

FINAL REPORT  
OF THE EVALUATION COMMITTEE  
ON THE  
HAPPY VALLEY/GOOSE BAY  
DEVELOPMENT CORPORATION

160555

FEBRUARY 1981

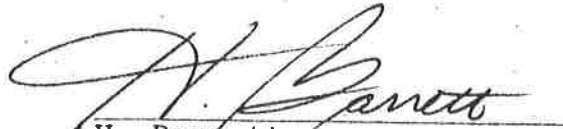
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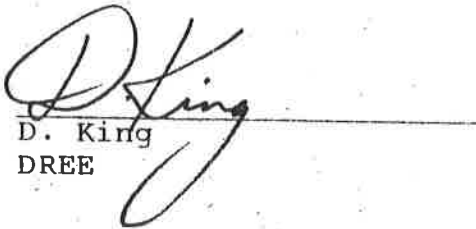
Labrador Interim Agreement  
Management Committee


Gentlemen:

The Evaluation Committee of the Happy Valley/Goose Bay Development Corporation takes pleasure in submitting its final report. Should you wish to discuss the contents, we would be pleased to do so at your convenience.

  
W.A. Cavey  
DREE

  
H. Barrett  
Industrial Development

  
D. King  
DREE

  
D. Collins  
Executive Council

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## INTRODUCTION

Until 1976, the economic base of Happy Valley/Goose Bay was largely linked to the military presence in the area. In particular, the USAF base represented the key employer for over two decades employing the major share of the local labour force in maintenance/service support functions. In 1971, for example, it was estimated in a Canada Manpower Survey that the United States Air Force employed 38% of the civilian labour force providing the local economy with \$2.5-3 million in wages and salaries.

The decline in the economic prominence of the military was signalled in 1972 when the original 20-year lease between the Canadian and U.S. Governments expired. Although it was extended another four years, it marked an era of uncertainty in light of the anticipated U.S. withdrawal. These expectations materialized in 1975 when the U.S. Government announced that it would be substantially reducing its level of operations. The loss of the military presence was a severe blow to the local economy.

In order to determine if the community could withstand the short-term dislocations caused by the impending reduction, the Canadian Government, in 1972, commenced a

study into the economic prospects of the Goose Bay area. As one of its major recommendations, the study pinpointed the need for a coordinating body to oversee the area's activities. This body, known as the Goose Bay Project Group, was established in 1973 and continued until 1976. Upon completion of its mandate, it recommended that a development agency be created to coordinate and promote the economic development of the Happy Valley/Goose Bay area. The Happy Valley/Goose Bay Development Corporation was formed in 1977 after a joint submission to government by the Town and the Labrador North Chamber of Commerce, supporting the Project Group's recommendation. The role of the Corporation became even more important in 1977 with the closure of the Labrador Linerboard operations in the area.

In setting up the Corporation, Government attempted to provide a structure that could be seen as a local community initiative. Government deliberately took a secondary role, limiting its involvement to the financial monitoring of the operation. Funding for the Corporation was provided under the Labrador Interim Subsidiary Agreement (1976-1980). Initially established for a three-year term with a total budget of \$385,000, the Corporation is presently in its fourth year of operation following a one-year extension.

In order to fulfill the requirements of a subsidiary agreement, each project must be subjected to an evaluation. The present evaluation has been conducted at the request of the Management Committee to fulfill the above requirement. Action at this time stems from a proposal from the Department of Development for a further one-year extension of the Corporation's term which will require the re-allocation of some funds under the present agreement.

#### METHODOLOGY

The Happy Valley/Goose Bay Development Corporation has been in operation for 3½ years. The lack of long-term statistical data, therefore, necessitated that the evaluation be somewhat qualitative in nature.

The analysis of the Corporation was undertaken using the following two-phased approach:

#### Phase I

A detailed review of all initiatives undertaken by the Corporation was conducted. This involved a data search through Corporation and government files to obtain information on those initiatives identified by the General Manager. Appendix "A" outlines in matrix form, the information collected. It provides a description of each initia-

tive, the analysis undertaken, the rationale, implementation, potential and actual impact and the current status.

