA leaders thought their organizations would have a close and active role in guiding the activities of the Corporation. They also thought the Associations would work closely with the Corporation in development initiatives in their particular regions. They felt the Associations had a good understanding and appreciation of the development problems and opportunities in their particular regions which could be used to assist the GNPDC in its activities. In this way the RDAs would ensure that the Corporation's economic development initiatives were rooted in the region rather than imposed upon it. One RDA leader put it like this:

The Associations are there to guide the Corporation. They could also present ideas for possible business ventures to the Corporation; projects that would probably be too big for the Associations. And the Associations could work with the Corporation on other projects (personal interview).

The general feeling among RDA leaders was that the Associations should guide and monitor the Corporation's activities. In effect, the Corporation would become the business arm of the development associations. Another RDA leader commented:

The Corporation is an organization that the Associations can use to further the economic development of the region. There are a lot of types of economic development that the Associations can identify but they don't have the expertise and technical assistance is not always readily available to the RDAs. The Corporation can provide the expertise that is needed to bring about the long term economic development. The business structure that needs to be in place cannot be easily created by the RDAs. We could use the Corporation as our business arm (personal interview).

However, at least one Association leader in all but one RDA district expressed some concern that the GNPDC had "sort of gone off on its own." One RDA leader was worried that, "the Corporation might be branching off on its own and will become like any private business" (personal interview). The lack of communications contributed to a feeling of alienation by a large number of RDA leaders. As one leader put it:

The Associations do not have much influence over the actions of the Corporation because the Association's members do not have much understanding of the Corporation. There should be more communication between the Corporation and the Association (personal interview).

Those living furthest from the Corporation's headquarters felt alienated the most. One of these leaders maintained:

The associations should have a say in what businesses would be encouraged to be set up on the Northern Peninsula. The Associations are fulfilling that role as much as they are allowed to. We could be doing more but it is not our fault that we are not doing more. We don't have enough input (personal interview).

The GNPDC paid little attention to issues of participation and communication with its membership and the general public. Instead, the overriding emphasis was placed on

establishing successful business enterprises with the hope that the organization would become financially self-supporting. Therefore, most of its limited resources were channelled into developing relations with sectors of the local business community, conducting feasibility studies and putting together business proposals. The RDAs had little input in the planning process. Rather the Corporation's board of directors and staff - with the aid of outside consultants - reacted to potential business opportunities. The RDA's role in this process seems to have been overshadowed or was never really made clear.

The need for training and information on the concept of CDCs was recognized from the start by the leaders of the RDAs. Workshops for the Corporation's and the RDAs' board members were considered important elements in the process of establishing the GNPDC (Minutes of the Northern Zone Meeting, April 14, 1987). In September, 1988 a workshop was held for the board of directors of the Corporation and the RDA leadership to discuss the concept of CDCs and clarify the role of the GNPDC in relations to the RDAs. Other issues and concerns could also be raised. Greg MacLeod, who helped set up the Corporation, attended to provide the participants with information on the concept of CDCs. At the workshop, RDA leaders expressed concern over the lack of communication between the GNPDC and the RDAs. One RDA leader said board members of her Association were surprised to learn the GNPDC had formed GNS in partnership with local fish processors. The RDA leaders also indicated there was a lack of public understanding of the Corporation and its role. Meanwhile, Mr. MacLeod stressed the view that the GNPDC must function as a business and the GNPDC's board

of directors must be responsible to the Corporation above any responsibility to the Associations who appointed them (GNPDC, 1988).

At the same workshop, leaders of the White Bay Central Regional Development Association felt that the Corporation had ignored their input when it established Northchip and attempted to secure the wood chip contract. They felt excluded from the Corporation's decision-making process. When negotiations for the wood chip contract were in progress, the leaders of the RDA in the area wanted to lobby government on behalf of the Corporation's bid. The executive of the Corporation, however, did not want the RDA members involved in the tendering process (GNPDC, 1988). According to Murphy (1991: 167) the GNPDC executive, "felt that these women had no business interfering with the business arm of the Corporation; their work lay in their own development associations and in supporting the role of the Corporation in their communities."

