Developing the economic potential of Canada’s territories

December 2012
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When the board of directors of the Canadian Chamber of Commerce met in Iqaluit, Nunavut in 2010, they were seized with the barriers the territories face in assuming their place in the Canadian and global economies. Just as striking were the immense opportunities our territories offer the rest of the country with their wealth of natural resources and beauty, as well as business people, citizens and politicians determined to become full economic partners with the rest of Canada.

It was decided the Canadian Chamber needed to learn more about what business people across the territories believe the federal government could—and should—be doing to create the conditions for full economic participation by them and all of their peoples. The territories are creations of the federal government and it plays a role in their economies and peoples’ lives unlike anywhere else in Canada.

This spring and summer we hosted roundtables in Ottawa, Yellowknife, Iqaluit and Whitehorse. We also spoke individually with several business people, educators and government officials at the federal and territorial levels.

We have learned that our territories are very different in their maturity of governance capacity, status of Aboriginal peoples’ land claims and self-government and the state—or lack—of critical infrastructure. We have also learned that the territories’ business people have much in common:

- They want the territories to become more financially independent of the federal government
- They see the private sector as the means of achieving more financial independence
- They believe the federal government must commit to an economic development strategy for the territories that is flexible enough to accommodate their differing realities and puts in place a range of tools for businesses to allow them to fully participate

Across the territories, businesspeople said that without an integrated vision—as well as a supporting strategy and implementation plan—to put all the “bits and pieces” together, the path to full economic participation will continue to be obstructed.

The issues facing the territories—from the lack of infrastructure to the social and economic participation of Aboriginal peoples—are numerous and complex. Territorial, pan-territorial and federal visions and strategies have been developed separately. Each speaks to—and proposes measures to address—the issues and opportunities from different perspectives.

The federal government has a critical decision to make regarding Canada’s territories if it is to fully leverage their economic potential. That decision is whether or not to provide them with the policy levers to become more financially independent in the belief that doing so will unleash their ability to help the entire country be more competitive.

Some of those tools can be provided through incremental policy decisions; others will be the product of longer-term thinking, planning and implementation.

In this paper, we forward short-, medium- and long-term* recommendations to the federal government. Based on what we heard, now is the time to proceed on all of these paths.

Perrin Beatty
President and Chief Executive Officer
The Canadian Chamber of Commerce

*We have defined short-term as within the next 12 months; medium-term as within two to three years; and long-term within three to five years.
“Canada’s North is a vast land and a vast subject.”
— Thomas R. Berger, December 2010, launch of Canada’s North: What’s the Plan, Conference Board of Canada

Many Canadians do not associate Yukon, the Northwest Territories and Nunavut with our collective future. For most of us, awareness of our territories comes in media reports regarding disputes over which country owns what in and under the Northwest Passage, the impacts of global warming, the high cost of living and disputes with Aboriginal peoples regarding natural resource extraction and transportation projects.

We are selling our territories—and Canada—short. Canada’s economic well-being and international competitiveness could well depend upon the public policies adopted today that create the conditions to fully leverage the economic potential of our territories and their potential to contribute to our nation’s wealth.

Unlike the provinces, the territories are creations of the federal government. Therefore, the federal government must take the lead in developing an integrated, long-term strategy and business case that paves the way for the territories to reach their full social and economic potential. You cannot have one without the other. The work required will be long and require commitment on all parties’ parts. However, there are actions the federal government and business can take while this process is underway which will move the territories’ social and economic development forward. This report outlines these actions and the thinking behind them as follows:

The territories’ place in Canada
Covering 40 per cent of Canada’s land mass with only three per cent of our population, Canada’s territories punch far above their weight economically. In 2011, Nunavut and Yukon had the highest GDP growth in Canada—at 7.7 and 5.6 per cent respectively. A significant proportion of the territories’ population is Aboriginal peoples which is the fastest growing and youngest segment of Canada’s population. The federal and territorial governments recognize the potential of our territories and have developed their respective strategies to leverage their promise for all Canadians’ benefit.

Barriers and opportunities
Many territorial business people believe that currently government is the economy. They also know that the territories will not reach their economic potential and financial independence without lessening their dependence on the “business of government”. They know this is a long-term proposition but more natural resources development in recent years makes this goal seem much more achievable. Between now and then, however, there are barriers to overcome and opportunities to pursue including human resources, infrastructure and strong communities, access to capital, regulation, the federal government’s relationship with the territories and Aboriginal peoples, and the need for an integrated territorial strategy.
Human resources
One of the most significant barriers business people mentioned is a lack of enough people with the skills needed to move their businesses—and economic development—forward. The shortage of skilled workers is felt by businesses throughout Canada but hits territorial businesses particularly hard due to the cost of living, lack of housing, distances away from major urban centres, and lack of infrastructure.

The territories are also challenged by issues that face many Aboriginal peoples who represent a relatively high proportion of their small populations. This youngest, fastest growing segment of the territorial (and Canadian) population holds much promise if the underlying issues contributing to their low educational success and workforce participation can be overcome.

Non-Aboriginal and Aboriginal peoples often have differing perspectives leading to issues in the workplace. Conflicting views on family obligations, seasonal harvesting of food and cultural practices can lead to issues including scheduled work times and vacations. Territorial business people acknowledge that flexibility and respect are key factors in successfully engaging the Aboriginal employees who they very much need to succeed.

The federal government could assist territorial businesses in meeting their human resources challenges by working with Aboriginal and non-Aboriginal communities and business people to develop tools for them to learn about—and adapt to—each others’ business and cultural norms.

Educators said that they believe that one of the fundamental reasons Aboriginal peoples do not succeed in school and the workforce is because they cannot see where they fit into either. The federal government could address this by supporting Aboriginal education programs aimed at instilling a sense of place and pride in students as an essential step before entering programs aimed at delivering workforce-ready graduates.

The federal government also could help businesses in the territories address their human resource issues by:

- Ensuring its skills and training programs are flexible enough to accommodate the economic realities of individual communities and the alternate training models that may be required to deliver effective results
- Seeking opportunities for—and facilitating—pan-territorial initiatives in education and skills

It was also suggested that creating a single portal site with a complete list of federal education and training support programs would help businesses. One First Nations business person also suggested the federal government should ensure that all education and skills programs have measurable objectives and that annual reports are produced that evaluate the degree to which they are—or are not—meeting them.

Infrastructure and building strong communities
Business people believe that the operational costs of doing business in Canada’s territories can be overcome. The lack of physical infrastructure is hard—if not impossible—to deal with, they said. In addition to the high costs and formidable logistics associated with bringing physical infrastructure to the level at which it should be, the territories also face the perception in much of the rest of Canada that government money spent there is a subsidy and not an investment. This means that there is pressure to tie government spending to a specific economic benefit.
Business people know there will never be enough money or other resources to meet all of the territories’ infrastructure needs and that they need to determine their priorities. We also heard that strong communities—and the social infrastructure upon which they stand—are just as important as roads, runways, energy and telecommunications. Not surprisingly, business people believe local businesses that can withstand the comings and goings of major projects are the foundation of the strong and stable communities the territories need to ensure their long-term economic prosperity.

Business people also told us the federal government should be bringing the efficiencies and sharing of risk possible through private sector partnerships into more territorial infrastructure projects and that it should consider potential community and commercial benefits when choosing the locations of government infrastructure. The Canadian Chamber agrees—as suggested by the territorial premiers—that because of their unique circumstances there is merit in the federal government adopting a base, plus per capita, funding model for infrastructure projects in the territories.

The federal government could assist in building long-term economic sustainability in smaller communities and alleviating infrastructure pressures in the territories by working with the territorial governments, Aboriginal peoples, businesses and other stakeholders to develop a list of infrastructure priorities in each territory and developing on-line training programs and other resource materials—including a list of companies willing to provide mentorship—on how to set up and sustain a small business.

Access to capital
Territorial businesses can face difficulties in obtaining financing due to several factors including a lack of knowledge regarding the assistance that is available from the federal government as well as the fact that many projects involve small firms in remote communities that may not have the borrowing history investors seek. The federal government could assist by establishing and managing a funding portal for businesses in the territories to access sources of business financing from federal departments, agencies and crown corporations.

Regulation
Canada’s legal and regulatory environment provides the stability and predictability investors seek. However, there are poorly designed and managed federal regulations that cause delays and frustration. Regulation of the natural resources sector, in particular the federal government’s recent measures to streamline the federal environmental assessment process, has understandably been the focus of much attention.

Business people said that federal regulations in other sectors (including fisheries and border security) developed by people in southern Canada can have unintended and frustrating consequences in the territories. In particular, those requiring federal agents to process documents and/or people. Federal cutbacks are affecting access to approvals—for example to surveys—for which there has not yet been sufficient capacity built in the territories.

Business people suggested that where there is no presence in a community of the federal agency responsible for processing documents and/or people (for example Canadian Border Services Agency and Passport Canada) that the relevant responsibilities be delegated to a federal body that is there full-time (for example the RCMP). They also said that the federal government needs to ensure that the capacity to deliver regulatory approvals is available from the territorial governments before it curtails or ceases to deliver these services.

The federal government’s relationship with the territories and Aboriginal peoples
Business people told us that the federal government has to soon decide what it wants to do with the territories. With the forces of international economic power shifting and the hunger for natural resources rising in the fastest-growing economies, Canada is going to need strong territorial economies to compete. Reducing the territories’ dependency on the federal government is critical to building that strength.
The federal government, they said, can create the conditions for financial independency in the territories by:

- Providing new economic development tools to businesses
- Creating more revenue sources for territorial governments
- Establishing a new, constructive relationship with Aboriginal peoples that acknowledges the economic potential of their lands and peoples

Specifically, territorial business people suggested that the federal government:

- Use the natural resources royalty agreements recently concluded with Yukon and included in the devolution agreement-in-principle with the Northwest Territories as models in devolution negotiations with Nunavut
- Designate a percentage of the royalty revenues it receives from natural resources to benefit the communities from which the natural resources are extracted
- Make a concerted effort to resolve unsettled land claims and meet the commitments it has made under treaties and land claim agreements already settled
- Revise its procurement policies to permit the splitting of contracts amongst suppliers by region and function to allow smaller companies to compete for its business
- Adjust the Northern Residents’ Tax Deduction to reflect increases in the Consumer Price Index since it was last adjusted in 2008 and then index it annually to any increases in the territories’ costs of living

An integrated territorial strategy
Across the territories, business people said that without a vision—and supporting strategy—to put all the “bits and pieces” together, the path to full economic participation—and recognition by the rest of the country—will continue to be obstructed. The issues facing the territories—from the lack of infrastructure to the social and economic participation of Aboriginal peoples—are numerous and complex. Territorial, pan-territorial and federal visions and strategies have been developed separately. Each speaks to—and proposes measures to address—the issues from different perspectives.

Within three to five years, the federal government should undertake a consultation (led by either CanNor or a specially-appointed body/panel) with a broad spectrum of stakeholders (including government, business, Aboriginal peoples, educators and health care and social service providers). The outcome would be a vision for social and economic development across Canada’s territories with an accompanying strategy, business case and implementation plan. The vision and implementation plan must—while identifying social and economic priorities across the territories—have the flexibility to accommodate the differing circumstances (devolution, governance capacity, land claims agreements, etc.) of each territory.

A word for business
Territorial businesses know they have to support each or they will not survive. Today’s higher prices will only become lower—and the range and quality of goods higher—if businesses can increase their volumes. That means territorial businesses have to buy from each other.

Businesses also know they have to treat the communities whose support they need with the respect they expect and deserve. Moving beyond what is required by law and engaging in meaningful discussions with communities where major projects are to be located will make projects run more smoothly and bring economic benefits.

Some federal officials said that territorial businesses’ representations would be more effective if they were expressed through a unified voice. The Canadian Chamber will gauge members’ interest in establishing a territorial business council to serve as a single voice on behalf of businesses to the federal government.