This phase of the evaluation was hindered by the lack of documentation maintained by the Corporation. The Evaluation Committee attempted to offset this problem by discussions with the General Manager of the Corporation and as part of the second phase of the evaluation, interviewing many of those involved with the stated initiatives.

#### Phase II

This phase of the analysis consisted of field interviews conducted by the Evaluation Committee over a 3-day period (November 17-19, 1980) in Happy Valley/Goose Bay. The Committee formed two interviewing teams each comprised of a federal and provincial representative. In total 22 interviews were conducted representing a cross section of interest groups in the community. The following summary outlines the distribution of the groups interviewed:

<u>Group</u>	<u>No. Interviewed</u>
Town Council	2
Chamber of Commerce	2
Board of Directors (Development Corporation)	2
Federal Government	2
General Business Community	3
Lending Institutions	2
Provincial Government & Education System	2
Entrepreneurs*	<u>7</u>
TOTAL	22

\*Specific individuals who initiated or attempted to initiate projects during the Corporation's existence.

The interviews were generally one hour in duration. The Evaluation Committee attempted to determine the public image of the Corporation, the extent of promotion and assistance activities, its perceived impact on the local economy and its possible future role. The interviews of those involved with specific initiatives were useful in cross-checking the information supplied by the Corporation.

Once the basic data was assembled from both phases, the Evaluation Committee compiled and analyzed the findings



from the documentation and the interviews. The Committee wishes to emphasize that both phases of the evaluation methodology - the analysis of the documentation and the interviews - led to the following findings:

#### FINDINGS

1. The present General Manager's style of management, along with his "third world" concept of development, has rendered the Corporation largely ineffective. One serious result of these problems has been a lack of communication resulting in a poor relationship with the public particularly those who could have benefited from the services of the Corporation.
2. The Corporation concentrated too heavily on long-term planning related to large-scale projects to the detriment of small-scale developments. This resulted in a lack of pertinent assistance to new and existing entrepreneurs. While there were favourable comments towards the Corporation's involvement in long-term projects such as Brinex, an integrated forest industry, and hydro development, the degree of activity was questionable given the long lead time before any tangible benefit could be realized.

3. The participation of the General Manager and some members of the Board of Directors in the Goose Bay Timber Company created a conflict of interest that detracted from the Corporation's image in the community. This also reduced the effectiveness of the Corporation since competitors in the woods industry felt that they were unable to receive impartial advice from the General Manager.
  
4. It was a consensus of those interviewed that the Corporation could serve a useful purpose and that it should be continued. However, most people expressed a feeling that more emphasis should be placed on the immediate needs of the community.
  
5. The Corporation's Board of Directors was comprised of a concentration of established businessmen. This led to a feeling in the community that other sectors and agencies were not adequately represented. The lack of representation was cited as a partial cause for what the community felt was the ineffectiveness of the Corporation. There was also a feeling that this could have been prevented or at least reduced if Government had greater, more direct involvement in the Corporation.

6. The Corporation has not been providing the community with sufficient information to allow interested parties to become aware of its activities. The Evaluation Committee found little evidence of a deliberate public relations program.
  
7. The Corporation expressed an interest in the direct formation and start-up of new businesses. The Evaluation Committee noted one specific case where a local entrepreneur was discouraged from pursuing an initiative which the Corporation proposed to develop itself.
  
8. There was general satisfaction in the community with the Corporation's mandate as a catalyst and promoter of development in the Happy Valley/Goose Bay area. The public felt that the Corporation's shortfall in this role was not influenced by lack of funding. Comments were made to the effect that the Corporation had not adequately assisted potential entrepreneurs in taking advantage of existing funding programs and further that the Corporation's role would not be enhanced by access to venture capital.

9. The analysis of the documentation of initiatives showed that the success rate of the projects with which the Corporation was involved was minimal. The Evaluation Committee recognizes the high risk nature of development efforts in economically depressed areas and realizes that some unsuccessful efforts are to be expected. It is the opinion of the Evaluation Committee, however, that some of the initiatives had great merit and may have succeeded if the Corporation had provided the necessary assistance.

