THE CANADIAN CHAMBER OF COMMERCE | LA CHAMBRE DE COMMERCE DU CANADA

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Arctic Policy Framework Secretariat
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The Canadian Chamber of Commerce appreciates the opportunity to provide its members' perspectives for this consultation. The Canadian Chamber is Canada's most representative business association speaking for more than 200,000 businesses throughout Canada through its network of more than 450 local chambers of commerce and boards of trade as well as corporate and association members.

Since 2012, the Canadian Chamber has examined public policy tools – and business actions – that would increase the footprint of the private sector in their economies and improve economic development tools for Indigenous peoples.

Through roundtables in each territory as well as individual interviews, we have used the perspectives we have received from dozens of business, Indigenous and government representatives to develop two policy reports, policy resolutions and submissions. It is upon this body of work that we are drawing for the perspectives forwarded in this submission to answer the following questions posed in the Discussion Paper:

- What can be done to support a strong, prosperous and sustainable Canadian Arctic?
- What key actions could increase well-being within Arctic communities?
- What can be done to advance sustainable economic development, diversify the Arctic economy, build capacity/expertise and increase the participation of Arctic residents in local economies, grow small-to-medium Arctic businesses and enhance partnerships?

Question: What can be done to support a strong, prosperous and sustainable Canadian Arctic?

Public policy that provides more tools to businesses and Indigenous peoples to increase their footprint in the territorial economies is key to a strong, prosperous and sustainable Canadian Arctic. In a fiercely competitive international market place where capital knows no borders, Canada needs economic strength in all of its regions to compete. Reducing the dependence of Canada's territories on the federal government for financial transfers and jobs will improve our national competitiveness.

To encourage business investment and growth in the territories, the Canadian Chamber believes the federal government should:

- Establish service standards (for regulatory reviews, etc.), that include benchmarks throughout the process (acknowledging receipt and requesting additional information) and impose consequences (e.g., reduced or no performance bonus) if they are not met without a valid explanation; and
- Peg increases in the Territorial Funding Formula for each territory to improvements in private sector-generated GDP.

Indigenous peoples - particularly those with modern land claims agreements - are sources of capital for business and essential infrastructure that would benefit all living in the territories. However, the ability of Indigenous communities to leverage their financial resources are impeded by the failure of the federal government to honour its land claims agreements commitments and its clawing back of up to 50% of transfers for every dollar of revenue from other sources.

The federal government must:

- Meet the commitments it has made under treaties and land claims agreements; and
- Work with First Nations to modify the clawback provisions of their funding agreements to encourage economic development.

Assuring better access to capital for Indigenous entrepreneurs is one of the building blocks of reconciliation; one of the federal government's top priorities.

Whether as proponents or as partners and service providers to proponents, Indigenous entrepreneurs need capital to invest in equipment, training and other tools that can translate the benefits of short-to-medium-term projects into the long-term benefits of jobs and wealth for communities.

Since their creation, Canada's 50+ AFIs have provided more than 41,000 loans - totaling $2.3 billion - to First Nations, Métis and Inuit businesses. According to the National Aboriginal Capital Corporations Association, each dollar loaned returns up to $3.60 in contribution to Canada's GDP.[1] In 2015-16, capital provided to Indigenous businesses by AFIs led to the creation of nearly 4500 jobs, $257.8 million in labour income and $264.3 million to communities throughout Canada.[2]

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[1] Opportunities to improve the financial ecosystem for Aboriginal entrepreneurs and SMEs in Canada, Conference Board of Canada, 2017

[2] National Aboriginal Capital Corporations Investment Prospectus, Investing in the Strengths of Aboriginal Financial Institutions, 2017

Despite AFIs' demonstrated success, the federal government has not recapitalized them since 2011. Over the preceding decade, the federal government provided an average of $4.1 million a year in capital contributions to the AFI network. The lack of new loan capital has constrained AFIs' ability to provide capital to Indigenous entrepreneurs[3]

In its 2016 budget, the federal government committed to lift the 2 per cent cap on programs delivered by Indigenous and Northern Affairs Canada that had been in place since the 1990s. It also announced $8.4 billion (over 5 years) in funding to improve Indigenous peoples' socio-economic conditions. The federal government added $3.4 billion (over 5 years) to this amount in the 2017 budget. None of this additional funding was directed toward loan capitalization of AFIs or Indigenous economic development more broadly.

