

AN EVALUATION STUDY OF THE  
FEDERATED CO-OPERATIVES IN  
NOUVEAU QUEBEC AND THE  
NORTHWEST TERRITORIES AFTER THE  
CO-OPERATIVE DEVELOPMENT PROGRAM

EXECUTIVE SUMMARY,  
CONCLUSIONS AND RECOMMENDATIONS

FEBRUARY 1982



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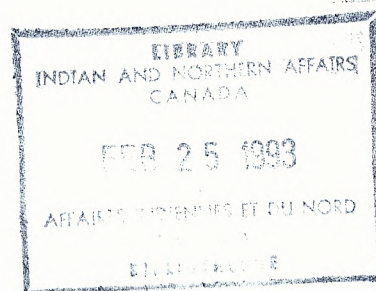
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Prepared by:  
J.K. Stager  
University of British Columbia

for  
Evaluation Branch  
Corporate Policy  
Department of Indian Affairs and Northern Development



## THE CO-OPERATIVE DEVELOPMENT PROGRAM

### HIGHLIGHTS FROM THE EXECUTIVE SUMMARY

The Co-operative Development Program (CDP) was a five-year program initiated in 1977 by the Department of Indian Affairs and Northern Development (DIAND) to bring stability and improve operations in the native co-operatives of Northern Quebec (NQ) and the Northwest Territories (NWT) through grants of working capital (NQ - \$1.9 million, NWT - \$4.1 million), operating assistance (NQ - \$370,000, NWT - \$1.5 million) and supplementary funds for human resource development (NQ - \$750,000, NWT - \$1 million). In addition, the NWT co-operatives received \$2.5 million over four years for intensive education and training from Special Agricultural-Rural Development Agreements (S/ARDA). The federal government delivered the program out of DIAND through contribution agreements with the two co-operative Federations, la Fédération des Co-opératives du Nouveau Québec (FCNQ) and the Canadian Arctic Co-operatives Limited (CACFL). As part of the program, DIAND provided bank loan guarantees to cover credit to the Federations for the purchase of supplies delivered through sea-lift and air-lift to member co-operatives. The guarantees, coupled with an annual repayment provision, varied each year but at their greatest extent reached \$6.6 million; in 1981-82 it was \$5.2 million.

Accompanying the implementation of this large program of assistance were performance conditions that were to improve the working capital, encourage organizational cohesion, tighten administration and operational procedures and, importantly, provide training and education for the participants in the system at all levels of responsibility.

The basic objectives of DIAND were related to improved socio-cultural and economic conditions for native people by having strong co-operatives that could aid the economy and become institutions which would teach organizational and management skills to people. The results, it was expected, would assist natives through experience and personal income to meet life in an increasingly complicated socio-economic setting; it was also hoped that co-operatives would gain in self-sufficiency and independence from government support. This report is an assessment of the impact of the program with recommendations for the future.

The co-operatives were introduced by government into the north in 1959 at George River, Quebec, and spread quickly so that in 1979 there were 11 co-operatives in Northern Quebec as members of FCNQ (incorporated 1967), and 41 co-operatives in the NWT as members of CACFL (incorporated 1972). In 1980 the gross volume of co-operative business reached \$27 million with \$9.1 million remaining in the north as community payout. The co-operatives have expanded from the early functions of fishing, lumbering and soapstone carving into quite diverse operations including retail stores, art programs, craft distribution, contracts and hotels.

The assessment focusses on the social and cultural impacts of the CDP; it is not an analysis of the economic response. The investigative process involved document review and discussion with governments -- DIAND, GNWT, and Government of Quebec -- meetings with FCNQ and CACFL staff, attendance at the Board meetings of the two Federations and extended field travel with time spent in 17 settlements to gain information available only through personal contact. The report treats the two regions separately, looking first at Northern Quebec, and then in more detail at the Northwest Territories.

Northern Quebec

Co-operatives in NQ developed during a period of increasingly intense government activity as federal and provincial programs instituted fast-duplicating administrative arrangements. Moreover, the James Bay Agreement late in 1975 set in place a new administrative structure -- Makivik Corporation. Until the Agreement, cooperatives and FCNQ were the major instruments for leadership in Inuit affairs beyond the immediate purposes of business. Now, the co-operatives with relatively few free resources face Makivik, which will control some \$90 million; at the same time, the co-operatives, unlike Makivik, are well-understood and supported at the grassroots level. It is, therefore, in an environment of new and complex administration, and divided native political loyalties, that FCNQ and its members must carry on. The conclusion reached is that the two systems have something to offer each other, and the very early signs of exploring the future in co-operation should be encouraged.

The Quebec Government, which has supported co-ops at least since 1963, is temporarily withholding loans from co-operatives while it re-evaluates its programs, but by an agreement to sell to FCNQ the Petroleum, Oil and Lubricants distributorship in four communities, with the possibility of more communities to follow, has provided co-operativism with the means for a new lease on life in financial terms.

