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# THE BUSINESS CASE FOR INVESTING IN CANADA'S REMOTE COMMUNITIES



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# FORWARD

In a world with an increasing hunger for natural resources, the economic potential of Canada's remote communities<sup>1</sup> is very much on the minds of Canada's businesses, governments and community leaders.

Remote communities face obstacles in attaining their economic potential that include their distance from markets as well as the skilled workforce and critical infrastructure essential to business operations. An additional hurdle is the perception that public finances directed toward them are often considered by the rest of the country as "subsidies" and not "investments."

*"In April 2010, the board of directors of the Canadian Chamber of Commerce met in Iqaluit, Nunavut. To a person, each director was seized with the economic development issues that Canada's North – and other remote regions of our country – face as they strive to assume their place in the Canadian and global economies. Our directors were also struck by the immense opportunities offered by Nunavut, which includes a wealth of natural resources and citizens determined to become full economic partners with the rest of Canada. Time and again, private and public sector leaders told Board members that one of the major stumbling blocks to the North's – and all remote communities' – economic development is a lack of infrastructure such as deep-sea port facilities, as well as reliable land transportation routes and telecommunications services equivalent to those in less remote regions of Canada." Hon. Perrin Beatty, President and Chief Executive Officer, The Canadian Chamber of Commerce.*

Not all of Canada's remote communities are in the North, nor can all of the economic challenges they face be solved by governments. Canada was once a network of remote communities built, by and large, by private

sector visionaries who recognized their economic potential. This is one of the reasons why GE Canada and the Canadian Chamber of Commerce decided to work together to seek the perspectives of business people, community leaders and government officials throughout Canada on what it takes to draw more private sector investment into remote communities, and what will make that investment successful and sustainable.

While governments must always be ready to play a role in remote communities' development, in the absence of sustained business investment, government policies will often not be as effective as they could be and more costly than need be. By looking at the challenges and opportunities of remote communities through a business lens, the perception of "subsidies" can be changed and more of Canada's remote communities can move closer to assuming equal economic footing with the rest of the country. That business lens has been the focus of GE Canada's work and the basis for this paper and its recommendations.

During the first half of 2011, GE Canada hosted roundtables in communities across Canada and conducted an online survey. At the same time, the Canadian Chamber consulted with several of its members and other stakeholders. The insights gained from this work provide the foundation for recommendations we believe are focused, realistic and effective measures that the federal government and businesses – working alone or in partnership – could take to enhance the economic contribution of remote communities to our economy.

Our hope is that this paper's recommendations will bring long-term benefits to Canadians living in remote communities; those businesses currently operating in them; those businesses which have yet to do so; and, ultimately, to all Canadians. We also hope to pave the way for more firms to build a business case for investing and locating in remote communities.

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1 For the purposes of this project, remote communities are defined as having one or more of the following characteristics:

- Limited transportation access (road, air, rail);
- Limited access to a commercial/service hub;
- Limited infrastructure: water, off-grid, broadband access, healthcare, schools, library, other institutions; and/or
- A single, primary employer.

# EXECUTIVE SUMMARY

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Canadians have to start looking at our remote communities differently. Our collective economic well-being and our international competitiveness could well depend upon the public policies adopted today that leverage the economic possibilities of many of these communities and their potential to contribute to our nation's wealth.

As the world beats a path to Canada's natural resources' door, many remote communities can no longer be cast in the light of regions needing government's "help" to stay alive. They need to be regarded for what many of them are; generators of the wealth that will make it possible for us to maintain – even enhance – our standard of living and the incubators of the new technologies and business practices to make us more internationally competitive.

There is no doubt that many remote communities – which are often difficult to reach, have challenging geographies, harsh climates, limited infrastructure and sparse populations – face significant challenges to their long-term social and economic sustainability. This is particularly true when they are viewed as being the responsibility of government to sustain.

Looking at remote communities from the perspective of their economic potential and – with the right combination of marketable products, people, and infrastructure – interest to private sector investors changes the picture substantially.

