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## CONSUMER ENTERPRISES

*Edwin Ferguson*

## I Scope

This instruction prescribes the policies and major procedures to be observed in the establishment and management of consumer services on relocation centers. It refers to those services which cater to consumer needs at retail, including food stores, clothing stores, drug stores, soda fountains, book stores, barber shops, beauty shops, stationery stores, shoe repair shops, radio repair shops, lending libraries, and similar enterprises. It does not refer to any producer enterprises such as garment factories, farming operations, canneries, furniture plants, dairies, pottery works and similar enterprises. These latter will be organized and operated independently of and on a different basis from the consumer services. The policies and procedures applicable thereto appear in other instructions.

## II Need

The comparative isolation of relocation projects will make it necessary that the projects create and support such stores and other consumer services as they will require. Consumer enterprises will be organized in the relocation centers for the following purposes:

- A. To facilitate the efforts of evacuees in working together to obtain goods and services not provided by the WRA.



- B. To make it possible for evacuees to procure the highest quality possible in the goods and services which they desire.
- C. To make it possible for the evacuees to provide these goods and services at as low a cost as possible.
- D. To provide a method by which individual needs, desires, and tastes may be expressed and satisfied.
- E. To provide a territory within which the independent initiative and resourcefulness of the evacuees may be used to improve community living.
- F. To provide savings and loan facilities.

### III Temporary Enterprises

Certain consumer services must be established at the time each project is opened in order to serve the needs of the residents from the outset. Such enterprises will be established, stocked and operated on a temporary basis under the supervision of the Project Director until such time as a consumer cooperative association of residents can be organized to take them over.

- A. Temporary enterprises shall pay rental for government quarters occupied and shall reimburse the government for any utility services consumed in accordance with the procedure contained in paragraph XIV.
- B. Temporary enterprises shall abide by the conditions of employment provided for permanent enterprises as stated in paragraph XVI of this instruction.



C. Temporary enterprises shall maintain their accounts in accordance with procedures approved by the Project Administrative Officer; shall require all employees handling or having custody of substantial amounts of money to furnish indemnity bonds (the premiums on such bonds may be paid by the enterprise involved); shall insure all equipment and stocks-in-trade owned by them or for which they are responsible against loss or damage; shall conduct their operations on a cash basis only; shall charge prevailing retail cash prices; and shall otherwise conduct business in accordance with sound merchandising principles.

D. The net gains from all consumer services while operated on a provisional basis or so much as may be available for the purpose will be distributed, subject to the Project Director's approval, in the following prescribed manner:

A representative assembly shall be chosen on some equitable basis from among all the residents of the community eligible for membership in the cooperative association, to determine the ways in which the funds shall be distributed.

1. As a partial or full payment, on a membership in the permanent cooperative association.

- a. The following classifications of residents in the project shall be considered eligible to receive this above distribution of funds.



- i. Heads of families
    - ii. All resident workers employed in project
  - b. The Employment Office classification record shall be the basis of determining the above two classes.
  - c. No person shall be eligible to receive more than one membership even though he may qualify in more than one of the above classifications.
  - d. Persons who do not qualify in the above classifications may purchase membership in the cooperative association in the usual manner prescribed in its By-Laws.
2. If the delegate assembly decides that only a portion of the funds available shall be distributed in the manner described in "1." above, the remainder may be allocated to the Community Council to make provision for:
- a. A "Community Welfare" and "Family Relations" fund,
  - b. Recreation facilities
  - c. Scholarships or grants for special purposes
3. The Cooperative Association shall issue notes to those eligibles described above who do not wish membership. These notes shall be in amounts equal to whatever distribution is made to individual members. Such notes shall be non-transferable. Upon presentation by the legal owner such notes shall become payable as early as is practicable.



4. Disposition of funds by any of the above described methods that may jeopardize the continued efficient operation of the cooperative association is not to be permitted.

#### IV Permanent Enterprises

- A. As soon as a consumers' cooperative association has been organized and incorporated, subject to the approval of the Project Director, it will assume the assets, liabilities, and equities of the temporary enterprises in such form as finally established by the procedure in III D. Thereafter, the association will be the permanent proprietor of these and any other consumer services which may be inaugurated on the project.
- B. Only one such consumer cooperative association shall be permitted on each project. Membership in this association shall be the basis of membership participation in all consumer enterprises.

#### V Private Consumer Enterprises

Private enterprises for the sale at retail of consumer goods and services to project residents shall not be permitted.

#### VI Organization of the Consumers' Co-op Association

##### A. Educational Program

No association will be organized until the prospective members are thoroughly familiar with the principles of consumers' cooperatives. It shall be the responsibility of the Project Director to initiate, as soon after the



opening of a project as possible, a program of cooperative education for all persons interested in participating in the formation of the association.