The Canadian Chamber of Commerce 7
Covering 40 per cent of Canada’s land mass with just over three per cent of our population, Canada’s territories punch above their weight economically. In 2011, Yukon and Nunavut had the highest and second highest annual gross domestic product (GDP) increases in Canada (at 7.7 and 5.6 per cent respectively) attributed to “exploration, mining and related construction activities.”

1 According to the 2011 census, the total population Canada was 34,482,800. The territories’ populations were: Yukon—34,700; Northwest Territories—43,700; Nunavut—33,300 (Total: 111,700). Source: www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/demo02a-eng.htm Accessed August 14, 2012.
### 2011 GDP in Canada

<table>
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<tr>
<th>Province</th>
<th>% change compared to 2010</th>
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<tr>
<td>Canada</td>
<td>2.6</td>
</tr>
<tr>
<td>Newfoundland and Labrador</td>
<td>2.8</td>
</tr>
<tr>
<td>Prince Edward Island</td>
<td>1.1</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>0.3</td>
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<tr>
<td>New Brunswick</td>
<td>0.1</td>
</tr>
<tr>
<td>Quebec</td>
<td>1.7</td>
</tr>
<tr>
<td>Ontario</td>
<td>2</td>
</tr>
<tr>
<td>Manitoba</td>
<td>1.1</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>4.8</td>
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<tr>
<td>Alberta</td>
<td>5.2</td>
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<tr>
<td>British Columbia</td>
<td>2.9</td>
</tr>
<tr>
<td>Yukon</td>
<td>5.6</td>
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<tr>
<td>Northwest Territories</td>
<td>-5.5</td>
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<tr>
<td>Nunavut</td>
<td>7.7</td>
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Source: Statistics Canada

Aboriginal peoples\(^2\)—Canada’s youngest and fastest growing population\(^3\)—represent a significant proportion of the territories’ populations. Fifty per cent of Canada’s Aboriginal peoples and 40 per cent of all people living in the territories are under 25. (The Canadian average is 30 per cent.)\(^4\)

Much of Canada’s untapped natural resources wealth is believed to lie in our territories. The federal government is investing $100 million over five years (2008-2013) in the Geo-mapping for Energy and Minerals (GEM) program to identify energy and mineral resource locations and potential in the territories. GEM’s objective is to “guide and inform effective investment and land-use decisions.”\(^5\)

Approximately 13 per cent of the world’s undiscovered oil and 30 per cent of its undiscovered gas lie under the Arctic seabed. Canada is the world’s fourth largest diamond producer and most of Canada’s diamond deposits are located in the territories.\(^6\)

In 2007, the federal government released Canada’s Northern Strategy following the territorial premiers’ A Northern Vision: A Stronger North and a Better Canada which outlines the framework for how the territories plan to work together to build a North that “…contributes to the well-being of all Canadians.”\(^7\)

In 2009, the federal government released Canada’s Northern Strategy, Our North, Our Heritage, Our Future. This document, outlines the federal government’s vision for Canada’s North to “ensure the region achieves its rightful place within a strong and sovereign Canada.”\(^8\) The strategy outlines

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2 Aboriginal peoples is the collective name for the original peoples of North America and includes First Nations, Métis, and Inuit. Source: Aboriginal Affairs and Northern Development Canada

3 According to the 2006 census, Canada’s Aboriginal population increased by 20.1 per cent between 2001-2006. Canada’s overall population grew by 5.4 per cent in the same period. www12.statcan.ca/census-recensement/2006/dp-pd/hlt/97-550/Index.cfm?Page=INDX&LANG=Eng

4 Source: Aboriginal Affairs and Northern Development Canada

5 www.nrcan.gc.ca/earth-sciences/about/current-program/geomapping/7131

6 Aboriginal Affairs and Northern Development Canada

7 A Northern Vision: A Stronger North and a Better Canada, Governments of Yukon, Northwest Territories and Nunavut, 2007

8 Canada’s Northern Strategy, Our North, Our Heritage, Our Future, Government of Canada, 2009
four priorities: sovereignty, social and economic development, protecting the environment and devolving governance to the territories.

In 2011, the federal government released *Achievements Under Canada’s Northern Strategy, 2007-2011*. This report outlines the federal government’s actions in each of the priority areas, including:

**Sovereignty:** new offshore monitoring vessels; a new icebreaker, a deep-sea port at Arctic Bay (Nunavut), expanding the Canadian Rangers Program, ongoing seabed mapping, RADARSAT constellation mission

**Social and economic development:** a small craft harbour in Pangnirtung (Nunavut), creating the Canadian Northern Economic Development Agency (CanNor), reducing regulatory red tape; $500M invested in housing, launching Nutrition North, $27M invested over 5 years in Adult Basic Education in the North

**Protecting the environment:** funding for the Canadian High Arctic Research Station (CHARS) in Cambridge Bay (Nunavut), the Beaufort Regional Environmental Assessment, expansion of Nahanni National Park, increasing protected marine and conservation areas, accelerating the remediation of contaminated federal sites

**Devolution of federal authority:** devolution agreement-in-principle signed with the Northwest Territories (2011), naming of a chief devolution negotiator for Nunavut (2012).

The territorial premiers met in June 2012 and in their communiqué, they stated that they continue to be guided by 2007’s *Northern Vision* and their commitment to working together—and with the federal government—to move the economies and societies of the territories forward. Of note, is their mention of several issues raised by the business people the Canadian Chamber spoke with across the territories, including:

- Adjusting the Northern Residents’ Deduction and indexing it to reflect increases in the Consumer Price Index (CPI)
- Adopting a “base-funding plus per capita” model to address the territories’ infrastructure “deficit” to acknowledge their vast geography and sparse population
- Advancing a pan-territorial approach to training for the natural resources sector
- Completing devolution in the Northwest Territories and continuing the path to devolution in Nunavut
- Emphasizing that a Canadian Energy Strategy should—in addition to ensuring that Canada is a world leader in the development, transport and export of energy resources—“also focus on meeting Canada’s domestic energy needs by ensuring a secure, sustainable, reliable and competitively-priced supply of energy for all Canadians.”

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9 Northern Premier’s Forum Communiqué: Premiers continue to build a stronger North and a better Canada, June 27, 2012.
Barriers to—and opportunities for—developing the economic potential of Canada’s territories

The cost of doing business

Given their geographic expanse and distance from major urban centres, it is not surprising that the cost of doing business is one of the first barriers that business people identify to private sector investment/activity and economic development in the territories. One business person cited the “compound effect” of doing business in the territories resulting from a combination of the relatively high costs of commodities, such as fuel, and the high cost of transporting them into the territories. “The cost of doing business in the North is five times higher and the effort of operating here is 10 times what it is in the provinces,” he said.

Opposition to/fear of development

Some business people see convincing small communities and special interest groups that development is not necessarily a bad word as a major challenge. Many small and remote communities fear economic development, they said, because they do not want their lifestyle to change. They also do not want to see their rivers dammed and lakes polluted. Business people acknowledged that government—and they—have to be very careful when they say they want develop communities to ensure that “develop” is not translated into “destroy.” As one Yellowknife participant said, “You’ve got to remember, you are not dealing with just money…you are dealing with people’s history and their desire to keep their way of life. Not only is money going to have to be spent on development, there is going to have to be money spent on preservation.”

This same participant added that communities may not be as resistant to development as people think. Because of bad experiences in the past which have led to a mistrust of outsiders, there is an opportunity for to address this by seeking communities’ perspectives regarding how to work together particularly with their youth.
“Boom and bust”

The cyclical nature of territorial economies—which rely heavily on natural resources—is seen as a significant barrier to developing the “real, local-based” capacity essential for sustainable economic development. In the construction sector, said one participant, “...it makes it almost impossible for SMEs to get into the sector because of the significant investments required.”

The natural resources sector is seen by some business people as the “low hanging fruit” of economic development providing the most potential return for relatively short-term investment. While natural resources development is critical to the territories’—and Canada’s—economic development, businesspeople believe there needs to be a strategy for diversifying the economies of all of the territories by building territorial scientific expertise (including research and development) to support the natural resources sector, the value-added processing of natural resources as well as more leveraging of territories’ natural beauty for tourism and the opportunities presented by the traditional economy which includes fur and traditional crafts. Full economic development and participation requires a mix of economic activities which, in turn, create their own economic spin offs in other sectors.

The capacity to capitalize on economic development opportunities

Smaller businesses in the territories are concerned with their capacity to capitalize on the opportunities major projects offer. This is due to the cyclical/seasonal nature of much of the natural resources development in the territories making it too expensive for smaller firms to purchase in the quantities and/or make the capital investments needed. Unfortunately, this results in much of the money being spent on exploration going right back into the provinces or outside of Canada. Economic diversification—and more major project workers living full-time in the territories—would assist. Other business people feel that major project proponents should be obliged to do a certain percentage of their business with territorial companies able to meet their requirements.

Human resources

Economic development does not happen without people. Canada is facing a shortage of the workers with the skills employers need to move their businesses and our economy forward. Even with slow economic growth and a greater focus on immigrants that meet employers’ needs, the demand for workers in Canada is expected to exceed the supply by 2014.10 The Conference Board of Canada predicts that by 2020, Canada will experience a labour shortage of nearly one million people.11

The shortage of skilled workers is felt by businesses throughout Canada but hits territorial businesses particularly hard due to the cost of living, lack of housing, distances away from major urban centres, and lack of infrastructure. An example of the latter is robust broadband service which provides a vital psychological connection to the rest of the world for workers in, and residents of, remote locations. These issues are relevant to attracting workers from elsewhere and in the retention of the existing workforce.

The territories could have a strategic advantage in the longer-term given the significant proportion of Aboriginal peoples in their populations. This youngest, fastest growing segment of the territorial and Canadian population offers much promise if the underlying issues of low educational success and workforce participation rates can be overcome.

Until then, businesses will have to rely on attracting—and retaining—employees from elsewhere. Employers believe the federal government could assist them by making firm commitments to investing in the infrastructure that would make territorial communities more attractive.

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10 A Perfect Storm: Sustaining Canada’s Economy During Our Next Demographic Transformation, Ramlo and Berlin, The Urban Futures Institute: Report 66
places in which to live. The example of the federal government’s investment in Whitehorse for the 2012 Arctic Winter Games was cited as having made a “remarkable” contribution to the community. Improved infrastructure would also assist in encouraging young people from the territories to stay and/or return after pursuing their education elsewhere.

“They (students) do want to come back and give back to their community. But we have to also give them a sense that there is going to be development, that there is a commitment to that infrastructure coming into play so that they can then contribute to building that infrastructure in a sustainable manner.”
—Iqaluit participant

Northwest Territories Power Corporation faces the two-fold challenge of requiring highly-skilled workers (10 per cent of its jobs are vacant) which are in high demand and the inability to pay as much as – let alone more than – what is being offered in southern Canada. The company is taking its own initiative to meet this challenge in the short-term with an apprenticeship program for linesmen, electricians, and mechanics. The company knows that one of its challenges is that it risks losing these people as soon as they are trained.

Salt and fresh water meeting
There are many complicated and historical issues standing between territorial businesses – most of which are owned and managed by non-Aboriginal people – and the Aboriginal peoples that hold so much potential for easing their workforce pressures.

“The way that I think of it is that Nunavut is like a river where there is salt water meeting fresh water and cold water meeting warm water, and the tide going up and the tide going down ... It’s a very difficult place to live for all of us because everything is moving all the time and you don’t really know where the water is going.”
—Iqaluit participant

Non-Aboriginal and Aboriginal peoples often have differing perspectives leading to issues in the workplace. Conflicting views on family obligations, seasonal harvesting of food and cultural practices can lead to issues including scheduled work times and vacations. Territorial business people acknowledge that flexibility and respect are key factors in successfully engaging the Aboriginal employees who they very much need to succeed.