Leaders of the Bonne Bay Regional Development Association also expressed frustration over the Corporation's business approach. The RDA owned a vacant fish processing facility in one of the small communities in the area. They approached the GNPDC to study the feasibility of establishing and operating an enterprise. While the Corporation was studying the feasibility of the operation, the Association was approached by a private entrepreneur with a proposal to operate the plant. The Corporation refused to drop its option to present a proposal to the Association until the deadline given to it by the RDA had expired. The RDA leadership in the area resented this action:

We gave them (the Corporation) a deadline to have their proposal back and they held us to that date instead of dropping the contract and letting

the operator take over. Sometimes I see it as another form of bureaucracy. They certainly didn't get any thanks from us for that and it gave me a good impression of what the development corporation was doing. It made me wonder why they were there (personal interview).

In defense of its actions, the Corporation argued that it was acting in a business like fashion.

The lack of communications between the Corporation and the Associations contributed to a lack of understanding of the Corporation's mandate and plans in relation to the RDAs. This made some RDA leaders nervous about the future of their own organizations in an environment of shifting state priorities and the RDA's dependence on state funding. As on respondent indicated:

I am afraid that agencies like ACOA will put a lot of funding into the Corporation and then point to the funding and say what do we need the development associations for?" (personal interview).

A number of RDA leaders who felt alienated and uninformed also expressed concern that the Corporation was not doing anything in their area. The Corporation, they felt, was concentrating its activities around the area close to its headquarters: "Our development association is not having much input. The things they are looking into seems to be around the Plum Point area" (personal interview). Another RDA leader commented: "The Corporation should be out in this area more, looking for potential small industries. It seems that the executive director is concentrating on the Straits area" (personal interview). (This was the area near the GNPDC's headquarters.) This feeling of alienation led some RDA leaders to claim that the Corporation was of no benefit to their region or the Association. The lack of information and frustration over lack of input in the decision-making process of the Corporation led one RDA leader to comment:

Until they recognize the associations they are of no benefit to us. The way the Corporation is set up is correct in principle but not in practice. We are members of the Corporation but we are in the dark. Until we see some changes I think we are going to consider withdrawing from the Corporation. We have been making good progress on our own. At this point in time, the way the Corporation is being handled we don't need it (personal interview).

If business success was the primary focus of the GNPDC, then there was a danger that decisions would be made by the managers, the board of directors and/or those people in the community who were better educated and more skilled because expertise and technical knowledge are emphasized, leaving the majority of the people in the region with little or no input. If the GNPDC had used its resources to focus on the application of business knowledge to produce an economic transformation in the region, then there may not have been enough time or freedom for the residents to formulate their priorities. There may be a tendency to promote a particular program, to claim to know better than the public what the region really needs. There will always be tension between the centralization of decision-making on the basis of business efficiency on the one hand and community participation on the other. How it is resolved will depend upon the importance that the Corporation gives to the values of business success and self-sufficiency versus "community development" and meaningful participation. Whether the CDC can engage in an effective program of "community development" where democratic community control and citizen participation are integral parts of the process and still function in a market environment so that it will become financially self-sufficient is a critical question. The following section will examine the internal dynamics of New Dawn Limited to see

if it had been more successful at including community input into its decision-making process.

Community Control of New Dawn

New Dawn had a different organizational structure than the GNPDC. Membership in New Dawn was not directly open to the public nor indirectly through other open membership organizations as in the case of the GNPDC. In 1989, its membership consisted of the 18 volunteers who sat on the board of directors. There was no formal mechanisms for accountability to community residents or other community-based groups or organizations. New board members were selected by existing board members. To claim community control of the organization would be somewhat tenuous. It would depend on the extent to which the board of directors represented the community and its interest. Yet, there were no regulations governing the representativeness of the board. Normally a nominating committee made up of board members was created and the committee suggested nominations to the full board. New members were often appointed on the basis of prior volunteer work in the community and/or knowledge and skills they could bring to the board. According to New Dawn's mission statement, the organization answered to the community through the 18 member board, who were expected to represent a cross section of the society it served. However, the nine board members interviewed were primarily middle class professionals and business people. At best the board took a paternalistic approach to defining and addressing community problems.

Usually new board members were appointed after serving for a period of time on one of the various project or advisory committees within the New Dawn structure. The committee system was important to the way New Dawn operated. It was hoped the organization would bring in a larger degree of participation from the community residents through the committee system. As outlined in the previous chapter, project committees were struck to do preliminary investigations into possible development projects. They normally consisted of six to eight individuals, most of whom were not New Dawn board members. People were often appointed on the basis of particular skills and knowledge. It was possible to have a project committee made up of all non-board members, but an attempt was made to have at least one board member on each committee.