B. In order to encourage the development of sound Consumer Enterprises for supplying goods and personal services, at least the following steps should be observed by WRA project staff:

1. Call group meetings of persons interested in the organization of a Consumer Association for supplying desired goods and services.
2. Decision by members of the group to work together in order to provide these goods and services.
3. Development of definite plan for soliciting membership, and for arousing the interest of the evacuees in the Community Association.
4. Appointment of membership committee whose duty it will be to interview community residents, explaining the purposes of the Consumer Association, and to solicit pledges to membership should an association be formed.
5. When a sufficient number of pledges have been secured, an organizational meeting will be held to which all residents in the community will be invited. At this meeting, plans for the establishment of a Consumer Association will be outlined, the minimum requirements explained, and a decision reached as to whether the residents wish to proceed toward the establishment of a Cooperative Association.



### C. Organization and Incorporation

When the educational program has proceeded to the point the prospective members are fully aware of their duties, and responsibilities as members of the consumers' cooperative association, proceedings should be instituted leading to formal organization and incorporation. Excellent methods for accomplishing this have been devised. Technical experts from the Washington and Regional Office will assist Project Directors in this connection upon request not only with plans for organization but also in designing Articles of Incorporation, By-Laws, and administrative structures. Assistance is also available on financing, accounting practices, purchasing, merchandising, personnel training, methods to encourage membership participation, publicity and consumer problems.

## VII Cooperative Principles

Each consumer cooperative association shall be required to adopt the following recognized cooperative principles before it is eligible to take over and operate permanent consumer enterprises. These principles have proven to be essential guides to maintain democratically an association responsive to the needs and subject to the will of its members and patrons.

A. Unlimited voluntary membership - no discrimination because of race, creed, or political conviction.

1. Membership in a cooperative is available to any one who can use the services it offers.



2. The more user-members a cooperative has, the more economically it can operate, and thus the greater are the benefits to each user-member and to the entire community.
  3. Membership implies responsibilities as well as voice in the control of a cooperative. The cooperative offers its services to all, members and non-members alike, but encourages people to become members that they may help guide it to serve them better.
  4. Membership is non-transferable and is evidenced by either a voting share (one per member) or a Membership Certificate.
- B One and only one vote for each member - no proxy voting.
1. A cooperative is designed to serve its members; this can only be so if each member has full voice in determining policy with every other member, and only as long as no one person can upset this by collecting and voting proxies. Such an act might be to the detriment of many other members.
  2. As members, people assume a responsibility for their own well-being, as well as for the well-being of the cooperative. If they fail to exercise their ballots or use them without knowledge of the consequences, they may work to their own disadvantage.



3. Membership-voting in cooperatives, as contrasted with investment-voting in the usual stock companies, serves to accentuate human interests, rather than financial speculative interests.

C Patronage dividends in proportion to purchases.

1. The profits of the cooperative belong to its patrons, as their purchases made these gains or "savings" possible.
2. The basic assumption among cooperatives is that all profits (after deducting operating expenses and providing for proper reserves for replacement of equipment, for education and for contingencies) are the result of an overcharge, hence the patronage dividends have been adopted as a method of refunding this overcharge.
3. This technique for refunding savings actually results in distributing goods and services to patrons at cost.

D Limited interest on capital

1. Low, or prevailing interest rates and no dividends to capital, tend to stabilize cooperatives and eliminate speculation.
2. Many cooperatives limit to a small fraction, the percentage of the total capital any one member may loan to the association. This serves to reduce the danger of creating vested interests in favor of a few members.

VIII Basic Practices in Consumer Cooperation

A All trading for cash



1. The primary function of a distributive agency is not credit, and it costs money to operate a credit department; this adds to the cost of operations, for the overhead and the losses are paid by the cash-trading members.
2. More failures among cooperatives are traced to extended credit than to any other cause.

B All selling is usually at prevailing market prices. Any reduction in retail prices from competitive schedules should reflect only the proportional reduction in selling costs due to the lower wage expense in the enterprises.

1. The return of savings in the form of a patronage refund makes the net sales to the members at cost.
2. The cooperatives, like other business organizations, cannot determine exact operating costs in advance.
3. Savings accrued through such a policy provides a tangible measure of the services rendered, which may be either a dividend check or increased equity in the enterprise.

C Fair treatment of labor.

1. Employees of cooperative, generally members, should receive at least compensation and privileges equal to best prevailing practices on the project, as cooperative aim at savings through efficiency rather than exploitation.



D Members shall contribute from their own resources to the capital of the cooperative.

1. Personal interest, augmented by a capital contribution, is an indication of good faith as well as a voluntary assumption with other members of responsibility for mutual benefit.

E Provide adequate reserves for cooperative education from the savings.

1. Only by providing proper informational programs can the members keep themselves informed as to the operations of their associations.

F The Board of Directors of the association shall encourage members to plan expansion and development of added services, provided such services are needed in the community, are adequately planned and budgeted, and funds are available or subscribed to support such activities.

