

National Aboriginal
Economic Development Board



Conseil national de
développement économique
des Autochtones

**Building on Success:
Strategies for promoting economic development in the North**

*Written Submission for the House of Commons Standing Committee on
Aboriginal Affairs and Northern Development*

The National Aboriginal Economic Development Board (NAEDB) is pleased to offer the House of Commons Standing Committee on Aboriginal Affairs and Northern Development its advice on ways to promote economic development in the North.

The NAEDB is a cabinet-appointed body mandated to advise the Minister of Indian Affairs and Northern Development and Ministers of other federal departments on policy, programming, and program coordination as they relate to Aboriginal economic development. In providing this advice, the Board aims to represent the interests of the Aboriginal community and to help the federal government develop economic policies and programs that are coordinated, accessible and responsive to Aboriginal Canadians' needs. Made up of Métis, First Nations and Inuit business leaders from across Canada, including the territories and northern land claims regions, the Board plays an important role in helping to shape the federal government's policy agenda. A list of the Board's members is attached under Annex 1.

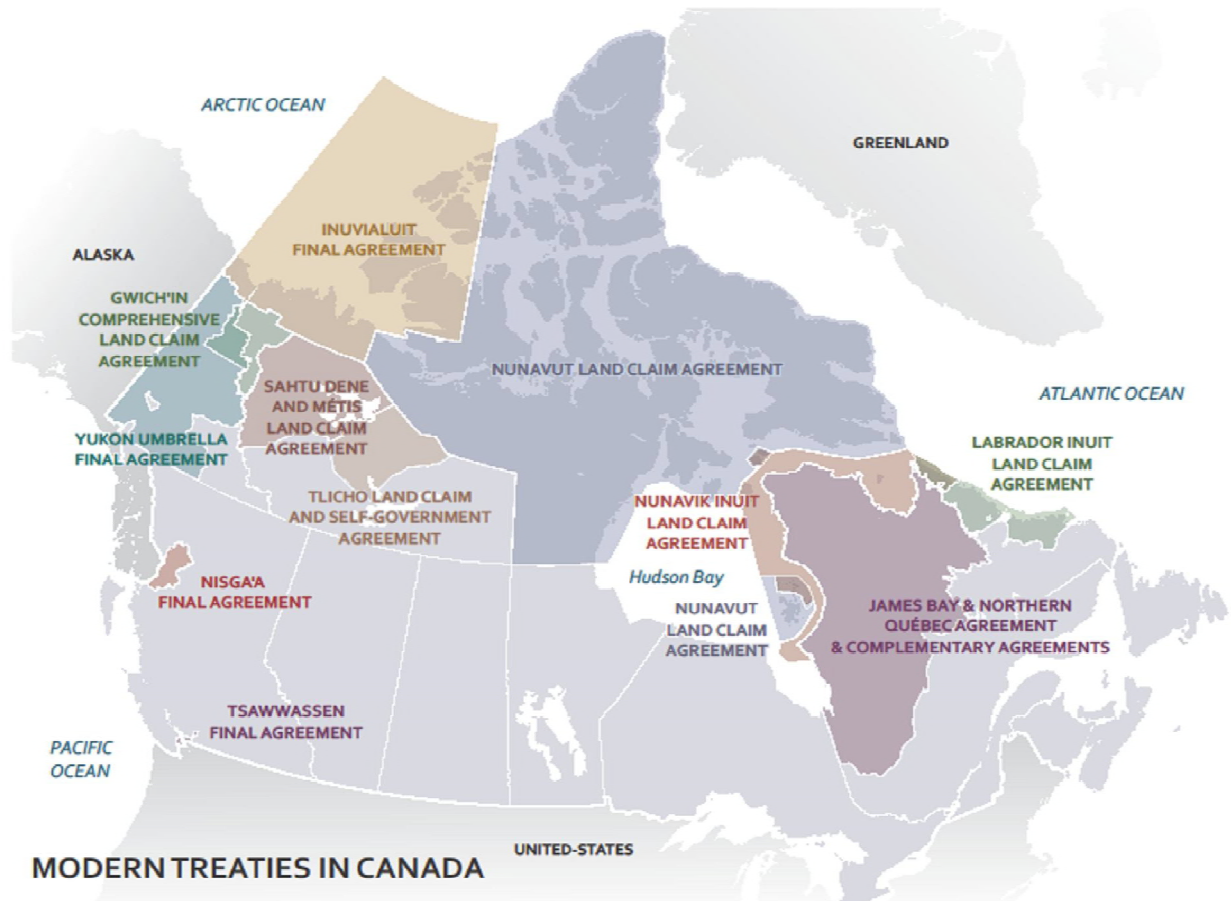
The Board played a central role in the development of the Federal Framework for Aboriginal Economic Development (the Framework), a new federal approach to increasing the economic participation of First Nations, Inuit and Métis. The Framework adopts a modern, comprehensive and opportunity-driven approach to Aboriginal economic development that recognizes one size does not fit all: the different needs and circumstances of Aboriginal people across the country require different responses and solutions from all parties, including Aboriginal communities, federal, provincial and territorial governments, and the private sector. As over half the population in the North is Aboriginal, the Framework will play a key role in guiding federal actions in support of economic development in the North.