We have learned through GE Canada's consultations across the country and our own discussions with Canadian Chamber members and others that if all Canadians are to fully benefit from the potential of our remote communities – which grows greater as the world's hunger for natural resources increases – the federal government must take the lead in developing a long-term strategy that paves the way for remote communities to reap the rewards of economic development. Such a strategy, which will require commitment and many years to implement, must also prepare those communities which are reaping the economic benefits of non-renewable natural resource

extraction today for a future when this will no longer be possible. While this long-term work is underway, we propose more immediate measures we believe the federal government – working alone, with the provinces/territories and/or with business – can take to move remote communities forward in realizing their economic potential.

Our report addresses these measures under the following themes:

**Remote communities' place in Canada:** Not only does more of our untapped natural resources wealth lie in remote communities, the people who can most help us leverage it live in them as well. Despite many sources of government support and significant federal spending directed at rural/remote areas of Canada, consistent progress in building strong, self-sustaining remote communities is not evident.

Private sector stakeholders have much to gain from investments in remote communities – either alone or in partnership with government – when there is a business case for doing so. Therefore, it stands to reason that giving remote communities the tools they need to assume their place as full economic contributors neither can, nor should, fall totally onto the shoulders of government. What appears to be lacking is a comprehensive strategy, based on strong research, realistic costs and achievable goals that recognizes the link between Canada's economic future and the opportunities provided by our remote communities and considers how all interested stakeholders – communities, governments, businesses and all Canadians – can work together to realize their potential.

Not all remote communities are fortunate enough to have a "product" to attract outside private sector investment. That said, there is an argument to be made that investing in the "human infrastructure" (including plentiful, potable water; sanitation; and affordable, safe housing) that makes communities ones people want to remain in and move to will bear economic benefits for all Canadians. This is particularly true in Canada's

territories and the Canadian Chamber will be exploring the opportunities related to these communities more thoroughly in a future paper.

**Building a business case for investing in remote communities:** Business investment can bring more effective, faster, less costly economic development. To build the business case for these investments, communities must offer a product or products that have a market, access to a skilled workforce and critical infrastructure (water that is clean and safe; affordable housing; health care; energy that is economical and environmentally-sound; transportation links; and broadband telecommunications). While in many remote communities the barriers to assembling a case for business investment seem insurmountable, much can be accomplished in the right public policy environment.

**The policy environment needed to fill infrastructure gaps in remote communities:** The views of those businesses participating in GE's roundtables, as well as those with which the Canadian Chamber consulted, touched on five policy areas that are critical to the private sector building a business case for investing in remote communities:

#### Skills and training

- Federal programs need to be flexible enough to accommodate the economic realities of individual communities and the alternate training models that may be required to deliver effective results.
- To ensure programs are efficient and meet the needs of employers, they should be delivered in partnership with business whenever possible.
- There needs to be effective transition support for youth leaving remote communities to pursue studies in urban centres. One measure the federal government should consider is partnering with post-secondary institutions

in urban centres to host prospective students from remote communities to expose them to urban society in advance.

- Canadian businesses and stakeholders in remote communities could benefit from tools to allow them to familiarize themselves with each others' business practices, governments, agencies, laws and regulations.

#### Regulatory red tape

- Business' regulatory burden would be lightened significantly if the federal government adopted a standardized "one project-one assessment approach" that harmonizes federal and provincial/territorial statutes and regulations.
- The federal government should establish single points of contact where businesses can obtain all regulatory information relevant to their projects and complete all necessary procedures electronically.
- The federal government needs to work with businesses to agree on a pre-set total regulatory cost to which all relevant regulatory agencies agree, and then ensure that any regulatory change brings a zero net increase in the burden of compliance.
- Regulators must be held accountable for the impact of their actions.
- The regulatory process needs to be more transparent; an example would be government communicating the drafting of new regulations in advance and ensuring affected sectors are consulted and receive sufficient notice of regulatory changes.
- The Yukon Environmental Socio-Economic Assessment Board (YESEAB) is highly regarded by businesses operating in Canada's North and is a model the federal government should look to as a potential regulatory model.

### **Encouraging private sector investment**

- The possibilities associated with extending broadband telecommunications to remote regions – and business models for delivering the services associated with them – is a model the federal government could look to for engaging the private sector in other types of infrastructure construction and service delivery.