G Various enterprises shall operate as departments or branches of the over-all association. Each department shall have a complete set of records which will be maintained by a Central Accounting and Fiscal Department for the entire association. Joint costs shall be equitably shared by all departments.

H All enterprises may be patronized by non-members as well as members.

## IX General Policies Concerning Cooperative Associations

### A Groups Meetings:



Meetings of the members of the cooperative associations shall be held both before and after establishment to obtain active membership participation in the organization and operation of the enterprises. The association will make use of group meetings in order to discover the needs, desires, and tastes of the members. The procurement policy of the enterprises will be based on the knowledge gained through the use of consumers' group meetings of the types of goods and grades of quality needed by the Community.

**B Careful Planning:**

An operating plan for the first year shall be developed by the cooperative association.

1. The budgetary section of the operating plan will evidence that there will be a sound operating program, with annual income sufficient to pay all operating costs, including interest, depreciation, insurance, and taxes, to meet payments on indebtedness and to provide for reserves for future contingencies and other reserves required for the expansion of the business.
2. The operating plan shall include an outline of the educational work which will be undertaken for the cooperative enterprises during the year.

**X Rights and Responsibilities of Cooperative Members:**

- A** The following privileges constitute basic rights of members in consumers' cooperative associations:



1. Full use of the services and facilities of all enterprises.
2. Access to the records of the association (including minutes of meetings and accounting records) at all reasonable times.
3. Rights of hearing and representation by counsel before any properly called regular or special membership meetings, prior to expulsion from membership.
4. Proper notice of and full voice with all of members in membership meetings.
5. Eligibility for all offices in the association.

B Members shall be responsible for maintaining informational and educational programs to keep themselves informed. In this manner they may promote the well-being of the association and improve its services.

#### XI Responsibilities of the Cooperative Association:

- A The Board of Directors of the association shall be responsible for conducting association affairs in conformity with all applicable statutory requirements (that exist by virtue of its status as a corporate body in the state in which it operates), as well as the requirements set forth in its Articles of Incorporation and By-Laws and enacted in the membership meetings from time to time. The following practices are in the best interest of efficient operations:
1. Maintain adequate records of all operations and meetings.
  2. Follow sound business and cooperative practices in all operations.



3. Bond all responsible managers and all other persons handling cooperative funds.
4. Carry adequate insurance to protect the society from undue loss from any probable cause.
5. Wherever possible and practicable, cooperative association dealing in commodities should be members of a cooperative wholesale association. This will enable them not only to obtain higher quality goods at prevailing prices but entitle them to patronage dividends from the cooperative wholesale.
6. Have all records audited at least annually.
7. The enterprises proposed by the cooperative association shall be those in which a sufficient number of people have given evidence of real interest.
8. The cooperative association must be able to assure adequate financing, competent management, and a sound operating plan for each enterprise that it establishes.

### XII Audits

A Representatives of the War Relocation Authority shall have the right to examine the account and records of all consumers' cooperative associations operating enterprises on relocation centers. Such examinations may be made at all reasonable times, and may include complete audits or such other examinations as may be considered necessary to insure compliance with leases or other agreements between the association and the War Relocation Authority.



1. In order that practical comparisons may be drawn between operations of cooperatives on various projects, all cooperatives will use a uniform reporting system prescribed by the Regional Director.
2. The Chief Project Administrative Officer shall approve the accounting system used by the Community Enterprises ~~and~~ on each project.

~~XIII~~ ~~Supervision:~~

*Relation of WRA to Comm. Ent.*  
*to the Comm. Corp. assoc.*  
~~XIV A~~ WRA will render advisory and instructional assistance ~~only~~.  
*the* ~~and~~ control of the Community Association will be vested in the members. The WRA assistance will be a training process in business methods *corp* and shall include advice and suggestions to the members and directors relative to management and operation in order to assist the members in more effectively exercising their control of the enterprises established by the Association.

*B. D. Branch etc.*  
~~XIV~~

Rental of Store Premises and Purchase of Utility Services from WRA:

*corp*  
A When it is ~~determined~~ *is* that a cooperative association ~~has~~ completed the necessary ~~educational~~ preparation and is *has* organized to manage and operate consumer *enterprises* ~~services~~, the project director may designate store and warehouse space in which the association may conduct its business. This information shall be forwarded to the Regional Director and shall include full details as to size, and location of space,



date of occupancy and the purpose for which it is to be used, as well as the rental, service, and utility fees to be charged.

1. Rentals shall be computed on the basis of ~~the~~ <sup>a</sup> ~~per~~ <sup>to be computed</sup> ~~per~~ ~~800~~ square feet of store space and ~~per~~ ~~1200~~ square feet of warehouse space. <sup>by WRA to be furnished WRA</sup>
2. Utility charges if not included in rent shall be based on actual consumption computed at the rates being charged WRA.
3. Rental on equipment leased by the WRA to the Community Enterprises shall be covered in the equipment lease agreement.