The Framework is one piece of a broader federal policy agenda in the North. In recent years, Canada has begun to realize the economic, political and cultural value of the North, and is devoting increased attention to Northern issues. Recent federal measures have included the Northern Strategy; a new economic development agency for the three territories, the Canadian Northern Economic Development Agency; a new Northern Major Projects Management Office; and an agenda for regulatory reform in the North. The economic development context of the North also includes a series of agreements between government and Aboriginal communities, including self-government and Comprehensive Land Claims Agreements (CLCAs).

These tools present an important beginning. However, their full potential has not yet been realized. Moving forward, the full implementation of existing tools and arrangements, and the creation of new tools that respond to the unique context of the North, will be essential to improving economic outcomes for Aboriginal and non-Aboriginal Canadians across the region.

Defining the North

Although the mandate of the Standing Committee focuses on the three territories, the Board believes that addressing Northern economic development requires a more holistic approach that includes the Northern comprehensive land claim regions outside the territories—Nunatsiavut, Nunavik and the First Nations lands covered by the James Bay and Northern Quebec Agreement. This broader definition of the North encompasses Inuit Nunangat, which is made up of the four Inuit land claim regions – Nunatsiavut, Nunavik, Inuvialuit and Nunavut – where approximately 78% of Canada's Inuit population resides.



The federal government has a distinct role in these regions. The Constitution and subsequent legislation set out federal jurisdiction over lands north of 60 and Inuit affairs, but CLCAs and self-government agreements shape the nature of federal relationships with institutions and governments across the North, including the northern regions outside the three territories. In particular, the governance arrangements set out under the CLCAs create a relationship based

on co-management and partnership, which informs the development and implementation all federal policies and programs.

Given the commonalities in the federal role and federal obligations across the land claims regions – both within and outside the territories – and the unique and untapped human and natural resource assets located in these regions, utilizing a more comprehensive definition of the North would provide clear economic benefits as the federal government works to promote its vision for northern economic development.

Economic Development in the Northern Context

The economic development context in the North offers unique opportunities to government and private sector partners. Many communities across the North take a holistic and community-centered approach to economic development. Institutions established through the CLCAs and self government agreements, such as Makivik Corporation, Inuvialuit Regional Corporation, and Vuntut Development Corporation, are managed for the broader economic and social benefit of their communities, rather than simply to foster economic growth or attract outside investment. These institutions work to ensure community members benefit not only through increased economic activity but also through initiatives to promote wellness, good governance, sustainability, education and skills development, and language and culture, all of which indirectly support economic development. Many Northern-led institutions also display a preference for grassroots participation and local control over economic development decision making.

