

# COOPÉRATIVE DE TRAVAILLEURS D'AMBULANCE DE L'ESTRIE (CTAE)



## Converting Ambulance de l'Estrie Inc. Into a Co-operative

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The conversion case of the Coopérative de travailleurs d'Ambulance de l'Estrie (CTAE) is intended to examine the process of transforming an ambulance company into a co-operative, as part of the co-operative conversion movement of ambulance services throughout Quebec. More specifically, this case demonstrates the importance of conversion methods in the success of the co-operative project. Beyond the sale of the sole proprietorship business to its workers, it showcases the originality of the process leading to the creation of a worker shareholder co-operative (WSC) as a transitional step towards the finished form, i.e., the Coopérative de travailleurs d'Ambulance de l'Estrie (Worker Co-operative of Eastern Townships Ambulance).

To better understand the impact of the WSC for CTAE's transition process, the full conversion story is presented in this report, which is divided into three parts: the pre-conversion, the conversion process, and the post-conversion period.

### Pre-Conversion

The story of the Coopérative de travailleurs d'Ambulance de l'Estrie (CTAE) can be traced back to the 1960s. Initially known as Ambulances Isabelle de Magog Inc. and

Sécurité de l'Estrie Inc., these companies were in charge of ambulance transportation in the Eastern Townships region of Quebec and operated under various banners for nearly three decades. These companies, like all ambulance companies in Quebec, were part of the 1980s paramedic unionization movement within the province. Mainly led by the Confédération des syndicats nationaux (CSN), this strong unionization period represented a major turning point for paramedics. At the end of this period, paramedics started expressing their desire to negotiate directly with the government rather than with private companies holding ambulance licenses (Côté, 2007). Ultimately, these negotiations led to signing subcontracts, thereby making the Quebec government the sole customer of ambulance companies. The government allocated an operating budget, allowing ambulance companies "to meet the specific needs of [their] organization, to ensure the proper functioning of [their] activities and to provide adequate delivery of the services [they are called upon] to provide" (MSSS, 2006).Coop



source : [www.ambestrie.com](http://www.ambestrie.com)

At the time, better distribution and co-ordination of patients in emergency rooms were much needed, as nearly 80% of activity in Quebec's emergency rooms could be attributed to the transportation of patients by paramedics, ultimately creating issues

associated with congestion (Côté, 2007). The industry's structure made it difficult, if not impossible, to manage these issues; there were 23 private, independent ambulance companies spread across the province. The undesirable conditions for paramedics were also of no help, as they suffered from lack of training, very low wages and obsolete equipment (Côté, 2007). Meanwhile, considerable loss of profits led owners to consider selling their ambulance businesses (Côté, 2007). Reorganizing the industry seemed to be in the best interest of all parties and the unification of the ambulance network was set as a priority. In the Eastern Townships region, this necessary reorganization prompted Ambulances Isabelle de Magog Inc. and Sécurité de L'Estrie Inc. to merge, thus becoming Ambulance de l'Estrie Inc. (AE).

In the following years, the need to reorganize the industry and to unify the network brought the idea of establishing co-operatives, which would allow a gradual buyout of private businesses. The idea progressively gained ground with paramedics, however their low wages (\$6 per hour at the time), as well as interest rates ranging between 15 and 20% made the purchase of ambulance permits and equipment almost impossible (Côté, 2007). Unionization and co-operation were therefore seen as two key complementary components in the implementation of a more efficient and concerted ambulance structure (Côté, 2007). The selection of the co-operative model was linked to it being considered the most efficient and profitable structure.

At the same time, Ambulance de l'Estrie Inc. followed suit and changed its ownership structure again in 1999 when the Coopérative des Ambulanciers de la Mauricie (CAM) acquired AE with the objective of operating it as a share capital company, a subsidiary of the co-operative. The year 2005 was



source: [www.ambestrie.com](http://www.ambestrie.com)

a turning point in the co-operative's history, as it marked the beginning of a five-year conversion process into a co-operative. Initially a worker shareholder co-operative (WSC) between 2005 and 2010, the enterprise was finally fully converted into a worker co-operative in 2010 and became the first WSC in the ambulance sector to successfully complete a total buyout of the company.

A worker shareholder co-operative (WSC) is a worker co-operative created within a private company, whose members are the employees of that company. Its purpose is to acquire a portion of the company's shares. The employees of the company, members of the co-operative, then become a financial partner of the company through the co-operative. This approach has been proven to increase the employees' sense of belonging to the company (CDRO, 2019). The WSC is governed by a shareholder agreement and a salaried employee, member of the worker co-operative, sits on the company's board of directors. This type of co-operative can be found in several economic sectors, including high technology, manufacture, and services.