- B If the Regional Director approves the Project Director's recommendations, he shall request the Regional Attorney to prepare the necessary lease between the cooperative associations and the WRA, setting forth the terms and conditions upon which the ~~store~~ <sup>facilities</sup> will be rented (including the rentals and other fees to be charged).

XV <sup>① The lease contract should require as</sup> Financing Consumer Enterprises:

- A Cooperative Associations which are properly organized and which desire to take over or inaugurate consumer enterprises, <sup>when</sup> ~~lack~~ <sup>who do not have the means</sup> the necessary financing, may be permitted to borrow the required funds from the WRA.
- B Any association desiring a cooperative loan should apply to the Project Director.



C No fixed procedure will be prescribed for such an application. However, the association should include in its application the following information:

1. Date, purpose, and description of its organization, including certified evidence of its corporate status.
2. The number of members.
3. The amount of the loan and the purpose for which it is to be used.
4. How the loan is to be repaid.
5. The security to be offered for the loan.
6. Recent financial statements.
7. Certified copies of resolutions authorizing the association to borrow the named amount of money from the WRA and authorizing the proper officers of the association to negotiate and complete all steps necessary to obtain the loan.
8. A certified copy of a resolution stating that the association is at the time of the request for the loan, and will continue while the loan is in existence, employing recognized consumer cooperative practices.

D Cooperative loans should bear interest at the rate of 3% per annum and shall be payable within a period of two years, or at the discontinuance of the project, whichever occurs first. Approval of loans for an amount not exceeding \$5,000 may be made by the Regional Director. Applications for loans in excess of \$5,000 will be analyzed in the Regional Office and forwarded for approval to the Director of WRA with the recommendation of the Regional Director.



## XVI Employment

- A In order to prevent inequalities and discriminations between employees of consumer enterprises and other project residents, all enterprise employees will be assigned to the cooperative association by the Division of Housing and Employment, after the enterprises' Board of Directors or management has had the opportunity to interview several candidates for the position under consideration. Such employees will ~~not~~ be paid by the association ~~but by the WRA~~ in accordance with the work classification assigned them. ~~Only employees enlisted in the Work Corps shall be assigned.~~
- B Each cooperative association will be required to pay the WRA an amount equivalent to the wages ~~paid by the WRA to the assigned employees,~~ ~~plus~~ the fair value of subsistence, ~~medical~~, and other allowances provided by the WRA to the assigned employees.
- C The WRA will present each cooperative association not less frequently than quarterly, with a bill for any amounts due in accordance with the foregoing.

## XVII Taxation

- A The consumers' cooperative association shall be subject to the taxing and regulatory powers of the community government.

## XVIII Restrictions on Consumer Enterprises

- A No cooperative association organized to conduct a consumers'



enterprise shall be permitted to sell liquor in any form or to operate any gambling enterprises, either directly or indirectly. The Project Director may determine whether any device or practice constitutes gambling.



## CONSUMER ENTERPRISES

14. If the answer to # 1, is no, then should the consumer enterprises be concerned with the manufacture of consumers' goods to be sold to the members through the consumer stores on the projects?
15. Should the Washington Office reserve the right to approve loans in excess of a fixed sum (say \$5,000)?
16. Should a member of the project staff be an ex-officio member of the Board of Directors of Consumer Enterprises?
17. To what degree should the consumer enterprises be self-sustaining?
  - (a) Pay for rent, utilities, equipment, etc. used, (property of the Government)?
  - (b) Pay cash wages of all employees:
  - (c) Pay cash compensation cost to the Government for quarters, subsistence and health services (approximately \$20-\$30, approximate total)?
  - (d) Pay employees going rate for similar work in nearby communities, and require employees to pay for quarters and subsistence for themselves and dependents?
18. Should Consumer Enterprises pay cash to employees or should the WRA pay the employees and bill the consumer enterprises for an equivalent sum?
19. Should a minimum value for membership or shares in the Consumer Association be established?
20. Conceivably, one individual or family might own a great percentage of the total assets of the Association. Should the WRA set a maximum percentage of the assets any individual or family may own?
21. The proposed policy statement provides that the Community Council may tax the Consumer Association. It does not prohibit the Association from donating surpluses to the Council for welfare, recreational or other purposes. Should the policy statement be more specific? Should the enterprises be "required" to allocate a certain minimum percentage to these activities?



22. The Consumer Enterprises will presumably employ only people of Japanese ancestry resident on the project. At some future date it may be to its advantage to employ people other than in this category, as purchasing agents, negotiators, etc. Should provision be specifically made for this procedure?
23. In some instances no evacuee is permitted off the project. This creates an awkward situation, in that an employee should be permitted to visit a nearby bank to make deposits and secure cash. Should the policy permit a WRA employee to transport funds to and from such a bank and in other ways act as a liaison officer for the enterprises in fiscal matters?
24. Should WRA employees buy, belong to, or actively participate in Consumer Enterprises?
25. Should employees of enterprises be drawn exclusively from the Work Corps?
26. It is quite possible that at the termination of project operations the consumer enterprises would be unable to liquidate sufficient assets to pay all loans then outstanding to the WRA. Should some extension period (at the discretion of the approval authority) be provided for?