This community-focused approach to economic development has shaped the land claims and self-government agreements in the North. These agreements typically set out a series of provisions that influence how the federal government and private sector do business with communities, including through co-management of resources. Co-management provides potential investors with a mechanism for working with communities to mutual advantage, fostering a more secure and predictable climate for investors and helping to ensure the long term success of their investments. As a result of these agreements, companies now frequently work in partnership with Aboriginal groups to:

- ❖ Negotiate impact benefit agreements which ensure local Aboriginal people are given the opportunity to participate in development projects through employment;
- ❖ Consult with affected communities to identify local concerns and find ways to accommodate those concerns in their development plans; and
- ❖ Obtain licenses and permits through processes that provide Aboriginal people with the opportunity to be heard and have an equal voice in decision-making. For example, regulatory boards, co-managed by

Aboriginal and government representatives, decide on water and land use applications based on input from government and Aboriginal bodies at the regional and local levels.¹

Traditional economies are also an important and prominent reality in the North. These economies are typically characterized by skill acquisition that is directly related to survival, direct economic participation by all community members (women, men, and children), and mobility. The traditional economy of the past was based on one's own efforts; today, it is a more expensive undertaking. For example, the cost of fuel and equipment to hunt or fish are prohibitively expensive, reducing the opportunity for Aboriginal Canadians in the North to practice their traditional means of economic development.

By working together in partnership, and taking local practices into account, Aboriginal communities, governments and the private sector alike can benefit from the vast economic wealth of the North.

Opportunities in the North

The Aboriginal character of the North is a key economic asset. Comprising 85% of the population in Nunavut, 50% in the Northwest Territories, 25% in the Yukon, 91% in Nunavik, and 91% in Nunatsiavut, Aboriginal Canadians are at the core of the northern economy.

Table 1: Aboriginal Identity Groups Across the North

| Regions | Total Population | Registered Indians | Non-Status Indians | Inuit | Métis | Non-Aboriginal |
|-----------------------|------------------|--------------------|--------------------|--------|-------|----------------|
| Yukon | 30,195 | 5,750 | 855 | 190 | 690 | 22,610 |
| Northwest Territories | 41,055 | 13,010 | 670 | 3,905 | 3,020 | 20,420 |
| Nunavut | 29,325 | 160 | 40 | 24,585 | 110 | 4,410 |
| Nunavik | 10,575 | 85 | 20 | 9,530 | 20 | 920 |
| Nunatsiavut | 2,410 | 0 | 0 | 2,160 | 30 | 215 |

Source: 2006 Census of Population – INAC Tabulations

¹ Impact Evaluation of Comprehensive Land Claim Agreements, Indian and Northern Affairs Canada February 2009

This demographic group is young and fast-growing. 60% of the Cree community in Northern Quebec is under 20 years old. The Inuit population grew 26% between 1996 and 2006, while the non-Aboriginal population across Canada grew by just 8% in the same period. As Table 2 shows, the growth in the Inuit population also outpaced the growth of non-Aboriginal Canadians in every Northern region.

The land base held by Aboriginal people in the North offers another major economic advantage. Inuit Nunangat represents 25% of the total surface area of Canada. First Nations and Métis also hold a significant land base in the North. Under the Sahtu Comprehensive Land Claim Agreement, the Sahtu Dene and Métis own 41,437 square kilometres of land in the Mackenzie Valley, including 1,813 square kilometres of subsurface mineral rights.

Table 2: Growth in the Inuit Population 1996-2006

| Regions | Identity population | 1996 | 2006 | % change |
|-------------|---------------------|--------|--------|----------|
| Nunavik | Inuit | 7,630 | 9,565 | 25.4 |
| | Non-Aboriginal | 935 | 920 | -1.6 |
| Nunatsiavut | Inuit | 2,110 | 2,160 | 2.4 |
| | Non-Aboriginal | 300 | 215 | -28.3 |
| Yukon | Inuit | 80 | 190 | 137.5 |
| | Non-Aboriginal | 24,480 | 22,610 | -7.6 |
| NWT | Inuit | 3,395 | 3,905 | 15.0 |
| | Non-Aboriginal | 20,440 | 20,420 | -0.1 |
| Nunavut | Inuit | 20,850 | 24,585 | 17.9 |
| | Non-Aboriginal | 3,995 | 4,410 | 10.4 |

Source: 1996, 2006 Censuses of Population – INAC Tabulations

This land is also rich in economic potential with a wealth of untapped natural resources including biomass, hydro, mining, forestry and water resources. Indeed, across the northern regions of provinces and the three territories, ongoing, approved and potential investments are estimated to be over \$150 billion, including significant investments in the resource sectors. For instance:

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- ❖ Diamond mining—an industry in its infancy—is now worth about \$2 billion-per-year in the territories.
- ❖ Estimates indicate that 33% of Canada’s remaining recoverable resources in natural gas and 25% of its remaining recoverable light crude oil are located in the territories.
- ❖ Approximately 13% of the world's undiscovered oil and 30% of its undiscovered gas lies under Arctic seabed.
- ❖ In the next five years, the mining and gas sectors have proposed developments in the range of \$24 billion dollars in areas that will impact Aboriginal communities in the North.
- ❖ While fisheries contract in much of the rest of the country, commercial fisheries in Canada’s North are expanding. The industry, for example, contributes \$15 million annually to Nunavut’s economy, and directly creates several hundred seasonal jobs.