These initiatives are outlined in Appendix A. They were sub-divided into industry category and evaluated in light of the information obtained from both the documentation and interviews. The Committee's analysis of these initiatives is outlined below:

A) Lumber and Wood Related

There are seven stated initiatives in this category. Three were related directly to the Goose Bay Timber Company - the sawmill, wood exporting and steam plant conversion. Only the central operation of the

sawmill was established and due to operational and financial difficulties, production is currently suspended. The associated woodchip operation and steam plant conversion have not advanced beyond the study stage.

Some market analysis was performed by the Corporation on the Christmas Tree, White Birch and Wooden Souvenir initiatives but no transfer to the private sector has taken place and the projects are essentially dormant.

The Furniture Production project, which envisaged the manufacture of Windsor and other high class chairs, has not proceeded. The principals have, with assistance from the Corporation, launched a cabinet-making operation.

B) Fish Resources

Three initiatives were presented under this heading. The Corporation's involvement in the Rock Cod study and the Black Tickle fish plant was apparently negligible. The Cold Storage project entailed the Corporation acting as a go-between in arranging short term cold storage for 200 tons of frozen shrimp. It appears that the product

would have been stored in the same location with or without any assistance by the Corporation.

It is therefore concluded that the actions of the Corporation have had no real affect on the development of the local fishing industry.

C) Agriculture

The Corporation was involved with two projects in this category. The Caribou Moss operation has been in existence for several years. The Corporation offered the Company some advice on wage rates and labour relations which enabled the operation to expand.

The hydroponics project involved visiting existing operations on the Island of Newfoundland and the submission of applications by the Corporation of applications to the Local Employment Assistance Program (LEAP), Rural Agricultural and Northern Development and the National Research Council (NRC) seeking financial assistance to establish a hydroponics facility. To date, no assistance has been obtained from these sources. The Corporation's goal was to launch this project itself even though this was beyond its mandate. The General Manager discouraged a local entrepreneur who

approached the Corporation seeking assistance in establishing a private hydroponics operation.

D) Other Manufacturing Initiatives

This category includes four projects. One was an analysis of the possibility of constructing 45 foot metal trawlers in the area. Given the state of the boatbuilding industry in Newfoundland and Canada as a whole, this project had no real possibility of success.

The second project involved the development of an oxygen manufacturing operation. At the present time, a small scale operation could be established quickly and cheaply (less than \$10,000) to service the military and local business needs in the area. The Corporation, however, has been attempting to develop a large scale operation (\$100,000) to be established in anticipation of major developments (Lower Churchill, etc.). To date, no oxygen manufacturing operation has been established.

The third project identified by the General Manager was snowshoe manufacturing. The Evaluation Committee could find no collaborating external evidence to show any involvement on the part of the Corporation.

The final project was a basic viability study to determine if a lime kiln could be established in the area to supply the needs of the proposed Brinex operation. The study was purely academic since the Brinex project was never initiated.

E) Service Industry

The Corporation provided some assistance in design and decor selection for a new lounge in the area. The evidence indicates that all funding and construction arrangements were in place prior to Corporation involvement. Thus, the impact of the initiative was minimal.

F) Seminars

The Corporation sponsored three local seminars each of which had some relevance to the area and could be seen as fulfilling a part of the Corporation's mandate. Attendance at the Oil and Gas Seminar was by invitation only and this restriction caused some deterioration of the Corporation's public image.

G) General Information Services

The regional profile published by the Corporation was certainly one of its major achievements in the



category of information services. The Corporation also attempted to represent the "pro-development" interests in the community in the case of the Lower Churchill Environmental Impact Hearings, the Brinex Project and the German Air Force Enquiry Panel. This attempt to develop a "united business front" should be recognized as an acceptable role for the Corporation.

The Corporation participated in the Royal Commission on Forestry, the Examination of Potential Wood Industries and the Sawmill Feasibility Study by Industrial Development. These studies relating to the identification and utilization of the forest resource in the local area helped fulfill part of the Corporation's mandate.

The Corporation's participation in the municipal plan involved site selection for industrial development. Participation in the Lake Melville Ice Study involved lobbying to ensure the study was established and continued. Both of these initiatives reflect favourably on the Corporation.