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FROM: Community Enterprises

TO: Delegates of the Cooperative Congress

ATTENTION: \_\_\_\_\_

You have been chosen by your block to be the representative for your neighbors in the forming of a consumer cooperative. This cooperative will belong to the community and will be operated by the community. The purpose of the cooperative enterprises will be to supply the community with a most efficient and least expensive method of supplying goods and services demanded by the membership. It is your responsibility to thoroughly understand the ways and means of the cooperative so that you will be satisfied that it is a method best adaptable to the conditions of Manzanar.

Duties of each member of the Congress are:

1. To understand the democratic and economic methods of a consumer cooperative;
2. To determine broad operating policies for the cooperative;
3. To select 15 persons, men or women, to act as incorporators for the Manzanar Cooperative Enterprises.

These men should be (1) Public servants greatly interested in the welfare and improvement of Manzanar; (2) Able to understand English well; (3) Be informed about cooperative organization, practice, business methods, finance and accounting, and merchandising. All these directors must be citizens so that they will be legally qualified to act as incorporators. (4) Be the means for providing information to the block membership. Remember, it is not necessary that everyone belong to a cooperative organization but it is possible and desirable for those who want a cooperative to establish one at Manzanar, even if at present only a minority wish it.

The control of the community enterprises remains with the community members as long as the representatives are alert and keep themselves informed because; (1) The people elect the Congress delegates (2) the Congress elects a Board of Directors.

The Board of Directors will have the following duties and responsibilities: (1) To incorporate the association under the cooperative non-profit laws of California (2) To see that the broad policies described by the Congress are followed out (3) To employ a General Manager of the Manzanar Cooperative Enterprises (4) To employ a secretary-treasurer (5) To make regular reports to the Congress on the operations of cooperatives (6) To appoint the standing committees which will give regular reports on the operations and procedures of the cooperative. These committees which the Board of Directors will appoint will be non-salaried members of the cooperative, who are interested in promoting the welfare of all members. They will be responsible directly to the Board of Directors and include the following: (1) Constitution and by-laws Committee, (2) Auditing and Finance Committee (3) Merchandising Committee (4) Cooperative Education Committee (5) New Enterprises Committee (6) Membership Committee (7) Complaints and Grievance Committee.

Attached hereto find questions which have been asked by the members of the project and the answers thereto.

We hope that this information will be helpful to you and as soon as a Congress meeting can be organized you will receive a written notice of the time and place of the meeting.

Sincerely yours,

*Wm. J. Bruce*  
Superintendent of Community Enterprises

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August 4, 1942



## COMMUNITY ENTERPRISES

### Cooperatives, Question and Answers

Q. What are Community Enterprises?

A. Community enterprises include all of the stores operating merchandising and personal service for the convenience of the project residents - on a unit sales or fee basis. Community enterprises include such stores as the canteen, clothing, shoe repair, barber and beauty shops, etc. These operations are eventually to be independent of the WRA - but initially are to be under the direct supervision of the Chief of Community Enterprises.

Q. How do these differ from other operations being conducted on the project?

A. All agricultural and industrial production are directly under government supervision. All products of these activities will be taken by governmental agencies.

Q. How are these Community Enterprises to be run?

A. Temporarily, the Chief of the Division of Community Enterprises will inaugurate the enterprises by setting aside a building, altering it to suit - and then stocking it. He will employ a manager and staff, and operate it until a permanent cooperative association is formed to take over these stores and services.

Q. What do you mean by a cooperative association?

A. Such an association will be a corporation owned and controlled and operated by the project residents.

Q. How could such an association become incorporated?

A. The WRA Chief of Community Enterprises will supply information and training in organization. (b) Any interested legal talent among the evacuees can help plan the legal phases of this work. (c) General understanding by the residents of the project should precede such organization.

Q. What is a cooperative association?

A. A cooperative association (incorporated) is organized much the same as is any stock or membership corporation. While the two types operate in all practical ways the same, there are three distinctions between the two types of programs. (a) The cooperative association generally caters almost entirely to its stockholders or members. (b) The control, while vested in the members (stockholders) is based on a one-member one-vote basis and no proxy voting is allowed. This stimulates democratic control as opposed to monopoly. (c) The use of surplus or "profit" differs in the cooperative, it is refunded on the basis of patronage to the patron-member, rather than to the absentee or non-user stockholder.