Each subsidiary of New Dawn also had an advisory committee charged with overseeing the subsidiary's activities. For example, a housing committee monitored the activities of CBAHD and a guest home committee monitored the activities of the New Dawn Guest Home. These committees were made up mainly of New Dawn board members, but non-members were also appointed. Certain decisions could be made at the committee level, but any major expenditure and policy decision had to be taken to the full board for approval. However, it was unclear who appointed non-board members to these various committees. All board members were not aware of appointments. One board member was surprised to learn at a planning session that a particular committee had been established. And another board member expressed concern that the chairman and staff of New Dawn, and the chairman of the particular advisory committee were appointing individuals to the committees.

A number of important implications fall from this. First, the committees were important mechanisms for determining policies of New Dawn's various subsidiaries and any future activities. Yet, a large number of individuals who made up these committees were appointed by a small group within the New Dawn structure. Second, new board members were often chosen from existing committee members. The board chairman put it like this:

The committee system has been important as a training ground for people. We test people out. This has not been a goal of the system but this is the way it in fact works. People get their first exposure to New Dawn through the committees and if we see that they are really interested we might bring those people into the organization (personal interview).

Board members are often streamed through the committee system which is in turn chosen by a small group of key individuals in New Dawn. Moreover, when the board is chosen in this way individuals who have similar ideas about how the organization should operate are likely to be selected.

To claim that the board of directors represented the community in the decision-making process of the organization can only be defended if it can be shown that the board made the decisions in the organization. From interviews with half of the board members it was clear that this was not the case. In general, the level of involvement of the board of directors in New Dawn tended to fluctuate throughout the Corporation's history. When there was a strong experienced staff and no major problems, the board members were inclined to follow the direction of the senior staff. If problems occurred some of the board members became more involved. One board member put it like this:

In the past if we had a strong executive director the board had a tendency to slack off and follow his lead. Then it got out of hand, when we got into difficulty the board got strong again (personal interview).

Another board member made this comment:

One of our greatest problems over the years, I think, we have left the staff; if everything is going alright the staff tells us what is going on instead of us telling them what to do (personal interview).

When two key staff left the organization in the year prior to conducting the interviews, the board decided to increase the level of involvement of the executive committee in the operations of the Corporation. The executive committee consisted of six board members, four of whom had been on the board for five to six years. The committee met at least two times per month and was empowered to make certain decisions without ratification by the full board. However, any major expenditure or policy decision had to be taken to the full board. The chairman and vice chairman also worked with the New Dawn staff on a regular basis.

The full board of directors met only three or four times per year. Some of the board members interviewed expressed concern over the small number of meetings. They felt that the concentration of activity within the executive committee meant that a number of board members were no longer involved in the organization. One board member said:

If you are going to have any interest in something you have to be involved and in order to be involved you have to be part of the action ... Unless you are on the executive committee you can lose contact with what is going on (personal interview).

This concern was echoed by another board member when he had this to say:

I feel that we have brought a lot of good people onto the board over the term I have been there but we have not utilized them to the best possible advantage. In other words we solicit their board membership but then we don't give them

anything to do and they seem to drift away. And it is still the same core people, the same few bodies that seem to be doing everything and making a lot of the decisions. I feel that a lot of new people that we have brought in have a lot to contribute, but have not been given that opportunity (personal interview).

It was hoped the organization would increase the involvement of board members in the organization's activities through the committee system. However, the level of activity of the project committees tended to fluctuate according to the status of the project under investigation. Moreover, these were *ad hoc* committees made up mainly of non-board members. While the number of board members on advisory committees was higher, these committees too tended to be inactive for long periods. As a result, a number of board members were not very involved in the Corporation. This problem was recognized by one executive committee member:

Some board members are not very involved. We have been trying to keep all board members involved in committees, but the activity of a particular committee fluctuates during different times. Therefore, it is hard to keep all board members involved (personal interview).

Moreover, these committees were established to examine the feasibility of a particular project or monitor the activities of a particular subsidiary. Therefore, discussions would tend to be narrow in focus and not deal with New Dawn's overall policies and objectives. Finally, a number of board members who were interviewed indicated a few board members dominated the more important committees. For example, there was considerable overlap between the membership of the executive and the housing committees, the two most important advisory committees in the New Dawn structure.