The Federation Board representing the 11 NQ communities is strong with good leadership. It provides good service to its members and is in close touch with needs. From the beginning, FCNQ developed a pattern of interdependence among its members, but especially between individual co-ops and the central office. Consequently, FCNQ is financially closely bound to the success of its members, because

unless they pay the Federation for goods supplied, the Federation cannot continue its services. It was this situation which caused the federal backing of sea-lift loans, an arrangement that works well enough; nevertheless, federal participation needs to continue unless an agency like Makivik sees reason to show interest.

The financial bind is exacerbated because of the way in which Eskimo soapstone carving has developed. Lack of work has caused an increase in carving and a decline in quality; local pressures for cash have inflated the prices paid to carvers, with less attention to quality. At the market end there is buyer discrimination and resistance, with the result that inventories are rising. The FCNQ system holds inventory of \$2 million, an expensive proposition at today's interest rates. Attempts to instil some discipline at the producer end with training and advice have yet to show dramatic results. Similar purchasing/production problems have caused general losses in crafts.

The integration in the FCNQ family of co-operatives extends into many services, with the result that the co-operative manager is like a chain store operator. From the beginning, native managers have been in charge. The greatest weakness in the system remains at the local level, both in terms of the managers and the local Boards of Directors. Education aimed at managers has had some good effect; a program of Board education would add a needed dimension to decisions at the local level.

In summary, the Quebec co-operatives are still important native organizations in their role of economic and human development in spite of the recent institutional changes in NQ. They give force to native identity and affect many people directly. The success of the



system is still very dependent upon the member co-op efficiencies and this is the area which is still working towards improvement. CDP has helped economically, and with direct support for education, there is a renewed health in attitude and performance.

#### Northwest Territories

In the NWT, most co-ops were established with government help before CACFL was incorporated in 1972. Consequently, there is a strong sense of independence, which usually surfaces as complaints concerning the Federation and in particular the 7% surcharge co-ops pay to cover services provided. CACFL, with CDP and GNWT help, offers various services to its member co-ops ranging from Operations Advisors, who assist local managers and boards in every phase of the work, to centralized accounting, audit and personnel services, and they are used to varying degrees. The Federation's central office is working well, but it is not highly regarded by co-op managers. It is a disadvantage that more of the senior positions in Yellowknife are not occupied by native people. The Federation needs to create a better impression among member co-ops, and in the heightening politics of the NWT, the co-ops need to develop a centralized political presence.

The Federation began by organizing its supply and transport division to coordinate purchasing and sea-lift, and expanded to include purchasing and despatching points in Montreal and Churchill. There are always complaints about how it works, but in general there is much improvement and the government-backed credit line is necessary for its continuation. As co-ops move to native management, the central service in supply and transport will be needed all the more. In economic terms, transportation is the biggest difference between northern and southern living, and a study across the northern co-ops on this subject is warranted.

NWT arts and crafts are marketed through two co-operative agencies: CACFL (Northern Images) and Canadian Arctic Producers (CAP). Northern Images was started by CACFL to retail native crafts to earn money for the Federation (instead of CAP), thereby promoting fiscal independence. Its five stores profited enough in 1980 to pay 10% of CACFL's operating costs. CAP is oriented towards art galleries in its marketing of arts and crafts. CACFL and CAP are currently being amalgamated into Arctic Co-operatives Ltd. (ACL). Bringing CAP into the operation directly will require careful work.

There are problems between CAP and the co-ops and some CDP funds were used to improve communications between the two groups. However, CAP has inventory problems, particularly with regard to carvings -- about \$1.6 million worth, resulting from pressure in communities to pay top dollar for carvings. To respond, CAP has devalued co-op shipments and passed the loss back north, causing further irritation. The problems of inventory, quality and marketing have brought affairs to the point where a thorough and comprehensive study is needed for Eskimo carvings. It is not just a question of price or efficiency, but involves aesthetics, culture and social policy by government. The amalgamation of the two agencies is another reason for a study on carving.

It is clear the members of the new ACL board will have to learn about all the ramifications and detail which surround the business they transact. There is room for some crisp business experience in headoffice to complement the experienced co-operativism that is well established.

The problems associated with carving do not apply at this time to prints. The West Baffin Co-op at Dorset, whose prints are the most famous, has given real leadership. Quality control is maintained through the Canadian Eskimo Art Council, with supply-market conditions well controlled.



The performance of the co-ops as businesses really comes down to the role of management. Until the CDP's training program for local people was instituted, recruitment of managers was through the CACFL's personnel department. Granted it faced major difficulties: it is not easy to find people to work in cross-cultural situations in isolated communities for less-than competitive wages. Nevertheless, the department has not met the challenge: its recruiting has been neither vigorous nor rigorous. Today, 80% of NWT co-op managers are white, many of them short-term and with little or no business experience. It is hard to keep business momentum or continuity with frequent changes in management and many co-ops have suffered.

A major goal of the CDP and S/ARDA was to provide training at all levels, including managers, and there have been some improvements. The increase in the number of native managers from the training program might be greeted nervously by experienced non-native managers, but it has to have a chance to succeed. The training and education programs offered to native trainees, boards of directors, members at large, through workshops, on-the-job training, etc., have been a big help in moving into the modern world. The report recommends that training and education activities be continued at all levels, with some changes to make them more responsive to identified needs.