### **Partnerships**

In an era of deficit reduction, often government funds will not be available and/or sufficient to meet the infrastructure requirements of remote communities. If the federal government cannot provide all or any of the necessary funding, it can assist others in pooling their resources by:

- Establishing – and communicating – an online forum for potential business and community partners to share their infrastructure gaps and excess capacity;
- Pursuing more opportunities to enter into pilot project partnerships with the private sector to bring enabling infrastructure to remote communities; and
- Considering potential commercial benefits when choosing the locations of federal infrastructure projects.



### The investment vs. subsidy dilemma

Per capita funding models that work well in densely-populated regions of Canada do not work in remote regions with their relatively vast geographies and small populations.

Despite evidence that remote communities have tremendous potential to contribute to our collective economic well-being, there is the perception that public dollars used to improve infrastructure in remote communities are subsidies. The federal government could correct this misperception by undertaking a thorough research initiative to measure the current and potential economic value of remote communities, the decrease in social costs that would offset those of investing in the infrastructure required for them to attain their economic potential, and clearly articulating the results to all Canadians.

**The policy environment needed to foster long-term investment in remote communities:** The day is coming when many regions of Canada – remote and urban – will have to face the reality of no longer being able to rely upon the wealth generated by their natural resources. The federal government can take the lead in helping them prepare for this through policies that nurture economic conditions to sustain the exhaustion of a natural resource by:

- Working with the private sector to encourage the development of value-added clusters in natural resource sectors to build more capacity into their supply chains;
- Focusing on skills and training programs that will equip Canadians with the skills required by value-added manufacturing industries so they have capabilities that can be transferred to other employment opportunities;
- Reforming the administration of the Scientific Research and Experimental Development (SR&ED) Investment Tax Credit program to make it more attractive for all businesses investing in innovation;

- Working with stakeholders in remote communities to develop targeted training programs and other resource materials for entrepreneurs on how to set up and sustain small businesses that have the potential to continue operating when a major employer leaves; and
- Working with the provinces and territories on a long-term strategy to equip them – and all Canadians – to benefit from the wealth of their resources today and prepare them for the day when those resources are exhausted.

**A word for business:** Businesses can help smooth the path for successful investments in remote communities by taking the time and making the effort to do more than what is legally required to consult with and engage local communities when planning, constructing and operating major projects. Often, the knowledge gained from local communities can help projects proceed more quickly and inexpensively and leverage the potential of a local workforce.

If we focus on the challenges associated with investing in remote communities, we risk becoming paralyzed. However, if we focus on where we want/need to be with the right policy framework in place, we can get there more quickly and easily than we believe may be possible today.

*“Canada is in a unique position in the world as a resource-rich economy that has the potential to combine its knowledge and innovation to seize the opportunities and face the challenges that these resources represent in order to maximize our success as a nation here at home and contribute significantly to the global economy.”*  
*Hon. Bernard Lord, President, Canadian Wireless Telecommunications Association*