RECOMMENDATIONS

Based upon the foregoing findings, the Evaluation Committee recommends the following:

1. That funding for the Happy Valley/Goose Bay Development Corporation not be extended for the 1981-82 fiscal year unless both the following conditions are met:
  - (i) that the present General Manager's contract not be renewed after March 31, 1981;
  - (ii) that the emphasis of the Corporation be changed to concentrate on small business and entrepreneurial development, covering all sectors of the economy. Efforts should be made to ensure that the new General Manager has a working background in finance and marketing. He/she should also be familiar with the financial and technical assistance available from government agencies and be capable of providing the necessary liaison.
  
2. That the new General Manager not be permitted to hold interest in any business enterprise which is in any way associated with the activities of the Happy Valley/Goose Bay Development Corporation.

3. That within the 1981-82 fiscal year, a study be undertaken to determine the requirement and/or type for a development organization in the future. The Evaluation Committee has noted that a development association has recently been set up in the area. It is understood, however, that its present mandate is one of tourism development. This being the case, there is no perceived conflict of duties with the Corporation at this time.
4. That the make-up of the Board of Directors be changed to give greater representation to all sectors of the community. This should improve the public image of the Corporation and ensure that the emphasis of the Corporation is congruent with the needs of the community.
5. That a Director involved in any activity which places him/her in a conflict of interest position with the Corporation must provide full disclosure to the Board and relinquish voting rights pertaining to the activity in question.
6. That the Corporation's Articles of Association be amended accordingly.

OTHER ISSUES

The Evaluation Committee wishes to bring to the attention of the Management Committee several issues which have been raised during the course of this evaluation.

- 1) Board of Directors or other governing body - As stated in recommendation #4, it is evident that the group responsible for control of a development organization of this nature, should be comprised of a broad cross-section of the community. This would ensure that the organization is responsive to the needs of the community at large and that positive public perception of the organization is facilitated. Further, while the Evaluation Committee appreciates the desire for local autonomy, it is evident from the present evaluation that direct government involvement is also required (e.g., voting rights on the Board of Directors).
  
- 2) Venture Capital - It has become apparent during the course of this evaluation that the Happy Valley/Goose Bay Development Corporation should not be expanded into a "Labrador Development Corporation" with access to venture capital funds. The results of a study currently being conducted by the Government of Newfoundland and

Labrador regarding the concept of a Venture Capital Organization for Newfoundland should be evaluated before making any decisions in this area (see "Managing All Our Resources" page 46, Appendix B of this report). This will ensure that any initiatives taken by the Provincial Government to provide capital for high risk ventures will be done so within the framework of a provincial policy.

- 3) Possible Transfer of Duties from Development Corporation to Development Association - Under the Canada/Newfoundland Rural Development Subsidiary Agreement, the Department of Rural, Agricultural and Northern Development administers a program which provides financial assistance to help establish Regional Development Associations through out the Province. Under this program, the mandate of a regional development association can be quite narrow, covering only one specific area or quite wide, covering all areas of development. The new Development Association recently established in Happy Valley/Goose Bay is an example of the former, in that its stated purpose is tourism development.

It may be possible that the objectives of the Development Corporation could be fulfilled by a

Development Association. The Evaluation Committee, however, has serious reservations whether this transfer could be successfully implemented in Labrador given the present funding structure of the "Regional Development Associations" Program and the broad mandate of the present Corporation.

One of the major problems is the limited administrative support available under the program, which provides a \$16,500 grant to offset travel and office expenses and to pay the salary of a full-time coordinator. It is obvious that even if the full amount of the grant is offered as the coordinator's salary, it is insufficient in an isolated area such as Happy Valley/Goose Bay to attract the calibre of person required.