“There is a cultural issue regarding what we see as being work ethic and the desire to work. It is not correct and it’s not for us to criticize or try and change. We come from a nine-to-five culture and we are trying to superimpose it on a culture that never has had nine-to-five.”
—Iqaluit participant

Business people and educators recognize that success for Aboriginal peoples in the economy requires more than skills and training programs that meet employers’ needs. All the training in the world will not necessarily result in an Aboriginal person fitting into a workplace in which a southern “nine-to-five” culture dominates. Preparing non-Aboriginal employees regarding Aboriginal culture and norms is critical for success. A multi-national would not send staff to another country without cultural education. The same should be true of employers sending staff to locations within Canada in which there is a significant proportion of Aboriginal peoples.
Skills Northwest Territories is working in some communities with Aboriginal youth in making traditional clothing. While this skill set is not sanctioned by federal government funding, it is very important to the communities. The program teaches Aboriginal youth a skill that is interesting to them. It also provides some potential economic benefits as the clothing is sold at annual bazaar.

While there is the perception that anyone in the territories who wants a job can get one, unemployment rates remain relatively high in Aboriginal communities. There are many reasons why and, depending on which community, it may come down to a matter of healing. The need to heal is something that is often overlooked as a barrier to Aboriginal peoples’ educational and workforce success. As such, it is a barrier to economic development.

We believe that the federal government could assist territorial businesses in meeting their human resources challenges by working with Aboriginal and non-Aboriginal communities and business people to develop tools for them to learn about—and adapt to—each others’ business and cultural norms.

We heard from educators that they believe that one of the fundamental reasons Aboriginal peoples do not succeed in school and the workforce is because they cannot see where they fit into either.

We believe that the federal government could address this by supporting more Aboriginal education programs—like the Nunavut Sivuniksavut (NS) program—aimed at instilling a sense of place and pride in students as an essential step before entering programs aimed at delivering workforce-ready graduates.

The Nunavut Sivuniksavut (NS) program—the only one of its kind offered in the territories—has proven to be a highly successful stepping stone for Inuit youth who have graduated from high school but have yet to enter post-secondary education. The program was created in 1985 to help young Inuit prepare for involvement in the implementation of the Nunavut Land Claims Agreement (1993) and the creation of Nunavut.

Every year, 30-35 young people from Nunavut are brought to the NS College in Ottawa for eight months. The NS College’s curriculum focuses on helping young Inuit learn independent living with academic work focused on their history. At the same time, they are exposed to society in the south which can be very useful for post-secondary education success and future business dealings.

The program works well in large part because of its sensitivity to the difficulties which young people from remote communities face when suddenly finding themselves in an urban environment with a very different culture. Eighty to 85 per cent of NS students complete the program. Approximately the same percentage of NS graduates are successfully employed.

Often skills and training programs aimed at Aboriginal peoples fail because one critical factor is missing; the programming that gives participants a sense of empowerment, self-worth and pride in themselves and their histories. Without this, success is often elusive as Aboriginal peoples try to negotiate their way in a labour force dominated by different norms, sometimes far from home and community support.

At the end of 2011, the average unemployment rate for the territories was 4.8 per cent. For Aboriginal peoples in the territories, the unemployment rate was 9.2 per cent. Sources: www.hrsdc.gc.ca/eng/workplaceskills/labour_market_information/bulletins/ts/ts-lmb-2012winter.shtml and www.hrsdc.gc.ca/eng/employment/aboriginal_employment/almb/page05.shtml (Accessed October 17, 2012)
Inconsistency of educators and the economy
Some educators felt the sporadic nature of economic activity in the territories makes it difficult to encourage young people to invest time in training when the job they have trained for could be gone by the time they are ready to join the workforce. Another issue is the coming and going of educators in the territories which discourages young people. We all know how difficult it is to lose a trusted and respected teacher.

Morley Hanson, Co-ordinator/Instructor, Nunavut Sivuniksavut School

“Our graduates leave with a sense of pride and empowerment they didn’t have when they arrived, ready to take on differing career paths because of their attitudes. Our program doesn’t change the situation, but it changes individuals.”

— Morley Hanson, Co-ordinator/Instructor, Nunavut Sivuniksavut School

“I have been with Skills (Northwest Territories) Canada for over six years now, and I was the sixth executive director in about six years. Every year, the first thing we do in September is call all the school districts and get the new names of the principals and contacts ... It is a challenge.”

—Whitehorse participant

More flexibility in delivering curriculum could, according to one educator, make it more attractive for teachers to remain in the territories. Different communities have evolved different ways and at different times often determined by when and under what circumstance European contact occurred. “One size fits all” very rarely results in success. “There seem to be two schools of thought regarding education,” said one educator. “There are the people who look at what is working on the ground, what the kids are responding to, what addresses businesses’ needs, and they follow that direction.” Others follow the “narrow” policy box and, in her view, this is where there are problems.

Allowing principals and teachers to adapt curricula to the needs of students aids retention because they feel they are more empowered to work with the communities and make a positive difference in students’ lives.

More flexibility in federal programs, for example the Aboriginal Skills and Employment Training Strategy (ASETS), would help those looking for training and employers. Much of ASETS’ programs are tied to Employment Insurance (EI). However, this is not much help to people who are not eligible for EI because they have never been employed. Skills and training programs also need to acknowledge the fact that the territorial economies need to be more diverse to sustain long-term development.

“Allowing people to diversify their economic pursuits is very important because not everyone wants to be a miner, and not everyone wants to work in government either.”

—Iqaluit participant
Flexibility is critical when you have a small population spread over a large geography. Some business people believe focused, targeted programs that “build little incubators” of skills in communities are much more effective in the long-term. Rather than flying people into communities to deliver training and then leave, training a few people in the community to train others could be much more effective.

“I think we need to switch from big grandiose plans on the people side to smaller projects that go in and get the buy-in and the ownership of the community.”
—Iqaluit participant

More powerful when working together
Territorial businesses are recognizing that they can have more power when they pool their resources across their geographical boundaries.

When HRSDC’s Aboriginal Skills and Employment Partnership (ASEP) program ended on March 31, 2012, the Northwest Territories’ Mine Training Society, the Yukon Mine Training Association, and newly-created Nunavut Mine Training Society joined forces with the territorial governments and businesses in forwarding a proposal — now under review by the federal Cabinet — for mine training throughout the territories. Called the Pan-Territorial Northern Mineral Workforce Development Strategy (or North Works), the $200 million13, five-year, proposal aims to meet the anticipated need for the nine to 10 thousand workers in the territories’ mining sector by 2017. If approved, North Works would train Aboriginal and non-Aboriginal peoples in mining skills as well as community consultation, exploration, construction and reclamation. There will also be a focus on such social issues as homesickness which prevents people from staying on the job once trained.

The mismatch between education/training and employers’ needs
Several business people expressed frustration with the ongoing disconnect between the education system and employers’ needs. As one Yellowknife roundtable participant said, “It’s great that Aurora College can train a dozen truck drivers in Norman Wells, however, they can only drive the winter road two months a year.”

A representative from the government of the Northwest Territories said that the continued compartmentalization of training is a fundamental challenge to labour force development not only in the territories, but throughout North America. The only way to find the “connect point” with business, he said, is to sit down with each other and discuss what needs to be changed and how.

Business people are optimistic that training skilled workers is a “solvable issue” and that it is up to the private sector to work with high schools and post-secondary institutions to develop an inventory of the type of skilled jobs that are available or are likely to be available in the territories, and then continue working with them to ensure they train the people to fill those jobs. Businesses see this partnership as critical to developing a robust territorial workforce.

“…If any one of those pieces is missing, it makes it more difficult for people to actually stay here.”
—Whitehorse participant

Business people also propose that training institutions address capacity issues by being innovative, for example double-shifting some of their skilled trades programs. A college representative in Whitehorse expressed a willingness to work closely with businesses. “We want to be able to provide training for all of you. We need you to work with us. We need you to tell us what it is you need, what the priorities are for the Territory,” she said.

13 The proposed funding split is: $100 million (federal government, possibly from the Skills and Partnership Fund; $70 million (from industry); $20 million (territorial governments); $10 million (Aboriginal governments)
Competing with government/natural resources sector
In addition to all of the issues they face in attracting and retaining workers, territorial businesses also have to contend with the reality of the dominance and draw of government and natural resources companies for skilled workers.

The experience of one northern airline illustrates the frustration of some employers. The airline showcased some of the career opportunities it offers to youth in Nunavut communities and received a thick pile of résumés. However, after the company followed up with applicants, only eight people remained interested.

“And one of the biggest hurdles, unfortunately, that we face ... is the wages that the mines and governments are paying. We’re a relatively large company with 1000 employees. How do the small- and mid-sized companies compete with the oil and gas and the government side of it?”
—Yellowknife participant

Public policy disincentives
In addition to cultural barriers to employment success, there are public policies that—while well-intentioned—frustrate employers in their efforts to retain good employees. A construction company found people they had recruited and trained were quitting after a few months. When asked why, the employees responded, “Because I am making money. I like that, but my rent is going to go up.” This is because in virtually every community in the territories rent is geared to income.

“It’s a shock to people to start earning a good wage and have to start paying for housing when they’ve never had to do so before. I don’t know what the cost is now to maintain people on welfare, but there has got to be a way to create real jobs where people ... go to work, they make money, they spend the money in town... we have got to draw that kind of an economy and drive it.”
—Iqaluit participant

The federal government and its policies pose other challenges to businesses in the territories.

There is also some confusion and frustration caused by the frequent changes to federal skills and training programs, particularly those geared to Aboriginal peoples. Many employers are confused regarding the role and/or status of programs federal program like ASETS and ASEP (which ended on March 31, 2012). Some businesspeople also expressed regret the programs like the Aboriginal Workforce Participation Initiative (AWPI) no longer exist and make it more economical to meet their labour needs with foreign workers rather than Aboriginal peoples.

One First Nations representative expressed frustration with the millions of dollars “pumped” into Aboriginal education programs with “no follow-up, no accountability.”

One of the most perplexing federal policies affecting the success of Aboriginal Canadians in post-secondary education and, ultimately, the workforce is the two per cent cap on the Post Secondary Support Program (PSSP) for First Nations and Inuit students. This cap, which has been in place since 1996, is seen by business people as nonsensical when Canada’s Aboriginal population is growing by more than four per cent annually.14

Not all doom and gloom
Business people—and educators—identified several opportunities for improving the human resources issues they face in the territories, as well as the realities of today that are or will bear fruit for employees and employers tomorrow. These opportunities include:

- Businesses and educators working together in the territories to develop new programming and new opportunities for youth
- Certain sectors, for example retail, acknowledging their entry-level/springboard role for workers in the territories and working to solve their immediate needs by developing training programs aimed at Aboriginal workers

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14 According to the 2006 census, Canada’s Aboriginal population increased by 20.1 per cent between 2001-2006. Canada’s overall population grew by 5.4 per cent in the same period. www12.statcan.ca/census-recensement/2006/dp-pd/hlt/97-550/ Index.cfm?Page=1INDX&LANG=Eng
- Training people to become entrepreneurs as not all business models (for example movers) call for an employer/employee model
- Looking to early childhood programs as an opportunity for having children enter elementary school as well-equipped as possible to learn
- Examining the business practices of Aboriginal companies, for example Quebec’s Cree Construction Company and Nunavut’s Qikiqtaaluk Corporation (QC), that have been very successful in leveraging the skills of their peoples for economic benefit and maintaining high levels of retention
- Recognizing the societal benefits of education and training even if it does not lead directly to related employment

“The nice thing about it (education) is once you have it...there is nobody who can take it back.”
—Iqaluit participant

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**Recommendations**

**In the next 12 months the federal government should:**

- Create a single portal site to which businesses, citizens, educators and others can refer for a complete list of federal education and skills training support programs offered through Human Resources and Skills Development Canada (HRSDC), Aboriginal Affairs and Northern Development, the Canadian Northern Economic Development Agency (CanNor) and other departments/agencies
- Seek opportunities for and support pan-territorial initiatives in skills and training
- Implement (within the current federal funding envelope) the recommendations of the National Panel on First Nation Elementary and Secondary Education,15 and remove – or at minimum increase – the two per cent cap on the Post-Secondary Support Program (PSSP)

**In the next two to three years, the federal government should:**

- Work with Aboriginal and non-Aboriginal communities and business people to develop tools for learning about and adapting to each others’ business and cultural norms
- Fund Aboriginal training programs that aim to instil a sense of place and pride in students as an essential interim step to programs that aim to deliver workforce-ready graduates
- Ensure its skills and training programs are flexible enough to accommodate the economic realities of individual communities and the alternate training models that may be required to deliver effective results
- Make sure that all education and skills programs have measurable objectives and that annual reports are produced on the degree to which they are – or are not – meeting them

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15 The Panel’s recommendations were: 1) Co-create a child-centered First Nation Education Act; 2) Create a National Commission for First Nation Education to support education reform and improvement; 3) Facilitate and support the creation of a First Nation education system through the development of regional First Nation Education organizations to provide support and services for First Nation schools and First Nation students; 4) Ensure adequate funding to support a First Nation education system that meets the needs of First Nation learners, First Nation communities and Canada as a whole; 5) Establish accountability and reporting framework to assess improvement in First Nation education
Infrastructure

“…sustainable, predictable and flexible infrastructure funding enable strategic investment that maximizes economic benefits, creates new and lasting jobs in communities, increases competitiveness and improves critical services.”