The co-ops have always provided as much employment as possible. Official figures place the number at 353 full time employees plus an uncounted number of casual jobs. Average income is close to \$10,000 per employee, which gives direct benefit to 15% of native families in co-op communities. Over 90% of employees are local people. The experience of working within an imposed framework of hours, jobs, and duties is a learning experience that has been in place for a long time; in a decade it is estimated that 1,500 to 2,000 people

worked in cooperatives at one time or another. Doubtless, that experience has made a major contribution toward helping people assume responsible roles in the community. CDP in its supplemental funding has strengthened the ability of native people to take charge of their own affairs. What is still missing, however, is that with outside management in both the co-ops and other businesses in the north, there are still too few successful managers who are native persons, and the young people do not have very many role models to emulate.

In the past decade, native organizations -- ITC, COPE, the Dene Nation and the NWT Metis Association -- have moved to centre stage and negotiations are taking place with the federal government about the control of land, resources and future governance. In anticipation of compensatory funds with an agreement, most have a Development Corporation either active or in the planning stage which will have a role in economic development for their people, and will have the potential for duplicating, in aim if not in practice, the role of the co-operatives. There is broad support in the native population for these organizations, but, in contrast to the co-ops, the level of understanding of their detailed procedures and policies are not clearly apprehended at the grassroots level. The co-operatives recognize the potential of massed capital and are worried that it will be applied in small communities where business opportunity is limited. The federal government as a negotiator for claims settlement is in a position to support the co-operative movement as an instrument of native economic and social development by insisting that co-operatives are recognized and benefit from compensation funds.

Several federal programs channel funds into the north. DIAND and S/ARDA funds, the main money to reach the co-operatives, are generally delivered with due regard for one another's objectives; such coordination, however, is not apparent with LEAP grants. It is difficult to match CDP's goals with progress when other sources of money intrude.

The GNWT is supportive of co-ops. Its Supervisor of Co-operatives administers the Co-operative Association Ordinance, prepares an annual report on NWT co-op performance and advises on the allocation of GNWT contributions to co-ops (over \$200,000 annually). GNWT funding was designed to end coincident with the close of the CDP, but the report concludes that non-program specific operating assistance could continue through 1982 before stopping. Other funding, e.g. for human resource development, is still necessary and the GNWT should continue such funding in recognition of the need for co-ops and the contribution they make to the general economy and to human affairs.

In the current territorial administrative milieu there is regional disparity in the GNWT's treatment of co-ops. A more even treatment could be achieved by expanding the staff of the Office of the Supervisor of Co-operatives to enable it to meet more adequately the full range of its mandate.

It is a long term goal of the GNWT that co-ops and private business become the agents of economic growth, leaving government with responsibility for the delivery of services and administration. The economic development process in the NWT is at a point where it could go more and more the private route, as it does in the south, and this could happen incrementally without due notice of the wishes of native people as a group. The report suggests that an attempt be made to gain a community view of the choice when a decision of this sort is required.

THE CO-OPERATIVE DEVELOPMENT PROGRAM:  
HOW EFFECTIVE WAS IT?

The comprehensive version of this report, from which this document is extracted, addresses in detail the impacts and effects of the Co-operative Development Program on the co-ops of Northern Quebec and the NWT. The consequences of CDP -- both direct and indirect -- are cast in with the dynamics and description of government practices, federation affairs and community reality. Throughout there is the use of an historical dimension to identify change and its consequences. What is not done, however, is to confine the review to before and after 1977, the year in which CDP was approved. It may be possible to treat financial records in this way but from a socio-economic view, there is no 1976 base from which to measure. The following, therefore, summarizes the work by drawing conclusions in relation to the objectives and goals originally held for the program.

Parent Objective

To improve the socio-cultural and economic conditions of the native people in the Northwest Territories and Nouveau-Québec.

Socio-cultural conditions in the north today are much different than even a few years ago, and continue to march in the direction dictated by pressures from the dominant society of the country. If improvement for the native people is taken to mean the preservation of identity, not by outside protection or indulgence, but by the people from within so that there is some sense of self-controlled change, then there can be little question co-operatives as the first native organizations or associations were the only means for improvement until they were joined by new native groups. Co-operatives are still the only native organizations that command

broad support which is based upon a complete and detailed understanding of what they do and how they operate. The self governing process works in each place there is a co-operative, and it does so for the good of those that take part and not because someone requires or suggests it. Instead of building on this basic institution and recognizing its capacity for cohesive action, parallel institutions now exist for a variety of functions. Of course, the new institutions serve the people who control affairs, but they are not of their own choosing. The co-operatives by federating, carry the sense of identity and self-determination to the level where it encompasses the people broadly, regionally. The result is more effective in Quebec than in the NWT, but it exists in both places. The CDP has contributed to the socio-cultural condition by assisting the economic stability of co-operatives and the Federations; by doing so, CDP has vested them with renewed economic strength. As group owned agents for economic development, co-operatives have benefitted the people through their services, employment and training functions. Since co-operatives are being joined by other native development corporations that either do or will command the power of capital funds, rapprochement and co-operation between the old and the new is both desirable and necessary -- partly for economic reasons to retain the wealth-generating functions within communities, but also for cultural reasons so that people will not become divided on the question of how identity will persist into the future.