A number of board members expressed concern that the board was no longer in control of the organization. They felt that important decisions were being made by

committee members and a small number of board members who make up the executive without the knowledge or approval of the full board. One of the board members expressed their concern in this way:

I think the committee meets and decides things and then they come to the executive. This is the kind of thing that I am a little bit worried about. You have to have some direction from the board as to whether they should continue and follow through on it ... Somebody is developing these ideas and putting them in action yet they are not coming through the proper channels to the board" (personal interview).

In fact one board member was frustrated with the way the organization was operating and indicated he was ready to resign his seat. He felt: "there is a small circle within New Dawn who makes all the decisions, these people are on all the committees" (personal interview).

Summary

Both the GNPDC and New Dawn present themselves as community controlled development corporations. However, when information used in this chapter was collected, community residents had very little influence over the policies of either organization. Decisions were made by a small number of individuals in each organization. Other than the fact that these individuals lived in the locality, it could be said that community control was practically nonexistent. Community participation in the GNPDC was expected to flow through their involvement in the RDAs. Public involvement in the Associations may be very low. This is an issue that requires further investigation. Putting this matter aside, it is evident the GNPDC isolated itself from its membership. A large number of the RDA

leaders felt they had no input into the Corporation's decision-making process. They felt the GNPDC was not accountable to them. While the board of directors of the GNPDC was heavily involved in policy decisions, leaders of the organizations that appointed them had no way to influence decisions made by the Corporation's board.

Communication between the RDAs and the GNPDC was not well developed. Responsibility for communications between the Corporation and its membership was left to each Corporation board member. However, it was apparent this contact had broken down in a number of cases. The lack of communication between the groups resulted in much misunderstanding concerning the mandate of the GNPDC. It also meant the RDA leaders were unsure what role the Associations would play in relation to the Corporation. Many of them felt uninformed and alienated. The Corporation focused all of its resources on establishing business ventures and devoted very few resources to building a "system" of community economic development in cooperation with the RDAs.

The pattern of centralized decision-making was also evident in New Dawn. In this CDC, the board was self-selecting. There was no constituency to be accountable to. New Dawn had a large board of eighteen members who were expected to represent the interests of the community. Most were middle class professionals. Additional community participation was sought through various project committees formed to help initiate new activities. However, appointments to these boards were mainly based on expertise that the individuals could bring to the effort. Moreover, many of the decisions in the organization were made by the staff and a small number of board members on the executive committee. A number of board members felt alienated and uninformed.

Given the small amount of resources at their disposal, CDCs face a difficult challenge balancing community involvement and accountability with economic success. However, their legitimacy in the community and beyond as community controlled development organizations requires appropriate attention to public participation in the development process. If the community is to be involved in planning development programs, mechanisms for participation and accountability must be firmly established. Attention must also be paid to the educational aspects of community economic development. There must be a clear understanding of the CDC's mandate and how it relates to the community. In addition, the board of directors of the CDC needs to acquire skills that would help them guide the corporation. It is through them that community control is expected to flow.

CHAPTER SEVEN

CONCLUSION

Evidence from the two case studies in this thesis suggests that the CDCs were unable to function as effective vehicles for community economic development. The evidence suggests that the two CDCs studied did not provide opportunities for community residents to plan and implement a comprehensive development strategy. Nor did the organizations take an alternative approach to development that provided community residents with the means to democratically control their activities. Rather they rejected the social and political process that this would entail and concentrated instead on business success in an attempt to become financially self-sufficient. In essence, they functioned like any private sector enterprise. In this regard, the CDCs could hardly be viewed as tools for social change. They could hardly be viewed as organizations that were part of a wider social movement leading to expanded popular involvement in the economy, the political system, the workplace and the community. At best, leaders of these organizations may have taken a paternalistic approach to local development.

The GNPDC placed almost all of its limited resources into establishing and managing two businesses enterprises in partnership with the local private business sector. New Dawn concentrated on creating apartments that provided housing to low income families. Neither organization engaged in capacity building that would give local residents the opportunity and skills to control the development initiatives. Neither organization

provided training to its membership or board of directors to give them the skills needed to take part in the complex task of community economic development. In this sense they approached community development in terms of development "in" the community where technical knowledge was used to achieve particular tasks. They did not embrace the alternative notion of development "of" the community which would have emphasized the creation of strong social networks and participation by community residents.