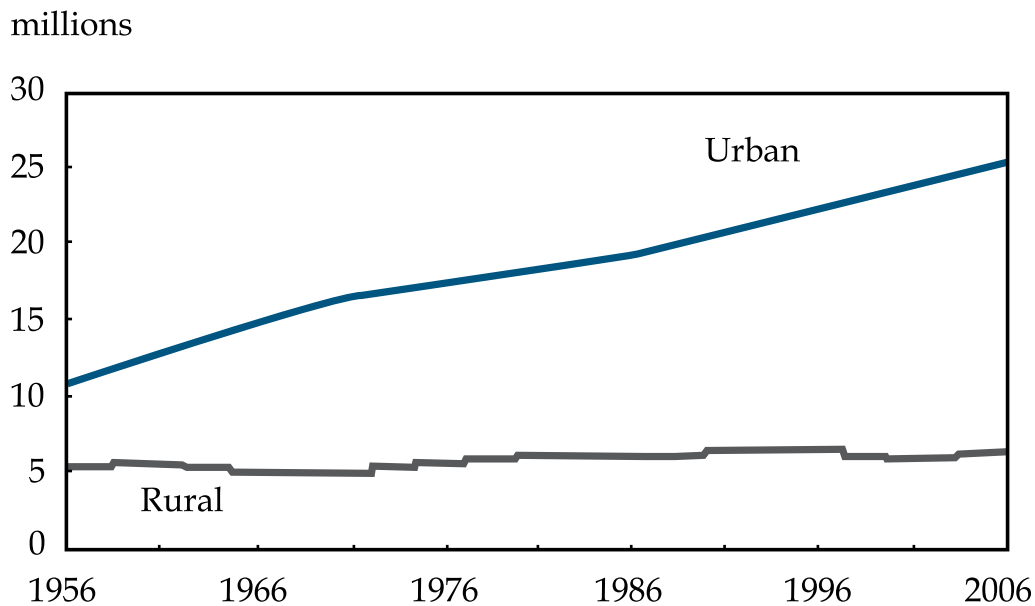


# REMOTE COMMUNITIES' PLACE IN CANADA

Canada's urban population has grown steadily over the last half century while the size of our rural population has remained almost the same. The percentage of rural

Canadians has dropped from about 30 per cent of our total population in 1956 to 20 per cent in 2006, and the trend is continuing.<sup>2</sup>

## Canada's Urban and Rural Population



Source: Statistics Canada, censuses of population.

The urban/rural population imbalance is most pronounced in Ontario and British Columbia where only 15 per cent of people live in rural areas. It is not surprising that Nunavut and the Northwest Territories have the highest percentage of rural population, at 57 per cent. And all Canadians are familiar with the

statistic that 60 per cent of us live in the "south" within 200 kilometres of the U.S. border.

At the other extreme, only 0.3 per cent of us live in Canada's territories, which make up 40 per cent of our country's land mass.

<sup>2</sup> Statistics Canada's definition of "rural" includes remote and wilderness areas and agricultural lands, as well as small towns, villages and other populated places with a population of less than 1,000 or a population density of less than 400 people per square kilometer; separate statistics on remote communities are not available.

## Canada's Population Density



Source: Natural Resources Canada.

Canadians living in rural/remote communities differ from those in urban areas in several ways:

- They generally earn lower incomes (particularly Aboriginal Canadians);
- Often, they do not have access to the infrastructure Canadians living in urban locations take for granted including educational facilities; reliable year-round transportation links; high-speed internet; and – too often in the case of Aboriginal Canadians – the most basic of amenities such as a reliable supply of clean water and adequate health care<sup>3</sup>; and
- They are older overall (with the exception of Aboriginal communities).<sup>4</sup>

Despite the challenges they face, our remote communities have significant economic potential. Throughout our history, Canada's growth has been driven by our resource wealth, whether agricultural and forestry products, fish, metals and minerals, oil and natural gas, or other energy sources. For example, the mining, oil and gas extraction industries contributed \$54 billion to Canada's GDP in 2010, or approximately 4.4 per cent of the national total. Agriculture, forestry, fishing and hunting contributed nearly \$27 billion (approximately 2.2 per cent of the national total) in the same year.<sup>5</sup> The combined contributions of these sectors to our economy in 2010 were greater than any other goods-producing industry, except manufacturing.<sup>6</sup> The only sectors that exceeded their contribution were finance/insurance/real estate and healthcare/social assistance.

<sup>3</sup> According to the June 2011 Report of the Auditor General of Canada, "Notwithstanding the considerable efforts made, conditions have generally not improved for First Nations in each of the areas subject to our audit. The education gap between First Nations living on reserves and the general Canadian population has widened, the shortage of adequate housing on reserves has increased, comparability of child and family services is not ensured, and the reporting requirements on First Nations remain burdensome."

<sup>4</sup> The Canadian Constitution recognizes three groups of Aboriginal peoples – Indians (First Nations), Métis and Inuit.