#### Parent Sub-Objective

To increase the native people's

- self-reliance and full participation at the arctic community level
- independence from government funding and other assistance.

Self reliance has always been an enduring characteristic of native people as they confront the northern environment in traditional ways. It is in the milieu of new institutions, cash economy and settlement living where self-reliance is eroded by opening the system to outside conditions or influences which individuals cannot control completely. The experience with change has produced a different self-reliance, especially for those with formal education, which has permitted the individual native person to understand the new way and participate for personal purposes. The common good is now, more and more, the result of the aggregate of personal good. The co-operatives, on the other hand, have emphasized self-reliance for all their people, as an independent group with group control, goals and strategies. They still are the only associations that can make this claim in Inuit settlements. In Dene communities, some other forms of independent group associations with economic development for their purpose have appeared, and if they gain ascendancy over the co-op, it matters most that a group ownership/integrity at the community level be preserved. The CDP with capital and operating support has helped all co-operatives either indirectly through the economic strengthening of their Federations, or singly by help to marginal or weak performers. It has also required needed change in practice and attitude, and set standards of achievement. The system as a whole has responded by actually or nearly meeting economic expectations, and exhibited economic discipline, for example by the closing of two co-operatives and an imminent similar fate for a few others. The impact of CDP upon self-reliance in the sense of a broadly understood responsibility towards co-op affairs by members -- including some Board members -- has not shown dramatic improvement. There are co-operatives where self-reliance is high and the community has strong leadership, but there are more of them in Quebec and the NWT that still depend heavily on the manager, the Federation or both.



In principle, independence from government funding for working capital and operating funds should now occur. CDP has brought the co-operatives to the point where they show economic growth; the working and operating capital is greater and this gives them more room to manoeuver. One has to recognize that there is still not enough free money in both the systems to cover sea and airlift of supplies -- a subject which should be investigated in the light of current costs and alternate modes -- and government backed loans or credit-lines should be provided on a continuing basis, unless or until native Development Corporations become desired partners. There are one or two specific problems in operating where government might assist on a short-term basis. Generally, however, the co-operatives can be independent of help to carry on their business or commercial activities.

In human terms, the gains of CDP are mainly in the area of setting the scene for human development. Some programs are already producing results -- management training in NWT for example, or the trainee system in NQ -- but too many local Boards are weak, and membership in communities is supportive but not always in touch with reality. Participation in co-op affairs has suffered from the demands for participation in everything else. A widespread realization that co-ops are on their own will likely stiffen the resolve of people to make it work, but they can respond only to the extent that they know how. A continuation of support by government to the learning or experience that is still required by co-op people, is not inconsistent with many other programs from all levels of government.

Program Objective

To ensure the development of arctic co-operatives as instruments for the teaching of the basic organizational and managerial skills needed by the native people to create and obtain employment.

For twenty years the co-operatives in northern Canada have played a role by assisting people to understand and take part in employment for money. They are not now the only employers, but over the longhaul, they have as an institution had more employees on their books than any other employer in the north, except government. Even today, the co-operatives are the largest "private" employers and past employees are today working responsibly in other community jobs. The co-operative working environment for the employee is a business (though not always business-like) environment.

Co-operatives have regarded employment of native people as a prime goal even at the cost of unbalanced books. They have provided gainful self-employment through the purchasing and marketing of art, crafts and other products of the country. While the need for and the use of money was easily learned, its value still eludes many people. CDP with an emphasis on economic efficiency has made managers, boards and members more aware of debt, its repayment and avoidance. Moreover, the recent high interest rates have tightened up the co-operative operations, and native people better understand the meaning and effect of interest. The discipline of the workplace in co-operatives is more likely to respond sympathetically to native adjustment to work, but employees and even managers are being dismissed for incompetence or lack of responsibility. This is a relatively recent development. Natives in management are increasing in the NWT and have been longstanding in Quebec. Former native managers are now employers in their own right, and the skill of handling personnel is more widely held. CDP through its support for

business and human development in the local co-op and in the Federations is introducing more people to a complex system. In Quebec, the education program involving work in Montreal, is well ahead in initiating northerners into a top-to-bottom understanding. In the NWT, some individual co-operatives have many separate operations which require sophisticated business controls, and they depend less than in Quebec upon the Federation to implement them. People working well in either environment can transfer successfully to most other responsible jobs in the north. The report does not give the co-op system or the people who operate it an unqualified bill of good health; there are still many shortcomings and disappointments. At the same time, one has to recognize significant past contributions by co-operatives to people's education and training, and their continuing capacity and commitment towards the same ends.

#### Program Sub-Objective

To develop the capabilities of the two co-operative federations in the fields of human resource development and provision of other services to arctic co-operatives.

To develop northern human resources by ensuring the design and implementation by the two federations of appropriate management systems and training programs.