The GNPDC failed to maintain close communications with its membership. As a result, many RDA leaders felt alienated and frustrated over their lack of input into the Corporation's decision-making process. In the case of New Dawn, its membership consisted of a self-selecting board of directors. Yet, a number of the board members felt left out of the decision-making process of the organization. While both the GNPDC and New Dawn based their operating principles on a collectivist philosophy, they could not be considered to be community controlled enterprises. Control rested with a small number of individuals who comprised the staff and a small number of board members who placed priority on creating self-sufficient organizations. Their focus on business success set in motion pressures to concentrate limited resources into business development and management. As a result decisions were centralized in order to promote efficiency. They were unable to achieve democratic responsiveness to communal and societal welfare. In their attempt to meet apparent demands of the market, they departed from taking into account community and social goals that transcended the logic of the market.

The two CDCs studied in this thesis were market oriented organizations and rejection of the logic of the market could easily have meant business failure. They faced

an inherent tension to meet both the economic requirements of business success and the social needs which were behind their formation in the first place. The GNPDC was created by the six RDAs in the region to form the basis of a system of comprehensive community economic development. However, it had limited resources and all of these were devoted to establishing and managing businesses in an effort to become financially self-supporting. Evidence from New Dawn, one of the oldest CDCs in Canada, suggests that it is difficult for a CDC to function as a development institution when most of its limited resources are devoted to managing existing activities.

Community economic development requires more resources than the two CDCs studied were able to acquire. State support appears to be critical to the success of locally based initiatives.¹ The present state sponsored programs view individual entrepreneurs as the driving forces behind local development. Local efforts to support these individuals are considered community economic development. The objective of such an approach to development is to create economic growth in the locality. No consideration is given to the social consequences of that development or who benefits.

It is unclear if the state will support efforts to link local economic development with a process of social change based on community empowerment. CDCs may receive funding to support local entrepreneurs, but this is hardly community empowerment. Moreover, there is no guarantee that the state will view CDCs as appropriate vehicles to deliver their programs. A number of state sponsored projects that support individual entrepreneurs already exist. In this regard, CDCs are forced to walk a tight-rope. If the

1 All 130 CDCs recently surveyed in 29 American cities, depended on some form of government assistance (Vidal, 1992).

CDC is seen to have no legitimacy in the community and controlled by a small group of individuals, it may not receive funding since the state may argue it is not representative of important community interests. On the other hand, if the CDC is successful in mobilizing the community in a process of social change, it may be viewed as a threat. In any case, supporting private economic development neglects the social and political dimensions of community economic development. CDCs are expected to operate for the general benefit of the community by combining social with economic objectives. Low income families benefitted from *New Dawn's* housing program. This could be seen as a general community benefit. In the case of the GNPDC, the picture of who benefits was somewhat less clear. There was no well defined client group for this organization. While many of its activities had direct benefits for the local business community, it would be unfair to say that it was coopted by this group. The conflict with local fish processors over the control of the Brig Bay plant indicates this separation. Both organizations were operating according to their own agendas. They were trying to balance the social objectives needed to give them some legitimacy among community residents and government funding agencies with their economic objectives of surviving as self-sufficient business entities.

So what are the options for CDCs? It is unlikely they will acquire enough resources on their own to carry out a program of community economic development. One of the paradoxes of the CDC concept is that they are formed by community residents to ensure that development takes place under local democratic control. Yet, their need to become financially self-sufficient means the democratic control is considerably weakened.

The utilization of outside resources, in particular assistance from the state, is important in any community economic development effort. The question is whether the community can acquire these resources on its terms. How much will the state be willing to support decentralized program development? Will community residents be able to organize effectively to formulate programs and press their demands for state support? Shragge (1993: vii) reminds us this may be possible:

The State needs to be viewed as less than monolithic. In the event that social change activities threaten to destabilize the existing social order, the State will and does deploy a combination of repressive and cooptive measures. However, it is also true that social and political forces, particularly at the local level, can be mobilized to force concessions from the State. In other words, the State has both limits and inherent interests that it represents and is, at the same time, an arena of contestation and struggle. Outcomes are not completely predetermined.