Given the federal government's commitment to invest in Indigenous peoples includes their economic prospects, there is an argument for AFIs to receive some of this funding. While there is no denying the need to address the critical infrastructure and social services gaps many Indigenous communities face, providing AFIs with reliable annual loan capitalization would make a real difference to long-term economic prosperity.

The Canadian Chamber recommends the federal government:

- Restore loan capitalization of Aboriginal Financial Institutions (AFIs) in the 2018-19 federal budget; and
- Make loan capitalization of AFIs an annual budget item thereafter with annual increases of no less than the rate of inflation.

The objective of strong, prosperous and sustainable territorial communities would move forward if the federal government creates incentives for:

- First Nations to pool their capital to fully leverage their capital potential for infrastructure investments;
- Alternate energy providers including nuclear, hydro, wind and LNG to establish themselves in the territories; and
- The backhaul of recyclables from the territories to southern Canada.

[3] Promise and Prosperity: 2016 Aboriginal Business Survey, Canadian Council for Aboriginal Business

Question: <u>What key actions could increase well-being within Arctic communities?</u>

"The only way this territory - or any territory - is going to move forward is through health – mental, physical and economic– that comes from adequate infrastructure, adequate housing, good schools, transportation, healthy and affordable food." – Iqaluit business person

Like its geography, the territories' infrastructure gaps are massive. Depending upon which territory – and where in each – infrastructure deficiencies range from seasonal roads, unpaved runways, inadequate housing, expensive and environmentally-harmful energy, and 20th century telecommunications. The needs are great and resources stretched. Some business people said they feel they live in Third World conditions compared to communities in other Arctic nations.

To make matters worse, many port and road, pipeline and rail, fibre optic and electrical transmission infrastructure investment proposals are competing for funding across overlapping jurisdictions without any overall strategy or comprehensive coordination. This is why the Canadian Chamber of Commerce advocates a Pan-Territorial Infrastructure Strategy. Such a strategy is needed to make the best use of limited resources for nation-building multi-user transportation infrastructure in Canada's territories that would otherwise be unaffordable.

A Pan-Territorial Infrastructure Strategy would identify common requirements for:

a. Bi-National security (NORAD maritime mission, Arctic/Offshore Patrol Ships and ice breakers) research ship navigation (ice breaking, search & rescue, salvage support);

b. Environmental protection (tanker monitoring, ship spill response, blow-out containment);

c. Resource development (on/offshore oil & gas, mine supply and mineral exports);

d. Community resupply (fuel and cargo);

e. Energy transmission (oil, gas and electricity); and

f. Communications (data, voice and satellite)

The Canadian Chamber also recommends that common infrastructure requirements in the territories be addressed through a Territorial Corridors Coordinating Agency that will vet infrastructure investment options to:

a. Seek strategic solutions melding multi-modal regional and cross-jurisdictional requirements for territorial ports, roads, railways, pipelines and transmission systems;

b. Address Indigenous rights and community concerns through public engagement that promotes the economic opportunities that can be retained for all territorial residents;

c. Spread, share and reduce financial burden/risk by screening for project synergies, eliminating duplication, building scale economies and pre-permitting common use corridors; and

d. Monitor and adjust for changing risks and opportunities, while updating best practices for public and private investment in northern infrastructure.

Question: What can be done to advance sustainable economic development, diversify the Arctic economy, build capacity/expertise and increase the participation of Arctic residents in local economies, grow small-to-medium Arctic businesses and enhance partnerships?

Federal policy made in Ottawa can have unintended, harmful consequences when it doesn't take into account the vast geography, sparse population and logistical realities of the territories.

Building capacity and expertise

When it comes to attracting talent, employers in Canada's territories have - in addition to their relative remoteness and high cost of living - the added complexity of the substantive presence of government as a competitor for employees. Many private sector employers cannot compete with government on salaries and benefits and find themselves as the trainers of public employees.

Territorial employers also deal with the impact of federal human resource policies made in Ottawa that have unintended, harmful consequences on businesses with a much smaller talent pool. Changes to the Temporary Foreign Worker Program (TFWP) have been mentioned as one of the most significant developments retarding economic growth in the territories. Stifling the flow of immigration into the territories is counter-intuitive when there are not enough people to fill the jobs available. Changes to the Temporary Foreign Worker Program have made the already tight employment situation in territories only more so, particularly as people cannot move as easily amongst communities and employers cannot recruit from other regions as readily as in less remote areas.