The capabilities of the two Federations to involve native people through the complete range of experience and responsibility have started from different base points and progressed with different emphasis since CDP began. The NQ pattern has been a closely integrated one with interdependence between member co-ops and FCNQ a longstanding fact. Management and boards in the communities and the Federation Board have always been in native hands. Building on the

leadership and decision-making ways of the Inuit, the requirements, goals and constraints of a business operation have been infused into the Inuit way. It is done, in part, by the Federation taking the responsibility of co-operative debts and then depending upon co-operatives to pay later -- a paternal relationship; the parent Federation fends for the family in the outside world, while its members are pressured by expectation to measure up. Much early learning was through tutelage -- instruction, guidance and guardianship -- exercised by senior staff in Montreal. The system has persisted, and its success is related to long-term commitment and experience of that staff. Now, of course, the Federation Board exercises its leadership and direction by using its own wit and experience, aided by information and options from staff. The mode of operating in the communities is much the same. Throughout the system the basic principle of learning is by experience, with continued instruction and guidance from whoever best can give it. Its value has been that gradual change has occurred without the loss of Inuit identity either by the people or their co-operatives. In all this, the monetary costs have been borne by the financially strong co-ops, and the Federation, tied as it is to the performance of all its members, has teetered on the brink of collapse once or twice. CDP and bank loan guarantees have removed some of the economic uncertainties, but they have not had much impact upon the way the Federation observes its teaching-learning functions. The strength of the Federation Board is not found reflected in some member communities where management is weak and local boards think in isolation. Nevertheless, FCNQ has its "flagships" where model behaviour and action is something which could be desired for all co-operatives wherever we meet them.

In the NWT, co-operatives established the format of ownership and control by the members, but turned to "outside" management for the skills of business survival. There are a few places where managers have stayed for a long time, and today these communities have large, diversified, and a couple quite specialized, co-operatives that are economically solid. They function well in terms of board understanding and behaviour, membership support and independence -- even from the Federation, but they have built-in a dependence upon non-native expertise. For most co-ops, outside management has turned over too much and has been too uneven in its skills to have produced a broad front of economic success. When the Federation was formed to knit together its wandering flock, it had to sell itself by the services it could deliver. The subliminal support to co-ops by government services at the community level surfaced on the Board of the Federation in the form of government appointed directors joining the native majority. The Federation was at first too preoccupied with services and survival to attack human development except through doing missionary work around the membership to encourage performance and community. With CDP coming not long after the Federation started, a momentum developed towards the role of native people functioning in the system, and social change is now a large part of CACFL purpose. With so much catch-up required and little time to succeed, the Federation took a bureaucratic approach -- programs administered -- instead of the teaching model in Quebec. The newly started programs have hardly had time to demonstrate lasting benefit, but there are some early signs of success in native management, for example. Although there is restiveness on the part of some member co-operatives, the Federation is now at the point where its functions are conceded and its services and programs needed by the members. It has the chance to weld a community of native co-operators through which the people will be prepared for life today.

Both Federations have made gains in providing services to members required by the business base. FCNQ has had a focus on this for some time - purchase, transport, accounting and management support, building advice, carving sales, etc. It has not expanded, although CDP helped it in the new tourism section, and rather has concentrated upon improvement. Changes in this pattern are in response to co-operative needs. At CACFL, purchasing and transport, accounting and audit, and member services generally were the core of operations. The carving sales function (and revenues) rested with CAP, which meant a search for financial survival, produced in the Federation a bleed-off of energy into expansionist enterprises. CAP intended to consolidate operations and it has succeeded in that services to members are better, but there is still nervousness about CACFL "bright ideas". The amalgamation of CACFL and CAP will bring all services to members under one Board and overall management. BMC called for this move and CDP has been of assistance. The report describes some of the problems ahead but does not offer a prediction.

With respect to the objective of ensuring human development through management systems and training programs, it is a fact that both Federations have systems and training in place. In NQ no change in the basic management system has been introduced insofar as it affects people in the communities; managers are responsible to Boards for policy and performance, and to the Federation for practices and procedures. Similarly, the FCNQ Board operates in the same way it has for a number of years - hearing reports of department heads, attending to community concerns, reviewing co-operative statements and performance, then making decisions about policy and strategy. The system, involving mainly native people, provides both a business, cultural and learning environment, and as new people pass through, their experience and understanding is enlarged. On the training side, the basic approach is unchanged; people learn through observation, participation and advice. New and



somewhat formal programs have been introduced through CDP -- in store management, purchasing, and tourism -- that have separated certain functions from the overall for special attention. Nevertheless, the basic paedagogic style is information passing in an environment of applied experience. No innovation of technique for training was observed.

CACFL has been moving with CDP help to modify the management systems for member co-operatives by encouraging the greater use of central services and standardized systems, and becoming a more integrated management network on the Quebec model. It would have the effect of reducing the broad responsibilities of managers, encourage planning of budgets and measuring results. The system is developing only as fast as member co-operatives agree to participate. The danger perceived is that a chain-store mentality will emerge and "our co-op" will become "their co-op" i.e. the Federation's. The new design is sensible in the circumstances. The other change in management is the move to employ native people which eliminates many existing problems, and accelerates human development. When it comes to training, CACFL has moved quickly on a broad front. What is important also is that it has borrowed current concepts and techniques that are employed outside the north and adapted them. The response in the co-operatives has been very good; the consequences, at least the lasting ones, will require time to observe.