Q. Why are these differences important?

A. The cooperative way of doing business emphasizes service to its members who own and control it. (a) It is then logical that it should encourage all who use it, to become members, and more important, that it always respond to the democratic wishes of its members. (b) To protect themselves, the individual members provide in a cooperative that no proxy voting be permitted - thus they protect themselves against monopoly of control of the association by any one person to profit himself at their expense. (c) The cooperative serves the members at cost. At the end of each accounting period, all expenses of operations (including wages, utilities, rent, etc.) all reserves for depreciation, education, etc., and all wholesale costs of merchandise are deducted from the income and the surplus then existent is in the eyes of a cooperative - the result of an overcharge. Hence, it is refunded to each member-patron in proportion to his patronage.



Q. Is a cooperative practical? Will it work?

A. A cooperative is organized and operates the same as any other business corporation. It has a Board of Directors who control it, subject to the policies adopted by the membership. The Board employs management and holds responsible for running the business. The corporation maintains accounts, buys goods from wholesales, and employs skilled merchandisers to operate its sales departments, (drugs, clothing stores, etc.), or skilled craftsmen to operate its service departments (barber and beauty shops, shoe repairing, etc.). It is subject to all of the problems any normal business faces.

Q. If the Board of Directors control it, how can I have any real voice in the association?

A. (a) As a member you have a voice in electing people in whom you have confidence to the Board of Directors. (b) You have full voice in all membership meetings and may thus influence policy. (c) You have the right to appear before the Board of Directors or to meet with a committee to consider your problem. (d) You have the right to volunteer for committee work or stand for election to the Board of Directors or committees.

Q. What assurance do I have that the business is being properly conducted?

A. It is well established cooperative practice to employ a disinterested Public Accountant to render periodic audit statements to the membership. It is also established right for cooperative members to have access to the records of the association at all reasonable times.

Q. What if the Board of Directors or some of the members decide to expel someone from membership because of opposition. If they wish to control the association by ousting opposition, what recourse is there?

A. This problem seldom arises. However, many cooperative statutes and practically all information on cooperatives indicate that any member has the right to state his case before the general membership before expulsion. Oftentimes articles of incorporation or By-Laws will require a majority vote in a properly called membership meeting before such a action.

Q. What if I have suggestions or disapprove of policy or management or employees' actions?

A. Frequently, cooperatives have "suggestion boxes", or you may inform the proper committee, or you may take it up in the membership meeting if other channels are not responsive.

Q. What does it cost me to belong to a cooperative?

A. Whatever the membership fee or share of stock is worth. You help determine this when you help organize the association. Oftentimes cooperatives ask for only a fraction of the amount as a down payment - the rest being deducted from the first patronage refunds.

Q. What are my obligations in case the cooperative fails?

A. Your liability is the same as in any other corporation. You are liable only for the amount you invested as a membership fee or share. If you have additional funds invested as loan capital (notes or non-voting stock) you will share in the assets remaining after all creditor claims are settled.

Q. What is the advantage of a cooperative?

A. The cooperative association is a non-profit operation. That is, it distributes goods and services at cost (see 7 C). Being owned by the people it serves, it has no interest in trying to sell them unwanted merchandise, or to misrepresent goods. You help pay for stores and factories when you buy



in the regular stores, in a cooperative - you not only get goods and services and saving, but you acquire ~~ownership~~ ownership of the store in doing it. You can also invest your cooperative savings to start other departments to serve more of your wants.

Q. What is the advantage to belonging to a cooperative?

A. In belonging to a cooperative you have the right to help determine the policies of the association; you can hold office or serve on committees and thus serve your community as well yourself. You do share in patronage dividends. By participating actively you can learn a method of business that may help you to become established in a post-war world.

Q. Don't non-member patrons receive patronage dividends also?

A. Only if your association so desires and provides for non-member participation in the dividends. Generally, they are requested to apply them on a purchase of membership or else they may receive a smaller percentage on their purchases.

Q. Then if I don't belong to the cooperative I don't get goods and services at cost?

A. If the patronage refunds differ for non-members you are right - but, you still get goods cheaper than competitive prices.

Q. What if membership votes to expand operations - to build a theatre, (as an example) and invest patronage refunds in it, but I don't care for theatres. What happens to my patronage dividend under these circumstances?

A. (a) If the membership decides to invest all funds available for refunds in such a program it will undoubtedly pay you interest on your dividend. (b) If it votes to return patronage refunds to those not voluntarily investing them, you will get your dividend. This latter appears to be the sounder because: People in the community not interested in using the proposed theatre can still get their refund on the services they do use. Those interested in a new service can invest patronage refunds (and additional funds if they wish) in the new program, it will then operate in the same way as the other departments - paying patronage refunds to those using it.

Q. Isn't there a simpler way to operate these things than by the cooperative method to get the same results?

A. There may be. (a) However, if the operations are on a concession basis there will be no savings such as patronage refunds, (b) If all of the profits (called savings in a cooperative) are pooled to provide free movies, free swimming pools, etc. Then those not using these new services would be supporting things they couldn't or didn't want to use, without any recourse. And, they would be paying more than cost for what goods and services they did get. In addition, they would be exercising no sense of individual responsibility in governing either the extension of services, nor the use of them, for there would be no tangible individual sense of ownership and conceivably the management might be lax in its judgment, of how the funds were used. (c) It has often been proven that where one has to make a contribution or "pay" for a privilege he appreciates the privilege more. When ownership is evident as in a cooperative, he would tend to be careful in using equipment of the cooperative. (d) Any program in which the profits are pooled would create a great fund in no real way identified with the individuals in the community--for they would have no individual claim on it. This provides a real source for political manipulation.