Innovation in the North: Building on Northerners’ Success

Aboriginal Canadians in the North are already taking the lead on turning these opportunities into real economic gains for their communities. They are leveraging land claims settlements to support their entrepreneurs, build community capacity, and develop viable business that generate real employment opportunities for Northerners and other Canadians. Aboriginal groups are also seizing the opportunity under the duty to consult and accommodate as a means to promote sustainable economic development on or near their lands. There are many success stories across the region:

- ❖ Makivik Corporation represents the interests of the Inuit of Nunavik. As the main engine of economic development in the region, Makivik works with both private and public sector partners. It also uses some of its capital to create subsidiary companies, including both wholly owned and joint venture firms.

Two of Makivik’s companies, First Air and Air Inuit, illustrate the kind of wide-ranging economic benefits that land claims organizations are fostering in the North. In launching First Air and Air Inuit, Makivik provided a community-led solution to a key market failure—insufficient transport services in the North. These two companies also help to build stronger connections between North and South, and provide employment to over 1,300 Canadians, Aboriginal and non-Aboriginal alike, generating economic benefits in several Canadian provinces and territories.

- ❖ Vuntut Development Corporation (VDC) is a for-profit company owned by the members of Vuntut Gwitchin First Nation in the Yukon. Its goal is to support the creation of a diversified, balanced, and sustainable economy

that provides prosperity and certainty for the future for all members of Vuntut Gwitchin. VDC runs a series of successful businesses and business partnerships, including Air North, a construction company, several real estate holdings in Old Crow and Whitehorse, and an eco-adventure company.

Partnerships are helping VDC and the Vuntut Gwitchin people to shape investment in their communities. For instance, the Vuntut Gwitchin-Intergovernmental Relations Accord, signed with the Yukon Territorial Government, has yielded the Vuntut Gwitchin people a multi-year capital construction project in Old Crow.

- ❖ The Cree Regional Economic Enterprises Company (CREECO) was established under the James Bay and Northern Quebec Agreement (JBNQA) to administer and invest the compensation contemplated under the JBNQA. CREECO has the mandate to provide services and economic opportunity – including employment, training and advancement to the Cree Nation with the ultimate goal of attaining self-sufficiency.

CREECO is the holding company for a range of Northern businesses including: Cree Construction and Development Company; Gestion ADC, a delivering catering and janitorial service recognized in 2008 by Profit magazine as one of Canada's fastest growing companies; Air Creebec, and; Valpiro, a ground and aircraft services operation. The profits from these businesses flow back to the Cree shareholders.

- ❖ The Aboriginal Pipeline Group (APG) – made up of members of the Inuvialuit, the Gwitchin and the Sahtuwill nations in the Northwest Territories– holds a 33.3% share in the Mackenzie Valley Natural Gas Pipelines, which it co-owns with Imperial Oil, ConocoPhillips, Shell Canada and ExxonMobil. This is the first time that Aboriginal groups in Canada will participate as an owner in a major, multi-billion dollar industrial project.

APG offers a new model for Aboriginal participation in the developing economy, aimed at maximizing Aboriginal ownership over, and benefits from, the proposed Mackenzie Valley pipeline. Dividends from the project will be shared with the communities who have signed on to the APG. APG is also working to ensure that land claims provisions are respected throughout the project, including those requiring benefit plans.

These examples illustrate the economic leadership of Aboriginal-led institutions and organizations, and their achievements working in partnership with the private sector and governments. They also highlight the close relationship between

economic development in Aboriginal communities, and northern economic development.