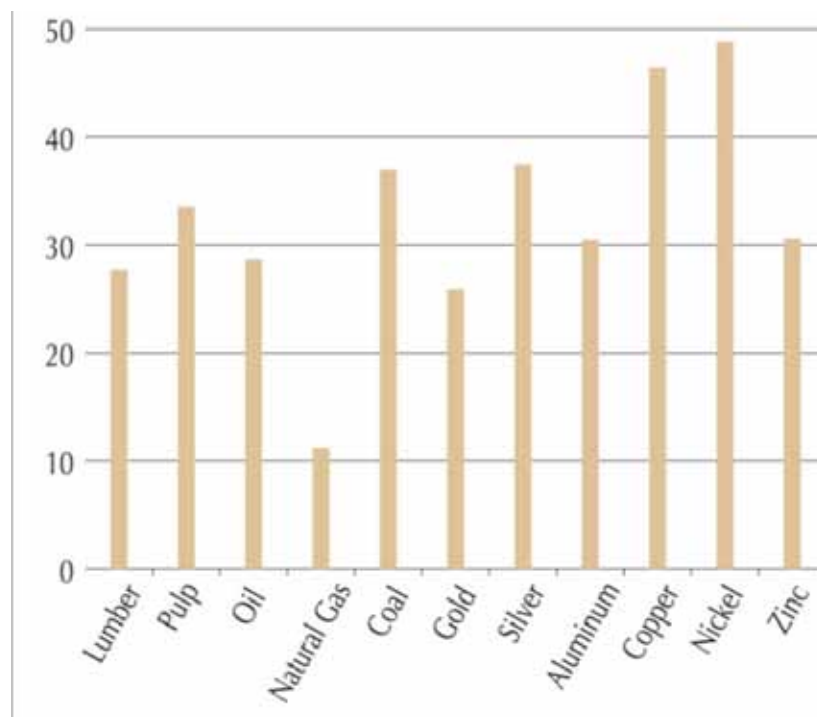
<sup>5</sup> Statistics Canada, 2011.

<sup>6</sup> In 2010, Canada's food production sector became our largest manufacturing sector in terms of revenues. (The Globe and Mail, July 20, 2011)

In its June 9, 2011 *Economic and Financial Outlook*, RBC Economics attributed much of Canada's strong economic performance relative to other major economies to its natural resource wealth and high prices for the commodities international markets want.

"With more than 50 per cent of Canadian exports related to natural resources, higher commodity prices created a net wealth benefit for the economy through rising corporate profits and personal incomes."<sup>7</sup>

### Change in Commodity Prices from 2009 to 2010 Annual % change



Source: TD Bank Commodity Price Forecast Update, January 14, 2011.

Commodities represent one-third of Canada's exports. We are the world's third largest producer/exporter of natural gas, one of the world's largest suppliers of lumber, as well as pulp and paper products. Canada also has the world's second greatest oil reserve (in the oil sands). We are the largest exporter of seaborne metallurgical coal, a leading producer of nickel, gold, diamonds, zinc and lead. In agricultural commodities,

we are the world's largest exporter of wheat barley and canola.<sup>8</sup> We are also the world's largest producer of potash.