APPENDIX A

ANALYSIS OF THE HAPPY VALLEY/GOOSE BAY  
DEVELOPMENT CORPORATION INITIATIVES

WOOD RESOURCES

a) Goose Bay Timber	Sawmill	Identifying use of available Labrador Linerboard equipment and excess timber	Resources available	200 permanent jobs with full harvesting operation	1) Company in operation (for 1 year) 2) Manager hired.	Suspended but expected operational (spring 81)	20 jobs \$200,000 equity by 30 or 50 shareholders
b) Furniture Production	Windsor & other high class chairs	Provided Windsor chair samples Located machinery and markets	Secondary processing of available resources	Unspecified number of jobs & potential export	Set up as a carpentry shop	No High class chairs produced Cabinet shop serving local market only	3-5 jobs
c) Black Spruce-Tree Tops & Ground Pine	Christmas tree trade in New York	Investigation into preserving process & limited market analysis	Resources & expertise available	28-30 jobs	NIL	Dormant	NIL
d) White Birch	Products - broom handles, wood pallets, etc.	Ground survey sample cuts (resource identified)	Approached by local businessman \$200,000 privately financed	Unspecified	NIL	Ongoing investigation Entrepreneur proceeding independent of corporation	Nil-to-date
e) Wooden Souvenirs	Using "spalted" birch	Technical advice	Approached by local businessman	Small cottage industry	NIL	Dormant due to poor health of entrepreneur	NIL
f) Woodchip Exporting Business	Export of woodchip by-product to Europe	Marketing (meetings in Europe to discuss possibility of business)	Use of the expected by-product of Goose Bay Timber Co. business	Strengthen financial operation of Goose Bay Timber via export	NIL	Still under investigation	NIL
g) Steam Plant Conversion	Use of "hog fuel" to reduce oil fired heat generation	Approached DPW Some preliminary analysis done	Resources available to reduce oil consumption	Conserve energy Strengthen financial operation of Goose Bay Timber	Planning Stage	Ongoing consultant feasibility study	Nil-to-date



INITIATIVE	DESCRIPTION	ANALYSIS UNDERTAKEN	RATIONALE	POTENTIAL IMPACT	IMPLEMENTATION	CURRENT STATUS	ACTUAL IMPACT	
<u>FISH RESOURCES</u>								
a) Rock Cod Markets	Salting of Rock Cod	Markets tested in participation with Dept. of Fisheries	Employment during winter using local resource	Additional employment (seasonal)	Small scale project operational for one season	Dormant	Product found unacceptable by market.	
b) Cold Storage	For two shrimp catching vessels	NIL	To avoid loss of product through spillage	No significant impact	Assisted in arranging the facilities	A once only operation	200 tons frozen shrimp stored	
c) Fish Processing plant at Black Tickle	Unspecified	Studied Markets Arranged meetings between Nickerson & businessmen interested.	---- NO INFORMATION AVAILABLE ----					
<u>AGRICULTURE</u>								
a) Hydroponics Project	Indoor vegetable production	Studied local market potential & technical aspects of hydroponics	Facilities and steam energy available - overcome winter transportation supply problem	3 full time employees - provision of fresh produce	Application to LEAP contacted NRC & Rural Development	Consideration for investment ment by NRC	Nil-to-date	
b) Caribou Moss	Existing local resource harvest- int for use in wreath industry	NIL	Overcome wages and labour relations problem	To assist increase in production	Advice to local businessman on wages & labour	Seasonal operation	25 jobs (3 months) Production increased	

INITIATIVE	DESCRIPTION	ANALYSIS UNDERTAKEN	RATIONALE	POTENTIAL IMPACT	IMPLEMENTATION	CURRENT STATUS	ACTUAL IMPACT
<u>OTHER INDUSTRIAL PROJECTS</u>							
a) Metal 45' Trawler	Boat building	Researching potential	Reaction to public tender from Dept. of Fisheries	New industry development	Never advanced beyond conceptualization	Dormant	NIL
b) Oxygen Manufacturing	Produce & bottle oxygen	Contacts with military personnel Information gathered	Local demand and influx of military groups	Initially a part time operation with full time production pending growth of economy	Attempts to secure machinery on USAF base Applied to Rural Development for funding	Ongoing	Nil-to-date
c) Brinex-Lime Kiln	Local processing of lime	Investigation of market and technical feasibility	Local spin-off of large project	Unspecified employment	NIL	Dormant Uranium development postponed	NIL
d) Snowshoe Production	Manual production by native groups	NO INFORMATION AVAILABLE					
<u>SERVICE</u>							
a) Cordwood Lounge	Interior design of local club	NIL	Approached by local businessman	Unspecified	Assistance in choice of decor	Complete	