## The Conversion Process of Ambulance de l'Estrie Inc.

In order to fully understand the AE conversion process, we must look at the initial funding that enabled the CAM to acquire AE in 1999. At the time, the company was owned by the Fabi family, had about one hundred employees, was doing well, and enjoyed a rather familial atmosphere and stability in staff. However, new ministerial



source: [www.letincelle.qc.ca](http://www.letincelle.qc.ca)

requirements for ambulance companies combined with their loss of interest in the ambulance sector prompted the owners to sell the company. Besides other ambulance co-operatives, potential buyers for private companies operating under ambulance licenses were few and far between. The opportunity for the CAM to acquire a healthy

and profitable business was impossible to ignore, and so the company took the necessary steps to develop a financial plan and proceed with the transaction. Three institutions favourable to co-operative development (Fondaction, Investissement Québec and the Caisse d'Économie Solidaire) structured the financing. The CMA thus benefited from a financing formula exclusive to co-operatives - access to preferential rates and a wide range of other advantages - with, in return, an obligation on the part of the CAM to convert AE into a co-operative within a reasonable timeframe.

In order to meet this obligation, the CAM had two options:

1. Integrating AE into its co-operative to become only one co-operative;
2. Guiding AE, as a subsidiary of the CAM, towards greater independence and providing the necessary resources to carry out its co-operative conversion.

Since blending the shares' value accumulated by existing CAM members with the new AE members was a complex task, the co-operative's management team quickly dismissed the first scenario. What remained was the second scenario: guiding AE towards greater independence. Nevertheless, at that time, the CAM operated AE as a shareholder corporation and subsidiary of the co-operative. This situation was particularly favourable for the CAM from a strictly financial point of view, since AE was making considerable profit. Therefore, the CAM did not feel the need to fulfill its commitments quickly, especially given there were no follow-ups about its obligation to convert AE into a co-operative.

The CAM therefore continued to manage AE as a private company until 2005, without much concern for its co-operative commitments. Furthermore, seeing its revenues guaranteed and its potential deficits absorbed by the government, the CAM, like other ambulance co-operatives, managed its business in a way that made work more pleasant or comfortable, without worrying about expenses. From a financial standpoint, AE therefore seemed like a gold mine for the CAM.

Meanwhile, the CAM's duty of converting AE into a co-operative was yet to actualize and its inaction on this issue did not please everyone. Indeed, the CAM's lack of commitment had, over time, shaken the bond of trust between the co-operative and its financial partners. After a few years, the CAM found itself in such serious financial trouble that a recovery plan became inevitable. The solution was the appointment of a new Executive Director, whose objective was to allow the CAM to regain control and put its finances in order. The new administration undertook a review of the co-operative's existing financial commitments, which revealed the CAM's financial commitments made to Investissement Québec, Fondation and the Caisse d'Économie Solidaire during the initial financing. Eventually, the CAM honoured its commitments and AE was converted into a co-operative.



source: facebook.com/AMBESTRIE

## Conversion Context Analysis

The analysis of AE's conversion into a co-operative shows that the environment was, in many ways, favourable for this type of transaction. First, the conversion took place in three distinct phases:

- 1) The sale of AE to the CAM in 1999;
- 2) The creation of the Coopérative de travailleurs actionnaire d'Ambulance de l'Estrie (CTAAE), a worker co-operative holding shares from Ambulance de l'Estrie in 2005 ;
- 3) The transition of the worker shareholder co-operative, CTAAE, into the Coopérative de travailleurs d'Ambulance de l'Estrie (CTAE), a worker co-operative, created in 2010.

Five years (2005–2010) elapsed between the creation of CTAAE and the moment the latter bought out all the shares of AE, still held by the CAM and Fondation, to

Source: LinkedIn

become a worker co-operative. Since its creation in 2005, CTAAE has in fact held  $\frac{1}{3}$  of AE's shares, in equal parts with Fondation and CAM.

Although the second conversion phase proved to be more fluid, some challenges remained. The main one was the increasing value of ambulance licenses, caused by the limited number of ambulance licenses on the market. As time went on, it became more costly for paramedics to complete the process of buying back the shares held by other shareholders. Based on the information obtained from respondents, the price of ambulance licenses had increased almost tenfold in five years. Therefore, the stakeholders organized a meeting with the purpose of settling the transaction definitively.



source: [www.ambestrie.com](http://www.ambestrie.com)

This led to a second challenge: getting a new loan, this time sought from the Caisse d'économie solidaire. Although financially stronger, the CTAAE still needed to raise \$7.4M. Despite struggling to accurately evaluate the revenues and notwithstanding their initial concerns regarding the co-operative's ability to repay, the Caisse d'économie solidaire nonetheless agreed to the financing, allowing the CTAAE to become the sole owner of AE, converting its status into a worker co-operative.