Challenges to Economic Development in the North

In spite of the economic opportunities in the North and the real successes that have been achieved, Northerners still face significant challenges in transforming economic opportunities into sustained and sustainable development in their communities. These include:

The High Cost of Doing Business in the North

The cost of living and doing business across the North is much higher than in Southern Canada. Non-perishable food and other staples must typically be flown in. Fuel and basic food products, for instance, are more expensive in Nunavik than Quebec City by approximately 72% and 60% respectively.

The most economical means of transporting most construction materials and heavy equipment is by ship to the North. The shipping corridor is seasonally available and the lack of infrastructure to support the docking of these ships adds to the length of time and complication of transporting these materials. This requires early planning and the financial resources to carry the inventory costs for the construction projects.

The federal government rarely takes these important facts of life in the North into account when designing its economic development supports. For example, federal program funding allocations are often based solely on population statistics, although the cost of providing these programs on a per capita basis is much higher in remote northern communities than in other areas of Canada.

Infrastructure Deficits

Northern communities face deficits in both social and commercial infrastructure that create barriers to doing business in the region. In 2006, for instance, about 31% of Inuit living in the North reported living in homes requiring major repairs. This was over four times higher than the rate reported among non-Aboriginal people (7%). Half of communities in the Northwest Territories do not have year-round road access; in Nunavut, all but one or two communities are accessible by air only. Moreover, with the increasing threat posed by climate change, a significant proportion of the existing infrastructure—especially infrastructure designed for permafrost—may require serious repairs in the coming years.

This has important implications for economic development. The reliance on air transport raises the cost of raw materials and supplies. For example, the cost for new commercial construction building ranges from \$150-\$200 per square foot in

Montreal while, the same building would cost \$275-325 per square foot in Nunavut, \$500 per square foot in Inuvialuit, and up to \$700 per square foot in Nunavik. Investors might be willing to absorb these costs for a large scale and very profitable project, but such investments can quickly make small or marginal investments unviable.

Infrastructure deficits also inhibit communities from taking full advantage of opportunities in their area. An unsafe water supply, poor sewage treatment, and the absence of proper housing undermine the well-being of the labour force, reducing productivity and making it more difficult to train and retain skilled workers in the North.

Diversification: Building a Sustainable Economy

The natural resource sectors dominate the economy across much of the North. Mining and mineral exploration, for instance, currently represent about 51% of GDP in the Northwest Territories. However, extractive activities are often impermanent: mines run out of minerals; pipeline construction ends; oil wells run dry. Even in cases where resource reserves are longer lasting, fluctuations in the prices of raw materials can make resource extraction unreliable as a sole source of community revenues. In Nunavut, for instance, the mining sector declined from 14% of GDP in 2006 to 1% in 2008, an 88% drop. In the same period, mining declined by 24% in the Yukon.

However, with proper planning and strategic investments, these resource opportunities can be leveraged to help diversify the broader Northern economy. The Inuit Impact and Benefit Agreements required under the Nunavut Land Claims Agreement, for instance, provide an opportunity for Inuit small businesses to participate in contracts for supplying goods and services to the larger national and multinational companies involved in major development projects in the territory. If linked with targeted training and skills development initiatives, they could lead to growth and development in small businesses across the North, helping to foster a more diverse and sustainable economy that can outlast the boom and bust cycles of the resource sectors.

Conclusion and Recommendations

Great strides have been taken in recent years to promote economic development that benefits all Northerners, Aboriginal and non-Aboriginal alike. The federal government has developed a series of sound tools, including the CLCAs and self-government agreements, the Northern Strategy, the Federal Framework for Aboriginal Economic Development and others, that, if fully implemented, could play a central role in strengthening the northern economy. Implementation of these tools must be a first priority.

New and innovative approaches will also be required, however, to address the unique and enduring economic challenges in the North. Aboriginal Canadians and Aboriginal institutions in the North are already leading in this kind of innovation. They are building partnerships with the private sector and all levels of government to develop the capacity of their members, improve infrastructure in their communities, and ensure that resource development in their region leads to real gains for their people. The federal government has an essential role to play in working with these leaders in a spirit of partnership to build on their successes.

Under its Northern Strategy, the federal government has set out an ambitious agenda to exercise Canada's sovereignty, protect the environment, promote social and economic development and improve governance in the North. Including Aboriginal Canadians in its plans will be key to achieving these goals; focusing on building the economic potential of Aboriginal Canadians is the most effective way to ensure success.