INITIATIVE	DESCRIPTION	ANALYSIS UNDERTAKEN	RATIONALE	POTENTIAL IMPACT	IMPLEMENTATION	CURRENT STATUS	ACTUAL IMPACT
<u>SEMINARS</u>							
	Sponsored & Co-sponsored						
a) Local	<ul style="list-style-type: none"> <li>- Wood burning</li> <li>- Oil &amp; Gas</li> <li>- Crafts</li> </ul>						
b) Out of Region	<ul style="list-style-type: none"> <li>- Wood pallet industry</li> <li>- Recreation &amp; tourism</li> <li>- Fish camp operation</li> </ul>					Sponsored local residents and businessmen to attend	
<u>GENERAL INFORMATION SERVICES</u>							
a) Brief	To Royal Commission on Forestry and Federation of Labour						
b) Municipal Plan	Recommendations on revised municipal plan for HV/GB in relation to industrial development sties						
c) German Air Force Enquiry Panel	Corporation was represented on panel						
d) Environmental Impact Hearings	Corporation participated coordinated presentation of some major interest groups						

\*ANALYSIS IS NOT APPLICABLE TO THESE HEADINGS

INITIATIVE	DESCRIPTION	ANALYSIS UNDERTAKEN	RATIONALE	POTENTIAL IMPACT	IMPLEMENTATION	CURRENT STATUS	ACTUAL IMPACT
<u>GENERAL INFORMATION SERVICES</u>							
e) Regional Profile	Publication	Research on Socio-economic data	To provide promotion and site location data		Copies published and distributed		
f) Transportation	Participation in Lake Melville ice studies		To extend shipping season (prerequisite for large scale development)		Provided information	Ongoing	
g) Report	"Examination of Potential Wood Industries..."	NO INFORMATION AVAILABLE					
h) Participation in Study	Feasibility Study by industrial development		Investigate viability of sawmill in Goose Bay area.				
i) Brinex	Public relations with Brinex project, attendance at hearings						
j) Provide Data to Interested Parties	General promotional literature to any enquiries	*ANALYSIS IS NOT APPLICABLE TO THESE HEADINGS					

APPENDIX B

"MANAGING ALL OUR RESOURCES"

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VENTURE CAPITAL

In order to implement this program, legislative action will be required. The policy will also extend to Government's use of consultants in order to strengthen local knowledge and expertise. This aspect of the policy may well be the most important in terms of the long-term development of the Province.

**Managerial and Entrepreneurial Skill:** Studies have shown that a major constraint to business development is the lack of entrepreneurs. In the majority of business failures, the reason is poor management. A low level of managerial skills is a major contributor to this Province's low productivity. The need for concerted effort is pressing and Government plans to this end include:

- Financing the administrative cost of the Newfoundland Institute for Management and Training, and sharing with the Government of Canada costs related to the development and delivery of appropriate courses.
- Providing a grant for the Business School at Memorial University to assist small businesses in solving specific problems.

In addition to assisting management development as outlined above, greater efforts will be made to encourage potential entrepreneurs to thoroughly test their business development schemes before entering into a business operation of their own.

**Venture Capital:** Although various incentive programs exist to assist in starting or expanding a business, there is a shortage of money for riskier ventures. Government is examining the concept of a Venture Capital Corporation for Newfoundland. If such a concept is found to be feasible the necessary legislation will be introduced to permit the establishment of a Corporation by the private sector.

**Research and Development:** Research and development is a significant factor in achieving and maintaining a competitive and dynamic economy. In Canada, and particularly in this Province, research and development is low relative to other equivalent economies.

The emphasis on the need for research and development has been shifting in recent years and activity in the Province has increased noticeably, largely due to funds from outside sources. Competitive strength in areas fundamental to long-term development is essential, hence appropriate technology must be developed and advanced to the different sectors of the economy. The Province is, therefore, formulating a Science Policy for the consideration of the scientific community and the general public. This Provincial Science Policy will be available for discussion and debate within a year. It will be necessary also to establish some sort of funding mechanism for a Research and Development Program. In this regard the Province will seek federal participation especially in those areas which have a national significance but which are particularly specific to Newfoundland.