## Elements Contributing to the Conversion's Success

The initial transaction between the Fabi family and the CAM, in 1999, enabled an unintentional extension of the pre-conversion period of the company into co-operative, which allowed the CAM to take all the necessary time to:

- Meet the future members of the co-operative;
- Explain the benefit of the co-operative model to workers;
- Demonstrate which investment vehicle(s) made the transaction possible;
- Train workers on governance and show them available support tools;
- Reassure them about their ability to complete the project.

Indeed, the conversion of a business to a co-operative is complex, time-consuming, may seem risky in the eyes of workers, and requires a range of specific expertise such as accountants, lawyers, notaries, etc. During such a conversion process, the owner must be patient in order to respond to various concerns coming from the workers and make the project a reality. It appears that most paramedics in Eastern Townships had never considered becoming owners of a business and were completely unaware of a



co-operative's inner workings. In spite of this, the many advantages related to the ambulance sector contributed to creating an ideal context for a successful conversion.

The success of AE's conversion into a co-operative is also, and above all, due to the various contributions of Fondation and MCE Conseils. Without the involvement of these two organizations, the conversion process would have been dramatically different. In fact, the collected data confirms that, apart from a core of dedicated individuals, few

source: [www.ambestrie.com](http://www.ambestrie.com)

paramedics appeared to have an interest, other than financial, in the business conversion and the transition of roles and organizational culture.

The CAM's decision to facilitate AE's conversion to a worker co-operative was primarily due to legal requirements. Testimonies that have been gathered indicate a generally hostile attitude from the CAM towards their commitment to convert the company into a co-operative, at first. Consequently, it can be reasonably believed that, without this legal obligation, the conversion would not have taken place. The CAM's financial shortfall may have contributed to its willingness to sell some (and then all) of its AE shares, given that the sale would generate significant cash flow.

On the employees' side, the collected data highlights three important motivations:

- a) Patronage dividends;
- b) The power to take control of their lives;
- c) The pride of becoming owners.

The stakeholders interviewed readily admitted that the potential financial gains linked to patronage dividends were the greatest motivational value for the paramedics. Without financial gains, it would have been difficult, if not impossible, to convince a majority of paramedics to join the project.

*"I've got paramedic friends who aren't cooperators [members]. At the end of the day, we're doing the same job, I do nothing less and nothing more compared to them. But at the end of the year, I get a bonus and they don't." (Respondent #C)*

The power to decide the future of the company was the second most important motivational factor.

*“A good part of the population believes that we’re part of the hospital team. I must admit that I’m always proud to see their faces when I tell them that I’m an owner of an ambulance company.” (Respondent #C)*

The main promoters of the conversion process were Fondation, the transitional committee, and the CAM. First, Fondation strongly insisted that the conversion to a worker co-operative should take place, especially given that the original financing agreement regarding the CAM’s acquisition of AE stipulated that the loan would be granted under this condition. The transitional committee was also a major promoter of the co-operative conversion project, playing a central role in getting the paramedics on board with the project. Finally, even if at first glance its behaviour was not conducive to the process, the CAM became a supporter of the project. In reality, once the decision was made to convert the business into a co-operative, the CAM facilitated the process as the transferring owner.

Conversely, two different groups opposing the co-operative conversion project arose at different times during the process. First, as mentioned, the CAM delayed the conversion process for some time, despite its obligations to its funders. The other main group of opponents to the conversion project was composed of members of the proposed co-operative, meaning AE workers. As mentioned earlier, not all paramedics were happy with the co-operative model, and many leaders adopting this negative view emerged throughout the process. We must recall that co-operative membership was always optional, meaning that workers could decide whether they wanted to be members or not. In the end, almost all paramedics decided to join the co-operative.

The process of converting AE into a co-operative was influenced by factors that facilitated or hindered the conversion. These factors are summarized in Table 1.

Table 1. Factors facilitating or hindering the conversion

Facilitating Factors	Hindering Factors
Continued presence of credible and experienced external consultants such as MCE Conseils	Difficulty in finding a financial model that suited all parties involved
Financial package proposed by Fondation (ICP advantages combined with Fondation, making the net cost per member very attractive)	Paramedics' many financial concerns
Additional time allowed by the acquisition of AE by the CAM	Resistance from the CAM before the arrival of new management
Proactivity, involvement, and drive from the paramedics committed to take charge	General misunderstanding of the co-operative model
Particularities of the ambulance sector, i.e., exclusive contracts by territory and state guarantee	Paramedics' limited knowledge of governance and entrepreneurship
Presence of a union in support of the co-operative movement	Difficulty convincing financial partners for the final buy-out of AE