— Communiqué, Northern Premiers Forum, June 2012

Territorial infrastructure snapshot

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<thead>
<tr>
<th></th>
<th>Yukon</th>
<th>NWT</th>
<th>Nunavut</th>
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<tbody>
<tr>
<td><strong>Power Generation</strong></td>
<td>Well-developed grid</td>
<td>Electricity grid around Yellowknife but largely diesel generated</td>
<td>Small diesel generators provide power for each community</td>
</tr>
<tr>
<td></td>
<td>Largely powered by hydro</td>
<td></td>
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<tr>
<td><strong>Roads/Ports</strong></td>
<td>Relatively large road network that includes the Alaska Highway and the Canol Project</td>
<td>Limited all-season road network supplemented by winter ice-roads</td>
<td>Nunavut communities accessible by air only</td>
</tr>
<tr>
<td></td>
<td>No ports but mining developers are considering ways to improve Skagway access in Alaska</td>
<td>No coastal ports but tide-based ports (Tuktoyaktuk, Sachs Harbour, Ulukhaktok and Paulatuki)</td>
<td>Small craft harbour in Pangnirtung fully operational in 2013</td>
</tr>
<tr>
<td><strong>Connectivity</strong></td>
<td>All but one community served by land-based services</td>
<td>A mix of land-based and satellite-served communities</td>
<td>All 25 communities rely on satellite services</td>
</tr>
<tr>
<td></td>
<td>Most established infrastructure in the territories</td>
<td>Yellowknife has the best communication access among NWT’s communities</td>
<td>Many government departments rely on paper-based data collection systems</td>
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<tr>
<td></td>
<td></td>
<td>MacKenzie Valley fibre optic link in feasibility stage</td>
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Source: Developed by Aboriginal Affairs and Northern Development Canada for Infrastructure Canada: Building for Prosperity, Canada’s Long-term Infrastructure Plan, Report of the Steering Committee, September 2012
The federal government introduced the $8.8 billion Building Canada Fund to finance up to 50 per cent of the cost of public as well as some private and non-profit projects from 2007 to 2014. Funding is extended to provinces and territories based on population. The Building Canada Fund—which ends in 2014 but which the government is committed to replacing—has been acknowledged by the territorial premiers as having “enabled significant progress on upgrading and improving community and transportation infrastructure in the North.” However, with its vast geography, difficult terrain and sparse population, the territories’ premiers have called for a “base-funding plus per capita” formula for infrastructure funding in the territories.

The business people we spoke with believe that the operational costs of doing business in the Canada’s territories can be overcome. The lack of physical infrastructure is hard, if not impossible, to deal with they said. From roads and runways, to energy and telecommunications, business people believe the lack of sufficient physical infrastructure is the biggest barrier to the territories’ economic development and social well-being.

Territorial governments are restricted in their ability to invest in infrastructure by debt caps. While the rationale for the caps is understandable, they restrict the territories’ ability to raise funds for infrastructure investments.

Is it an investment or a subsidy?
Business people know there will never be enough money or other resources to meet all of the territories’ infrastructure needs and that they need to determine their priorities. In addition to high costs and formidable logistics, the territories also face the perception in much of the rest of Canada that federal money spent there is a subsidy and not an investment. Therefore, there is additional pressure to link infrastructure spending with a particular economic benefit.

As with the Alberta oilsands, many Canadians do not make the connection between economic development in the territories and their own well-being. Business people in the territories make that connection and believe the government needs to better communicate that investments in the territories create jobs in the south.

“We have many employees who come from the south who are working in areas like Meadowbank and Meliadine, and for all the other construction companies that do come up north. Because they’re from the south, the north is contributing greatly to the southern economy and the families the workers have. They make all their money up north and then bring that money home. So the north really is supporting the south. The infrastructure built in the north would be a huge investment, and we’re looking for support from the south to make sure the north develops properly.”

— Pujuut Kusugak, Representative, Hamlet of Rankin Inlet, House of Commons Standing Committee on Natural Resources, June 7, 2012

And, in business peoples’ view, governments benefit from improved infrastructure as well. For example, building seasonal ice roads every year costs territorial governments millions of dollars.

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16 Communiqué, Northern Premiers’ Forum, June 27, 2012

17 In the 2012 Federal Budget, the territorial borrowing limits (debt caps) were increased to $800 million, $400 million and $400 million respectively for the Government of the Northwest Territories, the Government of Yukon and the Government of Nunavut.

18 In its September 2012 report, Building for Prosperity, Canada’s Long-term Infrastructure Plan, the Steering Committee cites an example of “an ice road in the Northwest Territories. This particular road has annual construction costs of between $15-20 million and offers a two month window during which an entire year’s worth of fuel and consumables needs to be transported.” (pg. 39)
Energy and transportation

Energy in the Northwest Territories is an example of how—with strategic investment—more efficiency and value could be achieved. According to the President and Chief Operation Officer of Northwest Power, the territory is using about 40 per cent of its hydro capacity while bearing the full cost of construction, amortization, etc. Connecting the territory’s grid to Alberta’s would cut its costs effectively in half because its dams would run 100 per cent of the time.

Yukon believes it, too, could become an exporter of energy with connection to either the Alaska or British Columbia grids.

Nowhere is the infrastructure issue more profound than in Nunavut, which does not have any roads and relies upon diesel for its power generation.

While some natural resources, e.g., diamonds, can be transported for refining and to markets by air, others (for example base metals) must be transported by land. This reality makes the current road networks in the territories crucial to their economic survival and new ones just as important to their future development and prosperity. Roads offer additional opportunities including corridors for other infrastructure including energy and telecommunications. New roads will not only open up new transportation efficiencies; roads establishing direct routes from the provinces into the territories would reduce operating costs. For example, today when a business needs goods transported from Alberta to the Northwest Territories, it has to get permits and licenses for Alberta, B.C., Yukon and the Northwest Territories.

“If it was possible to drive directly from Edmonton to Inuvik, not only is it about a 30 per cent saving in driving time, but I would also save 50 per cent on transaction costs, on licences and permits.”
—Yellowknife participant

Airlines are the territories’ transportation lifeline. In Nunavut, if something does not come during the annual sea lift, it comes by air. Yet, some of the large aircraft that are able to land on gravel runways are going to be obsolete in three to five years. With only 10 of the territories’ 65 airports having paved runways, it begs the question of how these communities—particularly those in which major development projects are underway—will be served.

There is also the issue of Transport Canada handing off responsibility for airports to the territories, while retaining control over the rules and regulations. This has resulted in significant costs to the territorial governments. The expense of keeping some airports up to federal standards has come at the expense of closing others.

“There has to be recognition federally that small communities need air transportation and there has to be a way that their airports can meet the new standards cost effectively.”
—Whitehorse participant

Broadband

“We want the same technology that you can get anywhere else, like anywhere else.”
—Iqaluit participant

Some business people said that attracting and retaining skilled workers can rest on the quality and reliability of a community’s broadband service. For people coming from elsewhere, the ability to download entertainment and access social media is as essential to their lives as running water and electricity.

Broadband is also becoming essential to the social fabric of the territories. Young people are highly-dependent upon social media for connecting with their friends, communities and the world. Unfortunately, the territories’ broadband infrastructure is not as robust as it should be for...
such a sparsely-populated expanse of geography. For example, Yukon College has had to cancel video conference classes in smaller communities due to a lack of bandwidth. (At the same time, the College is trying to attract students by promoting itself as technologically friendly and savvy.)

Telecommunications was going to be the glue that held the decentralized governance model in Nunavut together. Many Canadians will remember what happened in Nunavut when the single satellite that provides the territory’s telecommunications services stopped functioning in 2011. Phones stopped working, there was no internet or banking services and planes were grounded.

“If this had happened anywhere else in Canada, they would go to another satellite right away. We don’t have that option here.”
—Iqaluit participant

Some business people believe that the federal government should insist the highly-anticipated Asia-Europe fibre link be connected to hub communities in the territories as a condition of its transit through Canadian waters.

### Housing

Whether it is because of a lack of available land due to unsettled land claims or a lack of infrastructure (roads, water), the dearth of housing—affordable and otherwise—is a huge barrier to territorial economic development. People cannot move to a community to work or study if there is no place for them to live.

<table>
<thead>
<tr>
<th></th>
<th>Population in capital</th>
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<tbody>
<tr>
<td>Yukon</td>
<td>62%</td>
</tr>
<tr>
<td>NWT</td>
<td>49%</td>
</tr>
<tr>
<td>Nunavut</td>
<td>21%</td>
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</tbody>
</table>

Source: Aboriginal Affairs and Northern Development Canada

“That’s where we need to start. As a contractor, you don’t build anything from the roof down; you build it from the foundation up. I guess that is what we are saying. We need healthy communities and a solid foundation to go forward ... you can’t build the (physical) infrastructure and keep the economy going without building hope and capacity into the community base.”
—Iqaluit roundtable participant

There is a sense of “two solitudes” — most profoundly felt in Yukon — between the territories’ relatively large capitals — whose economies benefit from territorial/federal government jobs and infrastructure — and the small communities scattered throughout them which depend upon the private sector for survival.

“Until we start to invest in the communities to make them a better place to live and work ... they are not going to break through (the two solitudes).”
—Whitehorse roundtable participant

Business people see long-term private sector capacity as the key to strong and stable smaller communities in the territories. They are eager to be part of the solution but need additional public policy levers to unleash their full potential.

Often, large resource extraction or infrastructure projects result in the creation of small, local businesses and the development of a local skilled workforce. If these companies can survive a project’s end they have the potential to contribute to the economic development and social fabric of Canada’s territories.
communities in the long-term. However, in remote regions, people often lack access to resources that might allow them to establish or grow their businesses. Accessing investment dollars in remote communities can be difficult, in particular for First Nations entrepreneurs who are often unable to use their homes or land as equity which makes qualifying for loans more difficult.

The establishment and growth of small businesses in remote communities—and the sustainable economic development and social benefits they can bring—requires a combination of government policies which encourage project proponents to stimulate the creation of regional entrepreneurs by not only using their products and services as much as possible, but by collaborating with and/or mentoring them as well.

The representative of an environmental engineering and consulting firm that is involved in infrastructure projects throughout the territories said, “I want to be able to partner with a business and help build capacity either by bringing in mentors or sending local businesses out for training so that they can come back and bring in mentorship. I would love it if the federal government had some kind of incentive program (for) a small business mentorship to allow a big company like mine to build long-term capacity in communities. Without some kind of assistance, I can’t do that and still be competitive in the market.”

What’s to be done?
Several business people said that in light of the territories’ economic potential, the federal government needs to take more of a “build it and they will come” attitude toward infrastructure investments there. This was the attitude a century ago, they said, for investing in Ontario’s hydro infrastructure which became the backbone of the province that was Canada’s economic engine.