It was beyond the scope of this thesis to study the complex relationships between state policies and community economic development. Research in this area, and the effects of the state policies on local initiatives, is needed.

Development is a normative goal and as such it is also ideologically value laden and contestable. Since it is political it is unavoidably concerned with value conflicts. The results of the two case studies certainly indicate that CDCs are in fact ideological takers rather than makers. They never saw community economic development in terms of an alternative development strategy with community empowerment as its goal. Rather, they accepted the notion that community economic development is concerned with economic growth. Given the resource constraints they were forced to work under, it may be unfair to demand that the two CDCs should have functioned as both successful business enterprises and as the basis of a comprehensive community economic development

program which included community empowerment. If they are to succeed in this regard, organizations such as CDCs must be encompassed by, and form part of, a larger movement for local self-determination.

In the present political climate, which places all value on individual initiative and self-sufficiency, it would be very difficult for institutions such as the GNPDC and New Dawn to promote community empowerment. The individualism that is apparent in theories of entrepreneurial motivation cannot address issues of collective social change. Nor does this approach address the implications of the interrelationship between regions and their effects on the local economies. No attention is given to how structural constraints influence and impede individual actions. Community economic development as it was implemented by the two CDCs studied can be criticized on the same grounds. Their emphasis on business success meant they did not address any of the social or political issues of local development. It is important to recognize the limits of a community economic development strategy. It is important to keep in mind that any locally initiated process will be constrained by factors at the provincial, national and international levels. Failure to recognize this may put the onus on marginalized communities to solve their own problems without recognizing constraints in the larger society.

Clearly, expecting locally initiated development programs to deal with long standing problems of marginalization without a great deal of state support is unrealistic. If community economic development projects can get people involved in making decisions and setting priorities at the local level, this may get them interested in issues of broader

concern. For those interested in progressive social change, this is one of its promising aspects. However, it appears that attention is now focused explicitly on economic development and strengthening the market - justified on the grounds of job creation. Such an approach has splintered any possible focus on a comprehensive examination of what development means and hampered the integration of social with economic development.

If community economic development is to form the basis of an alternative development strategy there must not only be institutional forms such as CDCs but also ideological space to advance new goals. Democratic objectives require the formulation of new values which counter the prevailing hegemony of hierarchy, economic efficiency, individual initiative and development as economic growth. Without such a commitment to an alternative notion of development, organizations which claim to take a community economic development approach will continue to take their operating rationale from the dominant ideology. In such a situation democratic community control will be extremely difficult to achieve. Without strong countervailing forces, the non-market logic of collective democratic action may not appear important to CDC leaders.²

2 Fulton and Laycock (1990) make this last point, in relation to co-operatives. Friedmann (1992) presents an alternative development approach based on collective self-empowerment, democratic decision-making, and a politicized civil society at the community level, along with the transformation of this social into political power to engage in struggles on the national and international terrain. Daly and Cobb (1989) also discuss the need for a new order that would subordinate economic activity to democratically defined social goals, along with an emphasis on community.

Postscript

The data used in this thesis were collected in 1988 and 1989; this represents a major limitation of the study. The environment in which any community-based organization such as CDCs operate is never static. Changes in local conditions and state policies present new opportunities or constraint to which the organization must respond. Moreover, priorities and the allocation of resources within the organization may be altered as critical issues emerge. Community economic development is a long-term, ever evolving process. Further research on the present condition and internal dynamics of both the GNPDC and New Dawn would document if they succeeded or failed to overcome some of the tensions identified in this thesis. While it was not possible to obtain updated information on New Dawn, a brief description of recent developments pertaining to the GNPDC are outlined below by drawing on the work of Felt and Sinclair (forthcoming).

Even while research was being conducted for this thesis, indications of a possible crisis in the fishing industry in the province were emerging. Landings of groundfish, particularly cod, were declining dramatically. In 1992, a moratorium was called on the harvesting of all groundfish along the entire northeast coast of the province and fisheries workers were placed on a government sponsored compensation package. In 1993, the moratorium was extended to include the entire province. Communities in regions such as the Northern Peninsula, which are so heavily dependent on the inshore fishing industry, face an uncertain future. Both the federal and provincial governments talk about the need to down-size the industry. They talk of too many fishermen chasing too few fish and the existence of too many small seasonal fish processing plants. Without some form

of rural diversification, the economies of many communities on the Northern Peninsula may be shattered.