## Post-Conversion:

### Observed Changes in the Co-operative After the Conversion

The collected testimonies identified the various changes observed within the co-operative after the conversion. This section explores the five most significant changes.



source: [www.ambestrie.com](http://www.ambestrie.com)

### Working Conditions

It is important to reiterate the fact that paramedics are unionized. Therefore, the union manages everything related to their working conditions (i.e., wages, schedules, etc.) through a provincial agreement with the government. The conversion of the company into a co-operative had little to no impact in this regard. Nevertheless, the conversion into a co-operative allowed worker-members to have a say in the work organization process. They were thus able to improve their working conditions otherwise. For example, the Board of Directors allowed the creation of positions for support staff. Their main task consists of rearranging the ambulances after the paramedics returned to the fire station or finished their shifts.

Furthermore, control over the business positively influenced decisions regarding work equipment and workplace layout. For example, paramedics now have practically unlimited access to new boots or work shirts provided by the co-operative. Furthermore, ambulances meet all standards required by the Bureau de normalisation du Québec (BNQ), and the workplace has been adapted for enhanced comfort (fire hall, sofas, lounge rooms, etc.).

## Values and Mission

Consolidating the company's mission and establishing a co-operative culture took time. The adoption of a mission, which previously did not exist, was achieved in 2018, following an organizational process including the establishment of a dedicated working committee. An email was first sent to all members to survey their interest in participating in the development of the mission, which ensured, among other things, that the committee was composed solely of members who were interested in the project. Finally, based on the priorities of the co-operative and the nature of the services offered to the population, the committee formulated the mission of the co-operative.



source: facebook.com/AMBESTRIE

## Organizational Structure

The conversion into a co-operative also allowed paramedics to establish an enhanced organizational structure and to adopt useful governance tools, such as financial reports and operational statistics. Taking control of the business allowed the management team to become aware of the various shortcomings and gaps that needed to be addressed. Quickly, the worker-members felt the need for an enhanced structure. The Board of Directors voted to create the following positions: Operations Manager,

Operations Assistant, Team Leader and Human Resources Technician. Another committee was established to evaluate the performance of the Executive Director.

## Community Involvement

In regard to the community involvement of the co-operative, the collected data is not sufficient to identify major changes. Despite the few initiatives put in place by the CTAE, there is nothing to suggest that they were influenced by the co-operative status. Nevertheless, some initiatives have been put in place by the CTAE since the conversion, which aim to bring the community closer:

- Paramedics on foot and bike;
- Outreach in schools and shopping malls (i.e., héros en trente);
- Participation in charity events (i.e., dinner with firefighters);
- Open houses;
- Participation in various festivals.



source: [www.ambestrie.com](http://www.ambestrie.com)

## Associative Life and Member Support

Various changes have also taken place in terms of associative life and support for co-operative members. First, the co-operative is investing significantly in various annual events, notably the Christmas party and summer BBQs. Everything is free for members, and spouses are also invited for free. These initiatives help improve the work environment and develop a sense of belonging in the co-operative. In addition, measures to improve the physical and psychological well-being of the members were put in place. To this end, the CTAE is continuously raising awareness among its members, particularly regarding depression and post-traumatic stress. As a result, the co-operative better promotes the resources and tools available to its members in order to raise awareness about the dangers associated with the practice of their trade.

In sum, by analyzing AE's conversion into a worker co-operative, several factors have influenced the process, both positively and negatively. Table 2 provides a summary of these factors.

Table 2. Summary of Influencing Factors to the Conversion Process

Pre-conversion	<ul style="list-style-type: none"><li>• Political factors: political will to better structure the ambulance sector</li><li>• Legal factors: professionalization of the ambulance sector</li><li>• Economic factors: specific characteristics of the ambulance sector, financial situation of the owner creditor</li><li>• Other factors: co-operative commitments connected to the initial financing, presence of a union in favour of co-operative development</li></ul>
Conversion	<ul style="list-style-type: none"><li>▪ General factors: patience of the owner (CAM), committed core employees, paramedics knowledge in governance,</li></ul>

	<p>management and co-operative entrepreneurship, length of the conversion process</p> <ul style="list-style-type: none"> <li>▪ Economic factors: benefits of the financial package presented by Fondation, difficulty in finding a financial model that suited all stakeholders, paramedics' financial concerns</li> <li>▪ Social capital factors: continued presence of credible and experienced external advisors, presence of external stakeholders on the CTAAE Board</li> </ul>
<p>Post-conversion</p>	<ul style="list-style-type: none"> <li>• Management and operations: adopting a mission, improving the organizational structure, improving the associative life and member support</li> <li>• Relations with the local community: initiatives implemented to connect with the community</li> </ul>

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