“I don’t think Harvard MBAs did a cost-benefit analysis before we built the CPR, the CNR, or the TransCanada Highway. It was a bit of Field of Dreams approach. But as we move now, we are getting more and more nervous with that.”
—Iqaluit participant

Canada’s territories represent 40 per cent of our landmass, yet only three per cent of our population. Per capita funding models will never meet the needs of the territories—particularly for physical infrastructure. A different approach is needed and the federal government should adopt a base, plus per capita, funding model for infrastructure projects in the territories.

The Canadian Chamber supports federal government funding for infrastructure projects such as an all-weather extension of the Northwest Territories’ MacKenzie Highway to Tuktoyaktuk.19 This project would create hundreds of short-term jobs during construction and dozens of long-term positions after its completion. An all-weather highway would lower businesses’ costs and create new economic development opportunities in natural resources and tourism.

Knowing that there are not sufficient public finances to meet their infrastructure needs, territorial business people believe there is an opportunity to boost infrastructure by engaging the private sector as a government partner.

“The hospital is not the bricks and mortar of the building. A hospital is a service provided to the people. And the concept is that government doesn’t need to own all the bricks and mortar. There are other good managers of property and other types of assets out there that can do that, but the provision of certain types of services is the objective. Governments are limited by fiscal prudence. The last thing we can afford is to have our governments out there spending more than they can afford. So how do you then capitalize these projects? The only way to do that is to share some of that investment and share the risk …The P3 model brings a discipline of monitoring costs and maximizing revenues … that doesn’t occur when projects are being managed entirely by government.”
—Yellowknife participant

19 The federal government committed $150M in Budget 2011 to this project.
Iqaluit airport improvement project

The government of Nunavut is embarking upon its first P3 initiative to upgrade Iqaluit’s airport, Nunavut’s transportation hub for goods and people. Over the last decade, the airport’s security and its people and aircraft management needs have changed. When completed, there will be a new terminal building and the runways and some of the aprons will be re-paved. Lighting will be upgraded and services such as fire and plowing will be located in the same building on the airport’s property.

Unlike the traditional models of government infrastructure procurement, the P3 model being used in this project will see the public and private sectors partner to design, build, and finance this multi-million dollar, 35-year, project which will also include the operations and management of the completed infrastructure in its scope. The federal government has committed $77.3 million through the P3 Canada Fund to the project.

The successful private sector bidder for this project, will not only oversee the design and construction of the improvements, it will also be responsible for its operations and maintenance over the next 30 years as well as 60 per cent of the financing of the total $250-300 million the project is expected to cost. The successful bidder’s investment will be recovered through payments made by the public sector that are based on the facilities meeting pre-determined performance specifications.

The partnership agreement — which the government of Nunavut estimates will save eight per cent on cost — will also ensure that Inuit are trained for, and employed in, all stages of construction, operations and management.

When major projects end/close down business people also suggested there should be an effort to engage government, Aboriginal communities and project proponents—the latter of which may be bound through the original conditions of the project’s approval to return sites to their original states as much as possible—to leave infrastructure that will benefit communities. For example, when the Pine Point (lead and zinc) Mine in Northwest Territories closed in 1987, infrastructure including roads and a railway were reclaimed by the owner (Cominco Ltd.).

The opportunities presented by government infrastructure, for example the Inuvik Satellite Station Facility in the Northwest Territories, to extend the telecommunications infrastructure it requires to other communities was mentioned by participants as an example of getting the most from public infrastructure dollars. The Canadian Chamber has advocated that the federal government use a P3 model for the construction of a high speed fibre optic link along the Mackenzie Valley corridor to connect communities to networks in southern Canada. The benefits would include economic growth, diversification and investment as well as more education and healthcare options.

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20 The Inuvik Satellite Station Facility is a private-public partnership involving the federal, territorial and municipal governments as well as Aboriginal communities and businesses to convert an Environment Canada weather station into a facility that will collect scientific data for government and academic research purposes.

21 The Government of the Northwest Territories has submitted a request to P3Canada.
**Recommendations**

In the next 12 months, the federal government should:

- Work with business, government and community stakeholders to develop targeted online training programs and other resource materials on how to set up and sustain a small business
- Establish incentives (for example tax credits) to larger companies to mentor and collaborate with small businesses
- Adopt a base, plus per capita, funding model for infrastructure projects in the territories

In the next two to five years, the federal government should also:

- Pursue more opportunities to enter into partnerships with the private sector in territorial infrastructure projects
- Consider the potential community and commercial benefits when choosing the locations of federal infrastructure

**Access to Capital**

Territorial businesses can face difficulties in obtaining financing due to several factors including a lack of knowledge regarding the assistance that is available from the federal government as well as the fact that many projects involve small firms in remote communities that may not have the borrowing history investors seek.

One major financial institution said it faces challenges financing large construction projects, for example hotels, in smaller communities where the risk is perceived as being higher. In cases where the risk is seen as too high for a private financial institution to be the sole financer of a project, partnership with the federal government, through the Business Development Bank of Canada (BDC) has seen projects proceed that otherwise would not have.

Another financing option available for businesses that are having issues obtaining capital is CanNor’s Strategic Investments in Northern Economic Development (SINED)22 fund.

Businesses in Canada’s territories may have more financing options available than they know and a single point of contact, for example a portal site, to which they could refer regarding government and private sources of capital would be useful, particularly to smaller companies.

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22 SINED received $90 million—over five years—in the 2009 federal budget to fund economic development programs in the three territories.
Canada’s legal and regulatory environment provides the stability and predictability investors seek. However, there are poorly designed and managed federal regulations that cause delays and frustration.

Regulation of the natural resources sector, in particular, the federal government’s recent measures to streamline the federal environmental assessment process, has (quite understandably) been the focus of much attention.

In the spring of 2012, the federal government introduced measures to streamline the federal environmental assessment (EA) process which is fundamental to natural resource projects—one of the biggest contributors to the Canadian economy and the territories’ economies in particular. These measures include a new Canadian Environmental Assessment Act (CEAA) that significantly streamlines the federal environmental assessment (EA) process to certain types and sizes of projects.

The one project, one assessment provisions of the new federal regulations state that the federal government must allow a provincial process to substitute for a federal environmental assessment if a province requests it to do so. The provisions also state that when a provincial process meets all of the conditions of substitution, the federal environment minister may recommend to the governor in council that a designated project be exempted from the application of CEAA. The minister may also approve substitution with other jurisdictions, for example an Aboriginal land claim body.23 Specific timelines—two years in many cases—for the completion of federal environmental assessments will add predictability to the EA process.

On November 6, 2012, the federal government introduced the Northern Jobs and Growth Act which establishes the Nunavut Planning and Project Assessment Act and the Northwest Territories Surface Rights Board Act. The Act also amends the Yukon Surface Rights Board Act. In addition to streamlining regulation in the territories, the Act fulfils outstanding legislative obligations under the Nunavut Land Claims Agreement as well as the Gwich’in and Sahtu Land Claim Agreements.

With the exception of Yukon, there are no territorial processes to substitute for federal EAs. All federal EAs were divested to Yukon in 2003 under the Yukon Environmental and Social-economic Assessment Act (YESSA)24. The YESSA is the basis for the assessment process used by the YESEAB25 (Yukon Environmental Socio-Economic Assessment Board) which business people in the territories regard as a very effective regulatory model.

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24 Yukon is the only territory to which the federal government has devolved oversight of land and resources management as well as fisheries management for waters in its territory. In January 2011, the federal and Northwest Territories governments signed an agreement-in-principle for the devolution of these responsibilities which is expected to be completed in the next 2-3 years. The process for devolution in Nunavut began early in May 2012 with the appointment of a Chief Devolution Negotiator.

25 The YESEAB is the only organization in Canada which has the responsibility to combine the assessment of both the environmental and socio-economic impacts of a project. Legislated through the Umbrella Final Agreement* to establish 14 self-governing First Nations in Yukon, the YESEAB is an arms-length board whose binding recommendations are then passed for implementation to the appropriate regulatory agencies, be they territorial, federal or First Nations. The YESEAB process commits to published timelines so that project proponents know when to expect decisions. By law, its effectiveness must be reviewed every five years. Some Yukon stakeholders are calling for the YESSA to be amended to reflect the new CEAA which would reduce the number of projects it would be required to review. *Eleven Yukon First Nations have ratified the Final Umbrella Agreement.
“The regulatory system is really a challenge for us here in the Northwest Territories... Attraction of investment to the mining and oil and gas sector continues but it’s a bumpy road. The YESSAB process is simple and understandable, compared to what we have in the Northwest Territories. So rather than reinventing the wheel, it seems to be working in the Yukon and it’s model we would certainly like to emulate.”

—Yellowknife participant

“One of the issues that we have in Nunavut is the fact that you have such a short construction season. So tightening up the regulatory timeline and saving a few weeks in a project can make a huge difference because if a project is delayed by even a couple of weeks it might get pushed out another year. That’s the reality that (companies in) most other jurisdictions don’t have to face.”

—Iqaluit participant

One First Nations representative would like the regulatory process streamlined even further and the government not involved at all. “We’ve been engaging with the Chamber of Mines and a lot of the bigger mining companies up in our country and we said … we need to get the Yukon government out from between us, because they’re really destroying the message between the mining company and the First Nation,” he said.

There were other business people who expressed concern that “forcing” an accelerated timeline for project approvals could result in community opposition and additional risks for businesses.

“That’s because a lot of people in the communities are very fearful of the impacts ... So they might just say, ‘Oh well, we are not ready, so two years, that’s not enough time for us, so see you later.’ That is the risk on the developer...”

—Iqaluit participant

Non-resources-related regulation

Business people said they find that federal regulations in other sectors — including fisheries and border security — developed by people in southern Canada can have unintended and frustrating consequences in the territories. In particular, those requiring federal agents to process documents and/or people. In other sectors, federal cutbacks are affecting access to approvals, for example for surveys, for which there has not yet been sufficient capacity built in the territories.

The Baffin Fishing Coalition cited the role Passport Canada and Transport Canada, neither of which has an office in the territories, plays in its business. Because there are no ports in Nunavut and catches are offloaded in Greenland, fishers need passports. Transport Canada also requires fishers to have a Seaman’s (or Discharge) Book to track the boats that they have been on, dates, etc. Both documents require a photo ID which requires travelling to the Government of Canada office in Iqaluit which takes time and is expensive. After having the photo taken, the documents are sent to Ottawa for processing which takes a few weeks.

To add more frustration to the process, the documents are not sent to the location where the fishers are training; they are sent to the individuals’ homes which can be hundreds of kilometres away and take another several days to reach them. This business person suggested that the RCMP, which is present in every community, could take the photos.

The Canada Border Services Agency’s (CBSA) regulations affect the cruise ship business in the territories. If a ship is landing in a territorial community, CBSA insists that members of its staff — who have been flown in from Ottawa on commercial aircraft — process anyone disembarking. CBSA also demands that its staff stay in hotels, rather than in RCMP staff housing. This can be a problem when a community’s only hotel is full and has resulted in no cruise ship businesses for some Nunavut communities. Again, the RCMP could step in.
Nunavut Tourism is hoping to be able to negotiate such an arrangement believing that—because most ships carry only 60 to 100 people—it would not be too onerous for the RCMP to take on the additional responsibility.

“And it would certainly make things a lot simpler and facilitate more traffic in the area which significantly affects our members as well as arts and crafts and restaurants and companies that have buses doing bus tours and everything else. It makes a huge impact on the communities.”

—Northern Lights participant

In devolving or curtailing its role in regulating the territories’ economies, the federal government needs to ensure there is territorial expertise to adequately and efficiently assume the new responsibility.

A Whitehorse business person who manages a major surveying company cited the reduction in services of the Surveyor General of Canada. As a result of federal budget reductions, the staff in Yukon has dropped from nine to three. This diminishes a critical resource for one of the key inputs for economic development in the territory as all surveys must be approved before projects can proceed. In the provinces, there is another authority to turn to but this is not the case in the territories. While the industry is working with the Yukon government to build this capacity, project approvals—and economic development opportunities—face delays.