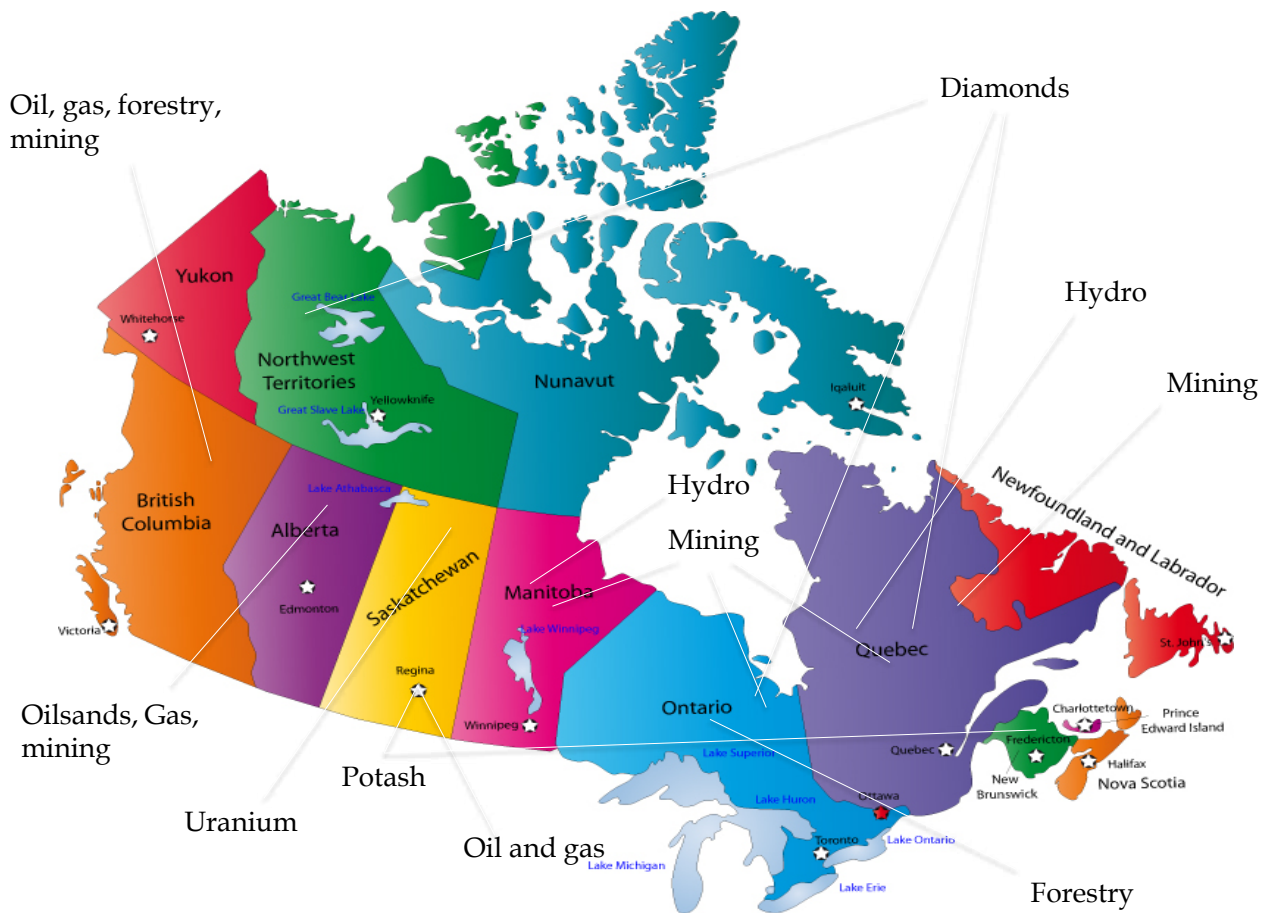
The world is beating a path to Canada's natural resources' door. In 2010, foreign direct investment in our natural resources sector was approximately \$185.7 billion, up \$10 billion from 2009 and \$56.5 billion since 2005.<sup>9</sup>

<sup>7</sup> ECONOMIC AND FINANCIAL MARKET OUTLOOK, RBC Economics, June 2011.

<sup>8</sup> McLean Budden Perspective: Canada - A Developed Market Play for Emerging Markets Growth, May 2011.

<sup>9</sup> Foreign Affairs and International Trade Canada, includes agriculture, forestry, fishing, hunting, oil and gas extraction, mining, support activities for oil and gas extraction and mining.

## Canada's Natural Resources



Source: The Cree Construction and Development Company, June 2011.

With untapped sources of our natural resources becoming further removed from major population centres, Canada's future international competitiveness – and our standard of living – could well be determined by how we approach the economic development of our remote regions. Not only does more of our untapped natural resources wealth lie in remote regions, the people who can most help us leverage it live in them as well. We are a country with an aging population and we are bracing ourselves for labour shortages that will affect all of us. Yet we have a relatively young and quickly growing Aboriginal

population, much of which lives in remote regions, where unemployment is high and educational success rates are low.