Q. One of the principles of cooperatives is open voluntary membership. How can a cooperative be a "voluntary" proposition under our particular circumstances wherein the cooperative would have a monopoly on community enterprises?

A. It can't be--but neither can any other form of organization. However, coops do offer more opportunity for self determination than in any other kind of



business enterprise. (a) Goods and services are provided at cost because patronage refunds are paid on services used. (b) The member is not supporting services he doesn't want, for all enterprises are designed to be self-supporting. He only pays for them when he uses them. (c) If his funds are invested in enterprises he doesn't use he is paid interest and still has ownership of the funds--they are not lost to him.

Q. Won't the cooperative type of organization limit the activity in the community?

A. The cooperative can either limit or expand community activities for it is responsive to the wants of its members; and will organize only such activities as the membership requests to meet their needs for goods and services. There will be the same amount of money to spend in the community (income) regardless of the type of business organization through which the money is to be spent.

Q. Why not just run the enterprises to sell goods at cost instead of charging competitive prices?

A. (a) It is difficult to estimate cost in advance--so the cooperatives refund at the end of an accounting period. This is good business practice and the cooperatives are built only by sound business practices. (b) It is poor public relations to sell goods at "cut rates", for even here we are not completely isolated from the business world.

Q. Who is going to provide funds for financing community enterprises?

A. (a) Funds may be subscribed through membership fees or shares, and thru the purchase of notes or non-voting shares. (b) Funds (dividends) may be retained by a membership-vote to issue notes to the amount of patronage refunds until such time as enough accumulates to pay for a share of non-voting stock or a Certificate of Equity (form of notes). (c) The WRA under certain conditions may loan some of the funds needed to finance enterprises.

Q. What will happen to our investment when the war is over or when we leave the center?

A. (a) The assets of the Manzanar cooperative association will consist largely of stock on the shelves. This is readily sold and the cash can be divided among the membership. (b) It is suggested that a small liquidation reserve be set up to take care of any depreciation that will result from liquidation of machinery or any other less readily saleable assets. (c) A successful cooperative association can continue after the "duration" and serve Manzanar residents in the post-war adjustment to new locations and new businesses.

Q. Some people fear that the personnel of the cooperative stores might swindle the community funds.

A. Cooperatives insist that all responsible personnel handling funds be bonded thus insuring the safety of community fund. Also, frequent audits by the cooperative and by Government auditors insure honest and efficient practices.

Q. Some people believe that "unnecessary" items are displayed at the canteen, thus people are tempted to purchase them.

A. In a cooperatively owned and controlled store items judged "unnecessary" by the membership would be ordered withdrawn from sale. At present, without a cooperative association there exists no adequate method of determining what goods and services the community considers "unnecessary".

Q. Why can't we get WRA to provide us with a barber shop or shoe repair shop as is done in some WCCA assembly centers?

A. WCCA (Army control) and WRA (civilian control) have different policies. Changes in WRA policies can be sought through community organizations such as a cooperative association.



*Mr. Neher*

February 26, 1943

To All Project Directors

Subject: Rental Schedule for Consumer Enterprises

Attached is a revised schedule of rental rates for the Consumer Enterprises.

As provided in Supplement II of Instruction 26, the rental for one barrack-type building, 100' x 20' in dimension, amounts to \$75 per month. On the basis of the proposed rental scale attached, the same building, including all services provided under the present plan, will rent for \$47.50 per month, a net difference of \$27.50 per month per building. If the War Relocation Authority were to operate these stores, it would charge against the cost of goods sold depreciation and maintenance, utilities, and other direct operating costs. Consequently, it is reasonable to expect the Cooperatives to pay these. The figures set forth herein we deem reasonable for such purposes and in keeping with the general War Relocation Authority policies.

You will note that we have suggested two alternate rental plans, either one or both can be made use of by the Consumer Enterprises. For example, Plan "B" might be logical for leasing a warehouse with a concrete floor in one of the southern projects, as the heating is a very small item and the rental rate is lower to reflect this saving.