**Recommendations**

In the next 12 months, the federal government should:

- Delegate the relevant responsibilities to a federal agency that has a full-time presence in a community, for example the RCMP, when federal agents are required to process documents and/or people and there is no full-time presence of the federal agency (for example Canada Border Services Agency or Passport Canada) that would usually perform this role

- Ensure that the capacity to deliver regulatory approvals is available from territorial governments before it curtails or ceases to deliver these services

- In the next one to three years the federal government should explore the YESSA/YESEAB model as a way to boost efficiency, encourage investment and reduce government and business costs as it concludes devolution over natural resources with the Northwest Territories and continues devolution negotiations with Nunavut
The Canadian Chamber of Commerce

Business people in the territories believe that the federal government can create the conditions for more financial independence in the territories by:

- Providing new economic development tools to businesses
- Creating more revenue sources for territorial governments
- Establishing a more constructive relationship with Aboriginal citizens that acknowledges the economic potential of their lands and peoples

“The government needs to decide, soon, what it wants to do with the North. I think our window of opportunity is getting smaller and smaller for Canada and the United States as countries like China are emerging. So we don’t have very many chances left to kick the can...We’ve got to kick it real good and hope that it goes far, because in 10 years from now, when we come back to these discussions, the United States will have lost the number one position at the economic table. It will be China and India and it will be a totally different ball game. Part of that involves addressing the fact that development costs so much more in the North. I am not talking about subsidies, but I am talking about what needs to be done to encourage economic activity.”

—Yellowknife participant

Jurisdictional silos and overlaps
Not surprisingly, as with any large bureaucracy, business people expressed frustration—and some confusion—with dealing with the federal government. Their issues included the perception that the federal government operates in “silos” which dilutes its ability to effectively address issues and leverage opportunities. At the same time, different federal departments and agencies have overlapping responsibilities for the same sector, for example mining. One business person mentioned public references the Prime Minister has made to the opportunity presented by Canada’s mining sector to help the country bolster its finances. Several ministries have an interest/are active in the territories’ mining sector in the federal sphere, including Natural Resources Canada (NRCan), Aboriginal Affairs and Northern Development (AAND) and CanNor. “It would be great if we could get all of them working together,” he said.

Federal Territorial Formula Financing
As creations of the federal government, the territories receive annual, unconditional transfers to meet their obligations to their citizens. The Territorial Formula Financing—to which the Canada Health and Social Transfers are added—makes up the vast majority of each territory’s GDP.26

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26 In 2012-13, the Territorial Formula Financing to each territory will be: Yukon—$767M; Northwest Territories—$1.07B; Nunavut—$1.273B. In 2011-12, the federal government’s major transfers (which include the Canada Health and Canada Social Transfer) to the territories represented approximately 67 per cent of Yukon’s total revenues; 76 per cent of the Northwest Territories’; and 88 per cent of Nunavut’s. Source: Department of Finance, Federal Support to Provinces and Territories, www.fin.gc.ca, accessed August 7, 2012.
The unconditional Territorial Formula Financing transfer is seen by business people as a double-edged sword. On the one hand, it sustains the territories. On the other hand, it affects decision making. An example is a decision by the territorial government to put a moratorium on a development project in Yukon. This, in one business person’s view, would not happen in a province that had to “pay its own way”.

Although federal transfers to the territories continue to increase, some business people worry that as the federal government seeks to eliminate its deficit the amounts received from Ottawa will begin to decrease. Across the territories, business people see the need to reduce their economies’ vulnerability to potential ups and downs in federal transfers by getting “on with business and building our own local economy”.

“Really, in this era of cost cutting … I think we’ve got to be looking over our shoulder and we’d better be finding ways to increase private sector activity in the Territory.”

—Whitehorse participant

Many business people in all the territories feel that government is the business of the territories and that this has to change if they are to reach their full economic potential.

“Really, our industry here is government and the resulting bureaucracy is an added cost of doing business. There’s a time to go back to basics and there’s a time to refocus. And I think we’re at that point, because I don’t think we can continue to expect the largess to continue. You’ve got to take ownership of your issues, and you have to find the solutions that make sense in the Yukon and across the North.”

—Whitehorse participant

Business people look with envy at the provinces’ ability to manage their own revenue streams from taxes and resource royalties, and see getting out from under the debt caps imposed by the federal government on the territories as a means to invest in the infrastructure essential for economic development. They also know that the numbers required to attain financial independence do not add up for the territories, yet. Said one Iqaluit business person, as a territory “you have to go cap in hand to the federal government all the time, and say ‘can you build a road, can you build an airport?’”

Independence from the federal government and devolution

Business people across the territories agree financial independence from government—driven by the private sector—is essential to economic development.

Devolving—or transferring province-like responsibilities—the governance of various sectors from federal to territorial oversight is one of the priority areas of the federal government’s Northern Strategy and the territories are at varying stages of devolution. Yukon achieved devolution in 2003 when it assumed oversight of land, resource and fisheries management (internal waters). The Northwest Territories and Nunavut have achieved devolution in all sectors27 except for these.

Business people in all the territories believe that devolution—while it brings growing pains and is not full provincial status—results in more efficient and accountable government as it is not as easy to “blame the federal government” when issues arise.


27 Economic development; education; local government; social services; health care; transportation; attorney general functions; matters of a civil nature; taxation. The federal government retains a role in economic development; taxation; transportation; infrastructure and supports including Territorial Formula Financing; major transfers (e.g., Health and Social Transfers). Source: Aboriginal Affairs and Northern Development Canada.
Some business people believe that devolution—and northerners making their own decisions—will improve the territories' ability to create wealth. Yukon’s devolution and the well-developed regulatory regime that has come with it have increased business peoples’ confidence in investing there. In the other territories, business people said there is some confusion regarding the respective roles of the territorial and federal governments.

“Devolution is a tool that you really need to start to push … because development will be rewarded. Right now what’s happening is the (natural resource) royalties flow to Ottawa and Ottawa sends back a big cheque, but the cheque doesn’t say, “By the way, this portion of that big cheque is due to these royalties that you are getting back.” The linkage isn’t there, so I think if you can get the linkage through that, it is a good thing.”

— Yellowknife participant

**Flow of resource revenues to the federal government**

The federal government collects and keeps most of the royalties companies pay to develop resources in the territories. Some Aboriginal governments are also entitled to resource royalties through their land claim and self-government agreements. Today, Yukon is the only territory that can retain some royalties from natural resources development.

Under the 2003 Devolution Transfer Agreement and the Canada-Yukon Oil and Gas Accord, each year the Yukon government could retain up to $3 million of resource revenue generated from mining and just over $3 million from oil and gas revenues. Any earnings above that amount were offset by the Territorial Formula Financing agreement. In August 2012, Yukon renegotiated its agreement with the federal government. Under the new agreement—which covers all natural resources—the territory can now retain $6 million in royalties annually. Had this arrangement existed in 2010, it would have meant $1.7 million in additional resource revenue for the territory. There are two parts to the new agreement. The second part gives the Yukon government the future option of keeping 50 per cent of resource revenues.

Under the devolution agreement-in-principle signed between the federal and Northwest Territories’ governments, that territory would receive 50 per cent of resource royalties up to the equivalent of 5 per cent of its overall expenditures. The government of the Northwest Territories’ Main Estimates state the territory’s 2012-2013 expenditures will be approximately $1.4 billion, which means it could collect and retain up to $70 million in resources royalties after devolution.

Under the Nunavut Land Claims Agreement (NCLA), Inuit in that territory benefit from resource royalties paid to the federal government from the surface and subsurface rights to lands in much—but not all—of the territory. These revenues which are paid to the Nunavut Trust, however, flow to Inuit beneficiaries of the NCLA and do not support infrastructure, etc. that benefit the entire territory. Nunavut Tunngavik Incorporated (NTI) is responsible for administering the NCLA. NTI’s 2011 Annual Report shows that it received $1,076,764 in mineral exploration income that year. In 2011, mining companies spent more than $300M in exploration and development in Nunavut.

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29 Government of the Northwest Territories, Main Estimates 2012-13, Department of Finance, May 2012

30 Nunavut Land Claims Agreement, Article 25 states, “Inuit have the right, in each and every calendar year, to be paid an amount equal to: (a) fifty percent (50%) of the first two million dollars ($2,000,000) of resources royalty received by the Government in that year; and (b) five percent (5%) of any additional resource royalty received by the Government in that year.”

31 The Canadian Press, Nunavut look to claims royalties for its natural resources, May 24, 2012
Developing the economic potential of Canada’s territories

Given the revenue potential of new and renegotiated resource royalty agreements with the federal government, it is no wonder that the territorial governments and their businesses look to them as a potential source of funding for physical and social infrastructure essential to economic development. Governments need to be rewarded for creating the conditions required for investment and growth, and businesses for being profitable. Business people felt the current resource royalty arrangements between the territories and the federal government, if anything, do the opposite.

Several business people said that the federal government should be designating a certain percentage of the resource royalties it receives for benefits to the communities from which they are extracted.

“I could imagine a situation where there is just a much more clear-cut deal. Company A wants to develop a project near a particular community. It’s understood that x-percent of the royalties will flow to the local community and the ministry will sit as an observer, but it is really going to be up to the developer and the community to figure out how to best spend those monies.”
— Yellowknife participant

This scenario, business people felt, would lead to a more constructive relationship between project proponents and communities as developers would need to be involved in the discussions regarding the construction of infrastructure, etc.

“These sorts of things really represent a true partnership between the developer and the community, and of course it has to be underpinned by some sort of financial arrangement. It is multi-level, it is unique to each location or region, but it is doable.”
— Yellowknife participant

Economic development is tied to Aboriginal peoples’ success

The federal government’s relationships with Aboriginal peoples have been—and continue to be—difficult and complex. Business people believe the territories’ economic development is closely tied to the social and economic health of its Aboriginal peoples which is, in turn, closely tied to the federal government living up to its commitments to them made through treaties, self-government agreements and land claims settlements.
“The future of the Yukon is directly tied to the future of our First Nations. When our First Nations do well economically, we all do well economically. We want the federal government to live up to its agreements.”

— Whitehorse participant

In 2010, the Auditor General of Canada cited “significant delays” in Indian and Northern Affairs Canada’s (now Aboriginal Affairs and Northern Development) “provision of agreed-upon funding to some First Nations” as a hindrance to their participation in the self-government process. This has created, some business people said, a lack of trust on the parts of those Aboriginal peoples who have yet to conclude agreements.

“If Aboriginal Affairs and Northern Development were to deliver better services and build a relationship, those three communities might actually consider having a land claim which would help development in those three areas.”

— Whitehorse participant

The uncertainty posed by unsettled land claims—for example several Aboriginal communities claiming rights to the same land targeted for development—creates a significant barrier to economic development.

The James Bay and Northern Quebec Agreement, which settled Inuit and Cree claims in Quebec in 1975 is held up as an illustration of what settling land claims and developing the land use plans that follow can mean for economic development. As one business person observed, “Their (the Cree’s) education success is better; healthcare success is better. They have their own education system. They’re partners in a royalty system with Plan Nord and they will invite any mining company to come and talk about development in their region because they benefit from it. And, you know, there’s just a lot of success there because all the governments know their place and a lot of the roles have been delegated to the First Nation.”

Several business people agreed that the NCLA has sent a signal that Nunavut is open for business and that Inuit want a stake in the benefits of economic development.

“I think it helps because there is a level of certainty when you are looking at the regulatory regime. In the other territories you are negotiating with all different groups. I think that the land claim here has been a very, very good thing. If nothing else, it gives all the players the rule book. Going in, you know what you have to do and the responsibilities of all parties. It gives the Inuit a sense of ownership as well.”