SUMMARY CONCLUSIONSNouveau Québec

1. Co-operatives as the first native organization in Quebec for the community and regional level, are widely and well understood in purpose and operating procedures.
2. Changes in the governing structure in NQ have eclipsed the broad role of co-operatives in Inuit affairs, except in ITN communities.
3. The multiple governing agencies have diffused the attention of capable people to the disadvantage of the co-operatives.
4. The co-operatives continue to be a force in preserving Inuit identity and conditioning social change.
5. Co-operatives are still the strongest institution for economic development in NQ in terms of affecting directly the lives of the greatest number of people.
6. Compatability and co-operation between the co-operatives and Makivik will be to the ultimate benefit of NQ Inuit.
7. The integration of FCNQ with its co-operatives has placed the responsibility for success and continuation upon the members themselves.

8. Management and direction at the local level still lacks efficiency, and most of the Federation's problems originate here.
9. FCNQ services function well, and are responsive to the needs of its members.
10. Training or education for management, the boards, and the membership at large is a component of the NQ co-operative system; a program approach has been introduced in some areas, but the results are neither formally examined nor monitored.
11. The younger generation has not assumed the interest or loyalty that co-operatives receive from their parents.
12. Quebec government policy towards co-operatives is supportive.
13. Federal government support has a continuing role in human development within NQ co-operatives.

#### Northwest Territories

1. Co-operatives as native associations are widely and well understood at the community level, in purpose and governance.
2. The co-operatives, as federated, are the strongest, non-government force for economic development in the NWT. More people derive direct or indirect economic benefits from co-operatives than from other agencies.

3. The present community structures and institutions have diluted the role of co-operatives as a focus for people's attention.
4. Unity across the co-operative federated system is still imperfect. Although dominantly Inuit in membership it has Dene membership as well, and is, therefore, mainly a force for native identity at the local level.
5. Relationships between the co-operatives and the other native organizations are undefined but not hostile. Recent events signal closer co-operation on the Inuit side.
6. CACFL services have improved and are being adopted by more members. The difficulties that exist do not lie in the programs, but in the resources to deliver them.
7. The CACFL Board is preoccupied more with Federation affairs, and is not occupied enough with the affairs of member co-operatives.
8. Before amalgamation, CAP policies and practices endured largely unchanged.
9. CACFL and CAP amalgamation into ACL is all but complete in the legal sense. Amalgamation in practice will require concentrated attention.
10. In communities, membership commitment to the co-operative as a place for services is strong, but towards co-operativism there is complacency. When both are threatened, commitment increases quickly.

11. Outside management as a practice has yielded operating success and economic development when it is long-term or experienced. Problems in management have been the consequence of high turn-over and variable talent.
12. Native management as a policy is proper. New native managers are learning but still untested. Operational systems and resources are not adequate to support the policy.
13. Native management training is well conceived and producing results. The program is too broadly targetted and the selection of trainees is undisciplined.
14. Board members address local social and economic interests, but are not well enough prepared to meet business decisions.
15. Board education is an outstanding deficiency in communities.
16. Passive membership education had little discernable effect.
17. Young people are not being attracted to participate in co-operative affairs.
18. GNWT policy and action supports the co-operatives. There is, however, differing regional emphasis.
19. Federal programs and funding received in NWT co-operatives are not always co-ordinated.
20. Federal government support has a continuing role in human development within the NWT co-operatives.

The study of northern co-operatives concludes that the co-operatives are fundamentally important to the native people. On balance, they have succeeded as agents of economic development, and have made a major contribution to human development. They are continuing to meet both purposes because of the existing commitment of the people, the strength and determination of the two federations, and the supportive policies of the federal government, GNWT and the government of Quebec. The native organizations acknowledge the impact of the co-operatives, both past and present, upon life in native communities, and do not ignore the benefits and strengths that the co-operative system offers to native people. Present indications are that the native organizations are receptive to establishing good working relationships with the federated co-operatives. For the future good of native people, all interested parties should work towards a settlement of native claims in which the role for the co-operatives will have some definition, and an assured share in financial resources proceeding from the settlement to meet that role.



RECOMMENDATIONSRecommendations in which the Federal Government has Principal Interest

1. That working capital contributions to the northern co-operatives through CDP should end with the program.

These contributions have accomplished sufficiently the major goal of adding financial stability to most co-operatives. This conclusion does not come from a financial analysis, which when completed may modify the judgement, but from field observations and perceptions. The contributions and attendant conditions have helped link human performance with business results. The absence of future funds could reinforce the learning.

2. That the operating capital contributions to FCNQ end with CDP, and operating contributions to CACFL continue through one more fiscal year, at a negotiated level that provides for adjustment to its cessation in March 1983.

The recommendation supports the principle of independence from government in the core operating affairs of the Federations. The flow of funds in operating capital to CACFL was not planned in a diminishing pattern consistent with the program ending after five years. Therefore another year of support is necessary to effect the transition.

3. That an analysis be completed of the consequences for a community and its people of the collapse or closing of a co-operative. Two cases need examination: (a) where alternate services are present, and (b) where they are not present. Options for responding to these situations should be part of the study.