*D. S. Myer*  
Director

Attachment



WAR RELOCATION AUTHORITY  
Washington

February 26, 1943

ADMINISTRATIVE INSTRUCTION NO. 26

Supplement IV

Subject: Consumer Enterprises in Relocation Centers

Sections II B and II C of Administrative Instruction No. 26, Supplement II, are hereby revised to read as follows:

II. B. Effective March 1, 1943, the Consumer Enterprises will be required to pay to the War Relocation Authority a fair rental for the use of the buildings constructed at government expense. Such rental figure will reflect the expenses that would ordinarily be charged against the cost-of-goods-sold, should the stores be operated by the War Relocation Authority. The rental rates include reasonable compensation for depreciation, maintenance, utilities, and, unless otherwise mentioned, heating. All rentals are based on completed buildings, winterized and equipped with stoves; but do not include special plumbing, wiring, partitions, counters, display cabinets, etc. If in a particular case the Consumer Enterprises has borne the cost of maintaining the exterior of the buildings, the rental rate under the applicable plan given below may be reduced at the rate of \$.0625 per square foot per annum for the period involved. If a Consumer Enterprise has borne some part of the cost of winterizing or otherwise completing the buildings, the facts should be reported to the Director with a recommendation that the free use of the buildings be authorized for an appropriate period of months. This recommendation should not delay the execution of a license agreement as provided in paragraph II C, below. The rental rates shall be as follows:

1. For each barrack-type building utilized as stores, warehouse or for office space:

Plan "A" - including heat, power, water, rubbish disposal, depreciation and maintenance - 28 1/2 cents per square foot per annum.

Plan "B" - same items as Plan "A" but excluding heat - 23 1/2 cents per square foot per annum.

If desired, separate agreements may be negotiated under one plan for store space, under another plan for warehouses, etc.



2. For building constructed by the War Relocation Authority specifically as stores for the Consumer Enterprises, add six cents per square foot per annum to each of the rates quoted above for the barrack-type buildings.

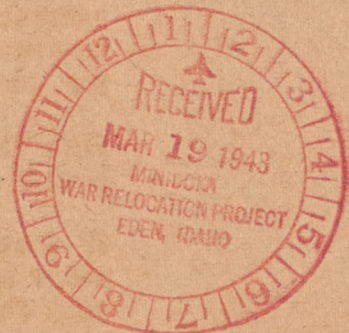
These rental rates have been computed in accordance with the following table:

Rental Table For 100 x 20 Foot Barrack-Type Building

	Plan "A"	Plan "B"
Depreciation and Maintenance	\$350	\$350
Power, Water, and Rubbish Disposal	120	120
Heat	100	
Rental per Annum	<u>\$570</u>	<u>\$470</u>
Rental per square foot per annum	28 $\frac{1}{2}$ cents	23 $\frac{1}{2}$ cents
Rental per month (2000 sq. ft.)	\$ 47.50	\$ 39.17

- II.C. The Project Director shall, with the assistance of the Project Attorney, negotiate and execute a license agreement with the Consumer Enterprises, and the executed originals shall be forwarded to the Director for filing with the General Accounting Office.

*D. S. Myer*  
Director





WAR RELOCATION AUTHORITY

Washington

*Comm*  
*enter*  
MAR 26, 1943

To: All Project Directors

Subject: Loans to consumer enterprises for the purpose of supplying them with operating capital.

A review of the present condition of the community enterprises at the Centers reveals that their operations are being handicapped by lack of capital. Up to now, the majority of them have been able to obtain credit from the firms they deal with; although they have often been unable to take attractive cash discounts because of lack of capital. When community enterprises at the Centers were first started, there was a "buyers market" in which the enterprises could bargain for credit and prices. Merchandise has now become scarce so that a "sellers market" exists. Sellers are rapidly dropping all credit accounts and keeping only their preferred cash accounts. Those who cannot pay cash simply will not get merchandise. This situation may seriously handicap the operations of consumer enterprises unless steps are taken immediately to put them on a cash basis. It is therefore recommended that the Project Director at each Center advise the community enterprises to prepare a financial and operating budget as soon as possible to determine how much cash is needed to put the enterprises on a cash basis; and to take steps to raise the necessary operating capital.

The following two suggestions for getting the necessary capital are offered:

1. The initiation of a campaign to have the local patrons finance their own business, at least in part. This can be done if the community really wants the enterprises. This is by far the best way to raise the needed capital, for the greater the degree to which the enterprises are financed by the people of the community the more interest they will have in and the more they will feel responsible for the success of the business; and the more it will be to their interest to support the business.
2. If the amount raised by the residents is not sufficient, the enterprises may apply to WRA for a loan. The loan should be as small as possible, as experience shows that the greater the extent to which a cooperative is financed from outside sources, the less interest the members of the cooperative have in it.



There is attached hereto a new supplement, numbered V, to Administrative Instruction No. 26, which prescribes the procedure to be followed in making loans to community enterprises.

There will be no WRA funds available for loans to consumer enterprises after June 30, 1943. Therefore, if any of the consumer enterprises contemplate borrowing WRA funds, they should apply for loans as soon as possible.

Regardless of the manner in which the consumer enterprises raise capital, sound budgets must be prepared at this time. A member of the Washington staff will visit each Center during March or April to assist the consumer enterprises in drawing up the budgets.

*D S Myer*  
Director

Attachment