— Iqaluit participant

First Nations representatives expressed frustration with their relationships with the federal government after settling their land claims. First Nations, they said, spend an inordinate amount of time fighting with federal bureaucrats and politicians in reaching an understanding of what was originally meant by the treaty. One treaty negotiator was quoted as characterizing the treaty process as what “we saw as being a marriage for Canada they saw as being a divorce.” As a consequence, many of the resources of First Nations go into the negotiation of transfer agreements, other financial contributions agreements, and the constant search for capital in what should be a fairly clear and straightforward outcome.

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32 Auditor General of Canada, 2010 Spring Report
33 The situations of the territories regarding land claims and treaties vary. Nunavut is the product of a single settled land claim (Nunavut Land Claim Agreement); in the Northwest Territories there are four comprehensive land claim settlements and 10 self-government agreements still being negotiated; and there are three First Nations left to settle land claims in Yukon.
34 Plan Nord, announced by the Quebec government in 2011, is a provincial strategy for long-term economic development north of the 49th parallel.
The “subsidy vs. investment” theme arose again with several business people saying the federal government needs to demonstrate a genuine commitment to building a truly new relationship with Aboriginal peoples. Moving out of “…the funding negotiation culture that we’re locked into here and into an investment/partnership culture” would help in building the trust required to conclude land claims agreements and the development of plans that would make resource rich lands feasible for development.

And once treaties/land claims agreements are concluded, business people felt that federal government had to ensure successful Aboriginal peoples were not penalized. “Under the Financial Transfer Agreement, if a First Nation (through its development corporation) develops a new source of revenue their transfer payment gets cut,” said a Whitehorse participant.

CanNor
Established in 2009, CanNor’s mandate is to strengthen economic activity in the territories. Its responsibilities include:

- Overseeing the $90 million five-year Strategic Investments in Northern Development (SINED) Program

- Managing investments made in the territories through the Municipal-Rural Infrastructure Fund, the Canada Strategic Infrastructure Fund and Recreational Infrastructure Canada

- Overseeing the $33 million allotment for the territories contained in the Community Adjustment Fund—a two-year program that helps northern communities create job opportunities and adjust to changing economic and market conditions

CanNor is also responsible for the Northern Projects Management Office (NPMO) which was established in 2009 to provide a single window for natural resource project approvals in the territories.

Business peoples’ opinions of—and experiences with—CanNor vary, although all recognize that it is a new agency with some “growing pains” to work out. Some participants said they feel that the creation of CanNor was simply a shuffling of the bureaucratic deck chairs and that the ultimate authority remains in Ottawa despite its headquarters being in Iqaluit. These same people also feel that CanNor needs to be proactive in seeking partnership opportunities with business.

Other business people, however, find CanNor very proactive and less bureaucratic to deal with than other federal departments and agencies when seeking funding particularly for multi-year programs.

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35 SINED provides non-repayable funding to economic development initiatives that likely would not receive funding from financial institutions.

The Whitehorse Chamber of Commerce, with funding from CanNor, initiated Partnering for Success to create a climate for economic growth led by business in that city. Over four years the program has collected the perspectives of stakeholders and facilitated meetings of business, government, First Nations and subject matter experts. The Whitehorse Chamber has built—and is constantly updating—an online resource centre for business, government, educators and others interested in economic development. Partnering for Success—which focuses on the mining, tourism, retail/service, and knowledge sectors—regularly brings key stakeholders together to revisit issues and identify new opportunities. The program—which also has a mentorship component for Yukon businesses—has resulted in the Whitehorse Chamber’s expertise being sought to bring government and the private sector together to move projects—such as upgrading the Yukon Land Titles Office and the modernization of the Yukon Land Titles Act and Yukon Condominium Act—forward.

The long-term role of CanNor in the territories was also cited in the context of the need for an overall, multi-stakeholder, territorial economic development plan. CanNor could—it was suggested—lead the consultations, research, etc. culminating in a such a plan that would identify the top economic development priorities for each territory, along with the business case and implementation plans for each.

Other federal departments/agencies
The creation of CanNor, while regarded by most as a positive development for the territories, has created some confusion regarding its role compared to the “northern development” responsibilities of the department of Aboriginal Affairs and Northern Development (AAND). AAND’s northern responsibilities include the northern regions of the provinces and areas not included in CanNor’s mandate such as land administration/management, political development of Aboriginal peoples and “all matters over which Parliament has jurisdiction relating to territories which are not by law assigned to any other federal entities.”

Helping small businesses
Small territorial companies want to work—and grow—with major project developments. However, some have found there is a risk in doing so, particularly with larger companies based elsewhere in Canada or internationally that take a long time to pay their bills. Small businesses work on very short financial leashes and if the larger company does not pay its bills it can quickly mean bankruptcy. “So our businesses are scared to do business with mines because the contracts are so big for these small businesses that they’d go bankrupt if they’re not paid,” said a Whitehorse participant.

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37 Aboriginal Affairs and Northern Development Canada
Another leg up for small businesses in the territories would be for the federal government to amend its procurement policies to allow for splitting contracts regionally as well as functionally. This would give small companies an opportunity to compete for federal government contracts several business people believe they cannot bid for today.

**Northern Residents’ Tax Deduction**

Several business people said the cost of living in the territories has risen significantly and that increasing the Northern Residents’ Tax Deduction would encourage people trained in the territories to stay there as well as possibly attract people from elsewhere in Canada to move there. The territorial premiers also called upon the federal government to increase this deduction and to index it to the cost of living in the territories.

The Nunavut Bureau of Statistics reported in September 2012 that the Consumer Price Index (CPI) in Iqaluit increased two per cent over September 2011. According to the Yukon Government, from August 2011 to 2012, the CPI increased in Whitehorse by 2.4 per cent. In Yellowknife, the CPI rose 1.3 per cent between September 2011 and 2012.

**The need for an integrated territorial strategy**

“The territories need to take ownership of our vision and work together in articulating it to the federal government as well as how it can help them achieve it.”

— Whitehorse participant

Across the territories, businesspeople said that without a vision — and supporting strategy — to put all the “bits and pieces” together, the path to full economic participation — and recognition by — the rest of the country would continue to be obstructed. The issues facing the territories — from the lack of infrastructure to the social and economic participation of Aboriginal peoples — are numerous and complex. Territorial, pan-territorial and federal visions and strategies have been developed separately. Each speaks to — and proposes measures to address — the issues from different perspectives.

“We need to think about what self-sufficiency looks like. I like this fundamental change in attitude from government bureaucracy to business mentality. And just a couple of months ago, we learned private sector employees outnumbered public sector employees and as that move continues, business will be stronger. Business will have a greater voice. Ottawa has to listen to that voice.”

— Whitehorse participant

Business people recognize that while private sector investment is the primary and most sustainable means for the territories to become full economic partners with the rest of the country, the issues that need to be addressed are beyond their capacity to solve alone. They also know that for any vision and strategy to be successful, it has to be driven by the territories and its peoples. In the words of one Whitehorse business person, “Ottawa has to have flexibility in their programming so that it’s not Yukon manipulating and fitting into the wording of an Ottawa-based program, but it’s that Ottawa-based program that is flexible enough to resolve the issues that we have up here.”

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38 The Northern Residents’ Deduction allows residents in the territories to deduct $8.25 for each day (increased from $7.50 in 2008) they have lived in a territory during a calendar year. Territorial residents can deduct an additional $8.25 per day if they are the only person claiming the deduction in their household. People also receive a deduction for travel benefits they have received as the result of employment in the territories.

Recommendations

In the next 12 months, the federal government needs to provide clarity regarding the respective responsibilities of CanNor and the “northern affairs” portfolio of Aboriginal Affairs and Northern Development (AAND). It should also make information regarding firms offering accounts receivable insurance easily available, for example through Industry Canada’s small business website.

In the next one to two years, the federal government should:

• Use the natural resources royalty agreements recently concluded with Yukon — and included in the devolution agreement-in-principle with the Northwest Territories — as models in devolution negotiations with Nunavut

• Designate a percentage of the royalty revenues it receives from natural resources to benefit the communities from which the natural resources are extracted

• Revise its procurement policies to permit the splitting of contracts amongst suppliers by region and function

• Increase the Northern Residents’ Tax Deduction to reflect the increase in the Consumer Price Index (CPI) since 2008 and index it annually to any increases in the territories’ costs of living.

The federal government must also:

• Make a concerted effort to settle land claims and meet the commitments it has made under treaties and land claims agreements already concluded

• Work with First Nations to modify the clawback provisions of their funding agreements to encourage economic development

Within the next three years, the federal government should undertake a consultation with a broad spectrum of stakeholders (including government, business, Aboriginal peoples, educators, health care and social service providers). The outcome would be a vision for social and economic development across Canada’s territories accompanied by a strategy, business case and implementation plan. This consultation should be led by either CanNor or a specially-appointed body/panel. The vision and implementation plan produced must — while identifying social and economic priorities across the territories — have the flexibility to accommodate the differing circumstances (devolution, governance capacity, land claims agreements, etc.) of each territory.

It’s up to business too

Territorial businesses can — sometimes — work against themselves. From purchasing goods and services from companies outside the territory because it saves money, to trying to ram project plans developed in southern Canada into territorial communities, there are several things businesses can do to improve their situation and the overall economic picture in the territories.
Keeping it local

“I remember a saying that the secret to economic development in isolated northern communities was when a dollar came into the community, how many hands could it pass through before it goes to ‘the Bay?’ Because once it goes to ‘the Bay’, it leaves the community. And that principle to me is something that I have built into all the planning that I’ve done for almost 40 years.”

— Whitehorse participant

Although they have higher costs of doing business and higher prices, business people in the territories know they have to support each other or they will not last. “If we want to have goods and services that are available here in comparable quality and at comparable prices, all of us as locals have to support our businesses,” said a Whitehorse participant.

Treating communities whose support you need with the respect they deserve

The rights of Aboriginal peoples and First Nations treaties are protected by the Constitution Act (Section 35) and the courts have imposed the obligation on the federal, provincial and territorial governments to consult with Aboriginal peoples regarding any major projects on their reserve or traditional lands that would affect their rights and title. Notwithstanding legal requirements, engaging local communities—be they Aboriginal or not—during a project’s planning, construction and operation just makes good business sense.

Not only does thorough, thoughtful community consultation increase the opportunities for the engagement and support of the community, it can flag potential issues that could be costly to address after-the-fact and provides time for training local workers required for the project in advance. It is important for industry to realize that Aboriginal governments regard themselves as sovereign and expect to be treated as such.

“Aboriginal communities especially have said over and over … ‘don’t make your plan in downtown Calgary or Toronto, and fly over here and tell us how good this thing is for us. Instead, come and talk to us ahead of time’.”

— Yellowknife participant

Involving communities in crafting elements of project plans can yield big dividends, including “buy-in” and the prospect of managing them according to their own land use plans and capacities. For example, while some communities may not have the people and heavy equipment required to construct major infrastructure, they likely have the people with the skills to maintain and operate them.

Territorial governments, businesses and communities have learned a lot from previous—and often painful—experiences in the name of economic development. Community consultation and involvement has proven to be the most beneficial from a community and business perspective in the long-run.

“… all of a sudden the shift occurs. A, they own it; B, that it’s their vision; and C, this thing creates a whole lot of work and jobs for them in the long term.”

— Yellowknife participant

A unified business voice

Some federal government representatives said that business’ representations would be most effective if they were expressed as a unified, common voice. The Canadian Chamber will gauge if members’ interest in establishing a territorial business council. If such a council is established, the Canadian Chamber would reach out to non-member businesses and associations to create a cohesive voice for territorial business.
The federal government has a critical decision to make regarding Canada’s territories if it is to fully leverage their economic potential. That decision is whether or not to provide them with the tools to become more financially independent in the belief that doing so will unleash their ability to help the country be more competitive. Some of those tools can be provided through incremental policy decisions; others will be the product of longer-term thinking, planning and implementation.

Canada’s territories vary in their geography, natural resource wealth, the status of settled Aboriginal land claims, infrastructure, devolution of federal oversight and governance capacity. Their business people, however, share a deep desire for more financial independence and the policy levers to allow them to move their economies forward.