The Canadian Chamber believes the federal government must include in its policy development the flexibility to address the unintended/unforeseen consequences of its human resources policies in more remote locations of Canada where workers cannot move amongst communities and it is more difficult to recruit workers from other regions

Growing small-to-medium businesses

The federal Small Business Financing Program (SBFP) offers an incentive to financial institutions to provide loans to small and medium-sized businesses (SMEs) that might otherwise not be considered eligible due to their risk profile, e.g., lack of credit history. Through the SBFP, the federal government shares the risk with lenders.

However, there are some requirements of the SBFP that make it extremely difficult - sometimes impossible - for SMEs in remote locations to participate in the program when - if located elsewhere - they would be able to do so.

Under the SBFP, the federal government will only compensate lenders for losses if:

- "The lender or its agent performed an on-site visit of the borrower's small business premises between the date that the loan was approved and 90 days after the final disbursement under the loan agreement.
- The lender or its agent confirmed that the financed assets under ss. 5(1) were delivered to and installed at the borrower's small business premises."

These conditions pose a roadblock to SMEs in remote locations and the financial institutions that might otherwise provide much-needed capital to them to start and/or grow their businesses.

Given the digital tools, e.g., bar code tracing, photographs, videos and e-mails available to businesses and financial institutions to verify such things as equipment deliveries, this requirement is unnecessary.

To ensure small- and medium-sized businesses in Canada's territories enjoy the same access to capital as those elsewhere in Canada, the Canadian Chamber recommends the federal government amend the Canada Small Business Financing Act by:

- Eliminating the requirement for on-site visits by financial institutions to SMEs in remote locations as defined in the Canada Revenue Agency's list of prescribed zones for each province and territory and permitting the use of bar codes, photographs, videos and e-mails; and
- Extending the verification timeline following the final disbursement of funds to 180 days for SMEs in remote locations to allow for sufficient time for the shipping / transportation of equipment/materials and their installation.

In 2009, the federal government created the Canadian Northern Economic Development Agency (CanNor) to "develop a diversified, sustainable and dynamic economy across Canada's three territories...by delivering funding programs to Northerners and Aboriginal people, guiding resource development and major projects across the North through the Northern Projects Management Office, undertaking research to support the development of evidence-based policies, advocating for Northern economic prosperity and diversification, and collaborating with and aligning the efforts of other federal departments, territorial governments, Aboriginal organizations and industry."

The Strategic Investments in Northern Economic Development (SINED) is CanNor's largest funding program and the one used to support private sector initiatives. Since it was created, SINED has been a temporary program which has come under review (and for which funding has had be to advocated) every two years.

Territorial businesses – particularly SMEs - and those who support them have found SINED invaluable. However, the lack of certainty regarding its continuation led Canadian Chamber of Commerce members to adopt a resolution in 2015 calling upon the federal government to: "Make SINED a permanent program, reviewing it after 5 years in order to provide planning certainty for CanNor and territorial businesses."

The Canadian Chamber wishes to take this opportunity to reiterate this recommendation. SMEs are the backbone of the territories' economies. Making SINED permanent – and the certainty that would come with it - would increase the program's potential to assist territorial SMEs to grow, create more jobs and increase the overall contribution of business to their economies.

<u>Increasing the participation of Arctic residents in local economies and grow small-to-medium Arctic businesses and enhance partnerships</u>

Finally, the Canadian Chamber members believe that there would be more home-grown territorial entrepreneurs and businesses if entrepreneurship became part of the education curriculum in elementary and secondary schools. Businesses are there to help and we recommend that the federal government work with territorial governments to encourage businesses to become involved in entrepreneurship programs in elementary and secondary schools.

The Canadian Chamber appreciates the opportunity to provide our members' perspectives and hope our contribution has been helpful.

I would be happy to discuss our perspectives at any time and/or to set up a discussion with our members.

Sincerely,

Susanna Cluff-Clyburne

Susanna Cluff-Clyburne
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c.c.: Dr. Janet King, President, Canadian Northern Economic Development Agency