The failure of a co-operative, for whatever reason, brings pressure upon governments, especially in the NWT where the Ordinance may involve government directly in closure. A study, as recommended, would assist government policy and reaction, and alert the Federation and the co-operatives to the impact of failure.

4. That the federal government continue to back loans as required for the resupply of northern co-operatives by annual sea-lift and air-lift.

and

5. That government backed loans follow the principle that full repayment is required before another loan is extended.

and

6. That the federal government share with the Government of Quebec the security for loans to Northern Quebec co-operatives in a manner that ensures all northern co-operatives are treated equitably.

and

7. That the federal government be prepared to back loans to the co-operatives for resupply that might be negotiated with native Development Corporations.

and

8. That a study of the transportation for the northern co-operatives be undertaken with major concern for savings to co-operative members. The study should be comprehensive in nature with the two Federations contributing to the terms of reference.

The cost of transportation is the single most important man-made difference between living in the north and living in the south; everyone is affected and yet there is no coherent response to remove the economic disadvantage for all northerners. For the co-operatives the recommendations made are to ensure that they can operate their purchasing and supply without new working capital transferred directly into the system. The pay back principle is important in fiscal and disciplinary terms; CACFL should be brought back to this pattern. Sharing financing responsibility for the NQ co-ops with Quebec is important, but the co-ops should not be disadvantaged by mercurial behaviour in Quebec City. There seems to be no reason why loans have to come from chartered banks especially if and when native Development Corporations will be looking for investment opportunity. In fact, short of coercion, it may be important to instruct both lenders and borrowers on the advantages to the native community as a whole -- economically and politically. The transportation study is recommended knowing that the idea is not new. The co-operatives are discrete systems, not large, reasonably well documented, and very dependent upon transportation links. an important contribution can be made by such a study, if it is an economic study that gives first attention to costs in every part of

the chain from supplier to consumer both north and south. It is a study that should open an array of alternatives and pay close attention to what strategies will best fit the next decade or so. Furthermore, it should be completed soon because of the impact it could have upon loan guarantees. The Federations should be asked to help formulate the terms of reference, but the work should be independent.

9. The federal government should give serious consideration to a program to upgrade northern co-operative buildings used for existing functions on a matching grant principle with no single grant to exceed \$50,000. The program could have a life-time of two years with maximum expenditure of \$250,000 in each year.

A recommendation like this does not arise directly from the content of the report and is put forward as a strongly supported suggestion. The existing buildings in many places are badly suited to the need, and with limited free funds, it will take some time for replacement and repair. The suggestion would make work, and help to bring some relief to the problem on a shared basis in a finite time frame.

10. That a study be made of the subject of Eskimo carving. It should examine:
  - a) The role of Eskimo carving as art and/or craft in terms of the interests of the general public, and its meaning for carvers.
  - b) The economic and cultural values of carving in Inuit communities.

- c) The purchasing/marketing mechanisms, especially as they affect co-operatives and their agencies.
- d) The market for products.
- e) Soapstone supply.

Eskimo carving is a complicated subject which has current problem areas. For the co-operatives, it has been a central aspect of their role in economic and human development, and new information is needed to determine future responses. There are now three co-operative agencies in marketing which could devise more coherent strategies for the benefit of member/owners if the subject were better understood, or at least common ground established. The subject should be limited to carvings although its implications for prints and crafts other than soapstone carving have to be borne in mind.

That the federal government be prepared to provide temporary assistance for financing current carving inventories as needed up to half of their 1981 value through interest free loans for no longer than three years with evidence to show that inventories are rising at a rate below the increase in sales.

The inventory problem is serious in Quebec, and is also a concern for NWT co-operatives. The relief from the carrying costs should carry incentives for the elimination of unmanageable inventory including aggressiveness in sales and allow time to have the study completed which could advise a re-organization of the co-operative management of Eskimo carvings.

11. That federal government support should be continued in the training/education field for Northern Quebec and Northwest Territories co-operatives taking account of the following:

Northern Quebec

- a) Management training through experience in FCNQ headquarters continue in all service areas for member co-operatives.
- b) The trainee program of assistance from one co-operative to another through temporary secondment of managers be encouraged in training program implementation and for general management purposes.
- c) That programs for management functions be developed or modified to provide examination of learning and practice.
- d) That a formal program and materials be developed and implemented as board education for board members of co-operatives.
- e) That a training officer be named to assist the on-the-job learning of managers in programs.

Northwest Territories

- a) That management training for native persons be continued in the same general mode already operating.
- b) That a disciplined selection of manager trainees be undertaken.



- c) That the management training for existing and new native managers be supported with qualified managers as training officers in the field. An officer should have no more than five managers as his responsibility and support should continue for another two years before review.
- d) The current management training program should be narrowed in focus to concentrate the effort on bringing three to five new native managers on stream in any one year.
- e) That board education for board members of co-operatives be a primary goal of the program emphasizing board role and responsibility, but also preparing members for a better understanding of business records, operations and planning.
- f) Passive education for members of co-operatives needs to be stepped-up using with more effect existing media-print, radio and T.V. - emphasizing co-operative operating procedures and problems, and the role of loyalty and commitment in self-reliance and success.
- g) Passive education for members also should explain the purposes of the Federation and its services to co-operatives, and the awareness of co-operative work in the communities to each other.