From education and training to physical infrastructure, there is not, nor ever will be, enough money and other resources to meet all of the territories’ economic development needs. However, some of their priorities could be addressed if the federal and territorial governments, communities, educators, businesses and other stakeholders worked together to develop a list of those priorities and an integrated plan, strategy and business case to address them.

"Business cannot do it alone. The academic institutions, the First Nations, territorial governments, municipal governments, they all have to be brought to the table to have a conversation about what that vision is going to look like across the North... I think we need an independent way to look at the big vision that takes us out, not just 20 years, but 50 to a hundred years. All of the pieces need to be put on the table and a conversation needs to happen connecting the dots among all of those pieces..."

-- Whitehorse participant

In Summary
In the next 12 months the federal government should:

- Create a single portal site to which businesses, citizens, educators and others can refer for a complete list of federal education and skills training support programs offered through Human Resources and Skills Development Canada (HRSDC), Aboriginal Affairs and Northern Development, the Canadian Northern Economic Development Agency (CanNor) and other departments/agencies
- Seek opportunities for and support pan-territorial initiatives in skills and training
- Implement (within the current federal funding envelope) the recommendations of the National Panel on First Nation Elementary and Secondary Education, and remove—or at minimum increase—the two per cent cap on the Post-Secondary Support Program (PSSP)
- Work with business, government and community stakeholders to develop targeted online training programs and other resource materials on how to set up and sustain a small business
- Establish incentives (for example tax credits) to larger companies to mentor and collaborate with small businesses
- Adopt a base, plus per capita, funding model for infrastructure projects in the territories
- Establish a funding portal for businesses in the territories to access sources of business financing from federal departments, agencies and crown corporations
- Delegate the relevant responsibilities to a federal agency that has a full-time presence in a community, for example the RCMP, when federal agents are required to process documents and/or people and there is no full-time presence of the federal agency (for example Canada Border Services Agency, Passport Canada) that would usually perform this role
- Ensure that the capacity to deliver regulatory approvals is available from territorial governments before it curtails or ceases to deliver these services
- Provide clarity regarding the respective responsibilities of CanNor and the “northern affairs” portfolio of Aboriginal Affairs and Northern Development (AAND)
- Make information regarding firms offering accounts receivable insurance easily available, for example through Industry Canada’s small business website

In the next one to two years, the federal government should:

- Use the natural resources royalty agreements recently concluded with Yukon—and included in the devolution agreement-in-principle with the Northwest Territories—as models in devolution negotiations with Nunavut
- Designate a percentage of the royalty revenues it receives from natural resources to benefit the communities from which the natural resources are extracted

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40 The Panel’s recommendations were: 1) Co-create a child-centered First Nation Education Act; 2) Create a National Commission for First Nation Education to support education reform and improvement; 3) Facilitate and support the creation of a First Nation education system through the development of regional First Nation Education organizations to provide support and services for First Nation schools and First Nation students; 4) Ensure adequate funding to support a First Nation education system that meets the needs of First Nation learners, First Nation communities and Canada as a whole; 5) Establish accountability and reporting framework to assess improvement in First Nation education.
• Revise its procurement policies to permit the splitting of contracts amongst suppliers by region and function

• Increase the Northern Residents’ Tax Deduction to reflect the increase in the Consumer Price Index (CPI) since 2008 and index it annually to any increases in the territories’ costs of living

In the next one to three years the federal government should explore the YESSA/YESEAB model as a way to boost efficiency, encourage investment and reduce government and business costs as it concludes devolution over natural resources with the Northwest Territories and continues devolution negotiations with Nunavut.

In the next two to three years, the federal government should:

• Work with Aboriginal and non-Aboriginal communities and business people to develop tools for learning about and adapting to each others’ business and cultural norms

• Fund Aboriginal training programs that aim to instil a sense of place and pride in students as an essential interim step to programs that aim to deliver workforce-ready graduates

• Ensure its skills and training programs are flexible enough to accommodate the economic realities of individual communities and the alternate training models that may be required to deliver effective results

• Make sure that all education and skills programs have measurable objectives and that annual reports are produced on the degree to which they are—or are not—meeting them

In the next two to five years, the federal government should also:

• Pursue more opportunities to enter into partnerships with the private sector in territorial infrastructure projects

• Consider the potential community and commercial benefits when choosing the locations of federal infrastructure

The federal government must also:

• Make a concerted effort to settle land claims and meet the commitments it has made under treaties and land claims agreements already concluded

• Work with First Nations to modify the clawback provisions of their funding agreements to encourage economic development

Within the next three to five years, the federal government should complete a consultation with a broad spectrum of stakeholders (including government, business, Aboriginal peoples, educators, health care and social service providers). The outcome would be a vision for social and economic development across Canada’s territories accompanied by a strategy, business case and implementation plan. This consultation should be led by either CanNor or a specially-appointed body/panel. The vision and implementation plan produced must—while identifying social and economic priorities across the territories—have the flexibility to accommodate the differing circumstances (devolution, governance capacity, land claims agreements, etc.) of each territory.

For further information, please contact:
Susanna Cluff-Clyburne, Director, Parliamentary Affairs | scluff-clyburne@chamber.ca | 613.238.4000 (225)
## Roundtable Participants and Other Stakeholders

<table>
<thead>
<tr>
<th>Name</th>
<th>Title and Organization</th>
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<tbody>
<tr>
<td>Sandy Babcock</td>
<td>President, Yukon Chamber of Commerce</td>
</tr>
<tr>
<td>Hon. Larry Bagnell</td>
<td>Chair, Watson Lake Economic Revitalization Commission</td>
</tr>
<tr>
<td>Robert Barnett</td>
<td>Training &amp; Development Manager, Boart Longyear Canada</td>
</tr>
<tr>
<td>Jacqueline Bedard</td>
<td>Director of College Relations, Yukon College</td>
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<tr>
<td>Ellen Bielawski</td>
<td>Professor, University of Alberta</td>
</tr>
<tr>
<td>Steve Birrell</td>
<td>Chair, Iqaluit Housing Authority</td>
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<tr>
<td>Don Chenier</td>
<td>General Manager, Nunastar Properties</td>
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<tr>
<td>Suman Corcoran</td>
<td>Acting Chief Operating Officer, Atuqtuarvik Corporation</td>
</tr>
<tr>
<td>Brenda Cornell</td>
<td>President, Watson Lake Chamber of Commerce</td>
</tr>
<tr>
<td>Steve Côté</td>
<td>Director, Business Development, Ocean Group Inc.</td>
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<tr>
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<td>Kevin Cummings</td>
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<td>Eitan Dehtiar</td>
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<tr>
<td>Rocco Delvecchio</td>
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<td>Elisabeth Cayen</td>
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*Developing the economic potential of Canada’s territories*
Colleen Dupuis  
Executive Director  
Nunavut Tourism

Joamie Eegeesiak  
Community Economic Development Officer  
City of Iqaluit

Craig Ennis  
Vice-President, Policy & Communications  
St. John’s Board of Trade

Greg Feteke  
Partner  
Astring, Fendrick & Fairman

Paul Flaherty  
Chief Executive Officer  
NorthwestTel

Jennifer Flannagan  
Chief Executive Officer  
Actua

Carl Friesen  
Vice-President  
Underhill Geomatics

Jennifer Forkes  
Research Analyst  
Federation of Canadian Municipalities

Jan Fullerton  
Executive Director  
Skills Northwest Territories

Kathleen Gomes  
Branch Manager, Iqaluit  
First Nations Bank

Hughie Graham  
Interim President  
Northwest Territories Chamber of Commerce

Fred Haladay  
Sr. Vice-President, & Chief Commercial Officer  
Atlas Canada

Ellen Hamilton  
Coordinator, Community Programs North Baffin  
Nunavut Arctic College

Kenneth Hansen  
Canol Shale Project Manager – NWT  
Husky Oil Operations Limited

Morley Hanson  
Co-ordinator/Instructor  
Nunavut Sivuniksavut School

Trevor Harding  
Founder & Director  
Northern Vision Development LP

Terry Hayton  
Assistant Deputy Minister, Economic Development  
Government of Yukon

Nancy Healey  
Chief Executive Officer  
St. John’s Board of Trade

Tom Hoefer  
Executive Director  
NWT Chamber of Mines

Ed Hoeve  
Project Director  
Tetratech

Morag Howell  
Area Manager  
Sandvik Mining and Construction

John Hussey  
Chief Administrative Officer  
City of Iqaluit

John Jacobsen  
President  
Tower Arctic Ltd.

Michael Joliffe  
Vice-President, Business Development & Corporate Relations  
Tetratech

Rick Karp  
President  
Whitehorse Chamber of Commerce

Kevin Kelly  
Director of Member and Visitor Services  
Nunavut Tourism

Cheri Kemp-Long  
Senior Project Manager  
Canadian Northern Economic Development Agency

Lynn Kilabuk  
Vice-President  
Qikiqtaaluk Corporation (QC)

Janet King  
Assistant Deputy Minister  
Aboriginal Affairs and Northern Development Canada

Elizabeth Kingston  
General Manager  
NWT & Nunavut Chamber of Mines

Shawn Lester  
Director  
Iqaluit Chamber of Commerce

Damian MacInnis  
Executive Assistant  
M&T Enterprises

Keith Martell  
Chief Executive Officer  
First Nations Bank

Ryan Martin  
Project Director  
EBA
Carla Mather  
Vice-President  
Dawson City Chamber of Commerce

Rick McDougall  
Manager, Iqaluit Store  
Northwest Company

Robyn McGregor  
Senior Transportation Engineer & Principal Consultant  
Tetra Tech

Michael McMullen  
Executive Vice-President  
Northwest Company

Rick Meyers  
Vice-President Technical & Northern Affairs  
The Mining Association of Canada

Phil Moon Sun  
Executive Director  
NWT & Nunavut Construction Association

Andy Morrison  
Chief Executive Officer  
Arctic Co-operatives Limited

Paul Mulak  
Director, Program Management Office,  
Community & Government Services  
Government of Nunavut

Daryell Nowlan  
Director General, Policy  
Atlantic Canada Opportunities Agency

Mike Olson  
Director of Sales, Western Canada  
First Air

Helen Papachronis  
Marketing Manager, Global Mining  
GE Energy

Miriam Padolsky  
A/Director, Strategic Policy and Integration  
Aboriginal Affairs and Northern Development Canada

Jay Pasemko  
Director, Planning & Analysis  
Winnipeg Airports Authority Inc.

John-Eric Petersson  
Assistant Vice-President, Sales  
Northwestel

Ed Picco  
Director, Government Affairs (Eastern Region)  
First Air

Barrie Robb  
Vice-President  
MacKenzie Aboriginal Corporation

Ian Robertson  
Owner  
Inukshuk Planning & Development Ltd.

Jack Rowe  
President  
Rowe’s Construction

Richard Runyon  
Economic Development Director  
Kwanlin-Dun First Nation

Brent Slobodan  
Assistant Deputy Minister  
Labour Market Strategy and Yukon Nominee Program

Shayne Smith  
President  
Tetratech

Court Smith  
Vice-President  
NUNA GROUP OF COMPANIES

Tammy Soanes-White  
Senior Instructor, Business Administration Program  
Aurora College

Joe Sparling  
President  
Air North

Chief Eddie Taylor  
Director  
Tr’ondek Hwech’in First Nation/Yukon Indian Development Corporation

Darielle Telarico  
Owner  
Tipping Point Strategies

Lorraine Thomas  
Communication Director  
Imaituk

Rich Thompson  
CEO  
Northern Vision Development LP

Ann Marie Tout  
Manager  
Enbridge Pipelines (NW) Inc.

Peter Vician  
Deputy Minister, Industry, Tourism & Investment  
Government of the Northwest Territories

Norman Wall  
Account Manager, Commercial Financial Services  
Royal Bank of Canada

Chris West  
Executive Director  
Baffin Region Chamber of Commerce

Laakkuluk Williamson Bathory  
Executive Director  
Qaggiavuut Society for Nunavut Performing Arts

Jim Wilson  
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RBC
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