Based on the real needs, opportunities and circumstances of First Nations, Inuit and Métis across the North, the NAEDB has identified a series of actions to build on success and set a new, collaborative path to a stronger northern economy.

Fully Implementing the Comprehensive Land Claims Agreements

The federal government must work to strengthen Aboriginal entrepreneurship in the North to promote a more diversified and sustainable economy. To achieve this goal, an approach focused on promoting business activity – but rooted in the spirit of the Comprehensive Land Claims Agreements – is necessary. The NAEDB recommends:

- The federal government must strengthen its commitment to fully implement the economic provisions of the Comprehensive Land Claims Agreements, particularly the provisions targeting access to government procurement contracts for Aboriginal organizations and businesses, by entering into memoranda of agreement with land claim organizations.

Procurement contracts create jobs for Aboriginal and non-Aboriginal people, build capacity within organizations and help strengthen local economies. If a dedicated approach is taken to implementing such arrangements, real progress can be made on strengthening Aboriginal entrepreneurship in the North.

This approach is not unique. As noted in a 2009 INAC impact evaluation of Comprehensive Land Claims Agreements², the Government of the Northwest Territories has established memoranda of understanding with land claim

² <http://www.ainc-inac.gc.ca/ai/arp/aev/pubs/ev/clca/clca-eng.pdf>

organizations to set performance measures for procurement contracts under the CLCAs.

Tailoring federal programs to the North

The federal government must move beyond outdated, Southern-focused, reserve-based programs that do not reflect the unique circumstances of the doing business in the North. The NAEDB recommends two measures:

- The federal government must work in partnership with northern institutions to develop and implement economic development programs that are tailored to reflect the unique business needs and economic conditions of the North.

Modern Aboriginal economic development programs must reflect the unique context of the North, including the high costs of doing business and the community-driven approach to economic development, to promote diversification in the economy and make sustainable long-term gains in economic outcomes.

Such an approach will ensure that settlement areas have the tools and supports to develop businesses that can outlast the booms and busts of resource developments, including better access to capital, business development supports and capacity building.

- The federal government should work closely with Aboriginal land claims organizations and territorial and provincial governments to move decision making closer to northern communities.

Programs and supports targeting the North will work best if communities play a significant role in shaping them. Decision-making that occurs closer to the community level is more likely to result in programs and policies which meet the needs of Northerners. For example, many Aboriginal businesses in the North are at earlier stages of development and have different needs than more advanced organizations closer to southern urban centres.

Building and Leveraging Partnerships

The federal government must find ways to build and promote new partnerships with other levels of government and Aboriginal groups across the North to promote economic development. The NAEDB recommends:

- In partnership with Aboriginal groups and other levels of government, the federal government review its current approach to supporting

infrastructure in the territories and the settlement areas outside the territories.

Federal investment in infrastructure development must recognize the unique needs in the North, including the existing infrastructure deficit and the additional costs of development, transportation and business.

The federal government has a key role to play in the provision of infrastructure across Canada. There are approximately a dozen federal infrastructure programs that are projected to provide approximately \$40 to \$45 billion in infrastructure funding to communities across Canada over the next four or five years.³ In Budget 2010, Canada committed to a comprehensive review of infrastructure financing on reserve.

These commitments indicate an awareness of the central role of infrastructure in economic development. The North—which faces a significant infrastructure deficit—requires a similar level of commitment. Any federal northern economic development strategy that does not include effective tools to address the infrastructure deficit in the North is unlikely to succeed.

³ Consulting Engineers of British Columbia. *A Review of Government Infrastructure Spending*. December 2009.

Annex 1: The National Aboriginal Economic Development Board (NAEDB)

Chief Clarence Louie (Chair)

Oliver, British Columbia

Dawn Madahbee

Birch Island, Ontario

Pita Aatami

Kuujuaq, Quebec

Richard Francis

Kingsclear, New Brunswick

Chief Joe Linklater

Old Crow, Yukon

Matthew Mukash

Whapmagoostui, Quebec

Chief Sharon Stinson-Henry

Orillia, Ontario

Chief Terrance Paul

Membertou, Nova Scotia

Tara Tootoo-Fotheringham

Winnipeg, Manitoba