While the future of much of rural Newfoundland is more precarious than ever, the fate of community-based development organizations is also unknown. The last rural development subsidiary agreement between the federal and provincial governments expired in 1994. It was through this agreement that RDAs were funded. Interim funding has been put in place while a federal/provincial committee studies local economic development agencies in the province. However, the future for RDAs looks shaky. Both levels of governments want to reduce spending. Moreover, they both have placed emphasis on entrepreneurship as the motor for local development. A number of other governmental and non-governmental agencies exist to provide support to entrepreneurial activity. Finally, RDAs have in the past relied on accessing and managing short-term job creation projects which were tied into the use of the unemployment insurance system as a means of income support in rural communities. The use of unemployment insurance in this regard has been under review by the federal and provincial governments. Unless they find a new role - a number are providing services, managing aspects of the fisheries compensation package - many RDAs may disappear. However, they may yet take an important position as advocacy groups on behalf of those rural Newfoundlanders most severely affected by the current crisis. This thesis did not provide a detailed analysis of the internal dynamics and the current role of RDAs in the province. Further research could be carried out in this area.

In 1991, the GNPDC faced uncertainty. The Innovations funding had come to an end and other sources of government funding did not seem forthcoming. Revenues from various activities could not match its administrative costs. At this time, the size of the staff was reduced. Finally, the Corporation was able to access some funding from ACOA to provide support services that focused on technical and scientific assistance to local enterprises. With this funding, the GNPDC hired a mechanical engineer and biologist and was able to acquire several contracts to introduce and study new technology in shrimp harvesting and aquaculture. The Corporation acquired a research and development fish hatchery at the site of the abandoned zinc mine at Daniels Harbour. In collaboration with a number of government and educational agencies, the GNPDC has attempted to develop new technology and train individuals in cage rearing arctic char. The activities of Northchip were expanded into lumber production. The subsidiary established one of the largest sawmilling operations in the province and collects saw logs from the six local sawmillers who make up the GNPDC's partners in Northchip.³ Northchip is now the major source of revenue for the GNPDC. However, the subsidiary does face a challenge. Newfoundland Hydro has indicated that it will phase out the electric generating plant at Roddickton where all of Northchip's wood chips are sold. Alternative uses for the wood chips are being looked at by the Corporation. The GNPDC also established a subsidiary to promote craft production in the area, GNP Craft Producer Limited (Felt and Sinclair, forthcoming).

3 This is the same model which was used in Great Northern Seafoods. However, conflicts between the Corporation and the private sector have not occurred. The reasons why conflict has not emerged should be explored.

In 1990 and 1991, the tensions between the GNPDC and two of the RDAs reached a critical stage and the Associations withdrew from the board of directors. Since that time, the Corporation appears to have made efforts to devote more attention to its relationship with its membership and both Associations have returned. The level of RDA representation on the GNPDC's board of directors was increased. Now two individuals are appointed from each Association. The internal dynamics of the GNPDC require further study to determine if the level of community control had increased. Structural changes do not necessarily mean more control, but all six RDAs now appear more satisfied with their relationship with the Corporation (Felt and Sinclair, 1994). It is possible that the GNPDC was going through some growing pains when the research for this thesis was collected. It was formed by a small group of RDA leaders who were appointed by the Associations to examine the possibility of establishing a community-based approach to social and economic development in the region. There was little opportunity for widespread discussion about the Corporation's mandate and how the RDAs would relate to the new organization. Perhaps more time was required for these issues to be resolved successfully.

In any case, while the constraints faced by organizations such as CDCs must be understood - after all, they react to and borrow from their environment - it is also important to keep in mind that they do represent one organizational response to some of the difficulties faced by residents of marginalized localities. Rural Newfoundlanders face many challenges and will likely have to adjust to numerous changes. Community-based organizations such as CDCs may yet provide them with a voice, and at the same time,

with government support, provide a basis for local initiatives designed to address some of these challenges. It is evident, however, that if CDCs are to combine social with economic concerns they must be viewed as more than a variant of private enterprise operating according to the logic of market forces. The possibility of community economic development as community empowerment should not be disregarded by those interested in progressive social change and social justice. There is a need for grass-roots approaches to encourage community well being in the present international context of ecological degradation and increasing inequalities between individuals and regions.

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