#### Northern Quebec and Northwest Territories

- a) Education programs are needed to engage the interest and participation of young people.

- b) Education programs should enlist the active support and co-operation of adult education agencies provided by governments.
12. Federal government support is needed for the continued program of human development by:
- a) assisting, but not requiring, liaison between CACFL and FCNQ through personnel exchange, joint meetings or colloquia, formal or informal linkage through native representatives, all as proposed or desired by the two Federations.
  - b) adopting a position that co-operation and compatibility between the co-operatives and native organizations should be encouraged to the benefit of all native people.
  - c) funding liaison work within the Federations by senior native leadership for the purpose of informing the membership and learning of its needs.
  - d) increasing the support for operations advice in the NWT system in co-ordination with the GNWT. At least two more positions plus funded travel are needed.
  - e) encouraging a program of exchange of native people with work experience in the CACFL headquarters in Yellowknife or Churchill and Montreal offices.

- f) providing CACFL with the means to attract and hold a senior native person(s) in the head-office.
- g) assisting in specific programs or projects related to the planning and implementation of amalgamation of CACFL and CAP. These should be for planning and not operating.

13. That the federal government and the GNWT reduce their direct role in CACFL affairs by removing their representatives from the Board of Directors.

There is the recognition of the federal government interest in CAP and hence membership on the Board for its management. That situation should be resolved in the completion of Amalgamation perhaps by converting the preferred shares to ordinary shares and retiring to passive interest, or by some other amicable release of government interest in CAP. The move of the Board membership to complete Federation control is, in principle, a proper goal. The Federation should give consideration to appointing an external director to its Board who is an active member of the business community and has the ability to communicate his knowledge to the Board.

14. That the federal government recognize the diversity of its programs which are directed towards economic development, employment, and human resource development available to the private sector in the NWT, and that it give effect to co-ordinating the implementation of programs by establishing clearing-house functions through co-operation with the GNWT.

This arises through the observation that the co-operatives become involved with federal programs at the central point of CACFL and in communities through individual co-operatives. There has been overlap and a consequent difficulty in assessing program impacts. Co-ordination is desirable at the time of decision, and clearing-house functions would provide a broad array of funding applications or activities that could be valuable in determining purposes, action, monitoring and may save money.

15. The federal government should include an identifiable role in the future of native-owned economic development for the native co-operatives when negotiating a settlement with native organizations.

The growth of native co-operatives represents nearly 20 years of commitment by native people to an enterprise which has been a major instrument for social adjustment and has given service to native needs. The equity and infrastructure has been assisted by government but the largest part has resulted from the internal efforts and support of members who own it. There is still vulnerability which would be intensified if directly challenged by capital intensive organizations. If the federal government places value on the achievements of co-operatives which it has nurtured, then it has an obligation to see that native organizations adopt the same respect for twenty years of sacrifice and hardwork, and that the settlement with its compensation -- either negotiated or legislated -- carries with it the responsibility for the continuance of native-owned co-operatives in the field of economic development as determined by the membership at the community level.

Recommendations in which the GNWT has Principal Interest

16. That the GNWT increase its resources for fulfilling the functions of the Supervisor of Co-operatives by allocating a total of four full-time positions for the purpose.

There is a need for field staff to assist in implementing the Ordinance and keeping a cohesive account of the total picture. The present establishment of 1.5 positions is quite inadequate. Field officers from the Supervisor's bureau in Yellowknife could assist the regional staff by insuring that up-to-date information on co-operatives is taken into account in regional affairs. The increased presence of field staff at the co-operatives would reinforce the requirements of the Ordinance through explanation and advice, and contribute to local understanding.

17. That GNWT contributions to the NWT co-operatives continue for current purposes except that the operating contribution could end in March 1983.

The suggestion that the operating contribution to CACFL could end next year is coupled with the need to improve the strength of the Supervisor's office and not for the purpose of reducing the overall funding for co-operatives and their orderly administration. The redeployment of other funding should be discussed with CACFL in light of the continuing need for improved operations advice, the management costs associated with higher competitive salaries elsewhere in communities, particularly government, which are a disadvantage to co-operatives for attracting and holding capable local people in the move to native management, and the gradual



change to central accounting with opportunities for improved operations through the application of technological hardware and software. The GNWT should also recognize increasing costs when preparing programs to maintain its support to co-operatives.

18. The GNWT should attempt to introduce a stronger community role for decisions in economic development that affect native communities.

This recommendation is to provide not just an extra step in decision-making, but the assurance that native people have the chance to give voice to community concerns or goals in any debate about group or private enterprise.

#### Other Recommendations

19. The business of the CACFL Board would be expedited by a system of briefing for Board members, and the Board business needs to include, on an annual basis, as items for review and discussion, the business performance of member co-operatives. It is not adequate to have summary reports.
20. CACFL would be advised to maintain as first priority its attention to improving and expanding the utilization of central services for member co-operatives. Membership loyalty is at stake.
21. CACFL should recognize the importance of making its case in the political arenas affecting the NWT.
22. Both Federations should be mindful of the passage of time, and be prepared to look at the questions that will be associated with the continuity of central management over the next decade.