*"The contribution of Canada's Aboriginal peoples will be important to our future prosperity. Concerted action is needed to address the barriers to social and economic participation that many Aboriginal Canadians face." 2011 Speech from the Throne*

## Government support for regional economic development

Government has a critical role to play in economic development throughout Canada, but particularly in remote communities where private investment can be difficult to attract. The federal government has a number of programs available to foster economic development through its agencies across Canada, although much of the investment they provide is not targeted to remote communities. In general, they offer funding for common programs across their jurisdictions to encourage economic diversification and development. In special circumstances, for example a crisis in a particular sector, federal economic development agencies offer targeted, short-term programs. An example is the temporary funding currently available for forestry adjustment in Quebec.<sup>10</sup>

The federal government also supports economic development through other programs including:

- The Building Canada Fund (\$8.8 billion) infrastructure program was announced in the 2007 *Federal Budget* and is due to end in October 2011. The Building Canada Fund provides funding for municipal infrastructure projects, particularly in smaller communities (under 100,000 residents). Projects in remote areas include a \$1.1 million investment to repair the Lewisporte highway in Newfoundland, an important truck route which carries supplies to Lewisporte's year-round, deep-water port for transport by ferry to Labrador as well as aviation fuel for the Gander airport. Another project is a \$1.1 million investment to upgrade Nahanni Range Road in Yukon which supports tungsten mining and other economic activity.
- The \$1.25 billion P3 Canada Fund supports public infrastructure projects through public-private partnerships. To date, five projects have received

funding of which only one touches rural areas; i.e., \$50 million toward the Maritime Radio Communications Initiative, which is implementing a state-of-the-art emergency radio system across Nova Scotia, Prince Edward Island and New Brunswick, linking rural emergency services in small communities. (There has been no private sector partner found for this project to date.)

- Canada's Rural Partnership (CRP) was established in 1998 at Agriculture and Agrifood Canada in light of criticism that the federal government was not responding effectively to rural issues and challenges. CRP's goal is to provide rural communities and regions with the information, tools and services needed to adapt to change and to enhance their competitiveness by taking advantage of untapped natural or cultural potential in their regions. Most of the CRP's activities focus on community partnership and capacity building through non-governmental and not-for-profit organizations. Its annual budget is approximately \$11 million.

Federal programs that do focus on Canada's remote regions include:

- The Strategic Investments in Northern Economic Development (SINED) fund which received \$90 million for five years in the 2009 *Federal Budget* for economic development programs in the three territories, based on five-year territorial investment plans. In the Northwest Territories, SINED is funding three hydroelectric studies: a feasibility study by the Tlicho Investment Corporation on the proposed La Martre Falls Hydro project; due diligence studies by the Métis Energy Company on the proposed Taltson Hydro Expansion project; and a series of market research and renewable energy infrastructure studies by the NT Hydro Corporation.

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<sup>10</sup> The federal government's regional economic development agencies are the Atlantic Canada Opportunities Agency (ACOA) and includes the Cape Breton Development Corporation; Canada Economic Development for Quebec Regions; The Federal Economic Development Agency for Southern Ontario (FedDev Ontario); FedNor serving northern Ontario; The Canadian Northern Economic Development Agency (CanNor); and Western Economic Diversification Canada.

- Rural Broadband Canada, for which \$225 million in funding was announced in each of the 2009, 2010 and 2011 federal budgets. The program's goal is to extend broadband internet service to 220,000 unserved or underserved households in rural and remote areas. To date, it has funded 77 projects worth \$110 million in nine provinces and territories. Rural Broadband Canada's current funding will extend broadband internet service to an additional 41,000 households, many in extremely remote areas, such as along Quebec's Hudson Bay shore.
- (GEM) – Geo-mapping for Energy and Minerals – a 5-year, \$100M federal program to map the Arctic with particular emphasis on unmapped areas of Nunavut and the Northwest Territories. The program's goal is to have increased geoscience knowledge to inform investment and land-use decisions.

The Department of Aboriginal Affairs and Northern Development offers several programs that support business development in remote communities. The program with the most impact is the department's support for Aboriginal Capital Corporations. Created in the 1980s, Aboriginal Capital Corporations provide commercial financing and business services to Aboriginal firms.

Despite many sources of government support and significant federal spending directed at rural/remote areas of Canada, consistent progress in building strong, self-sustaining communities in our remote regions is not evident. In fact, for Canada's Aboriginal communities, there has been – in some areas – no progress at all. According to the Auditor General of Canada, "Notwithstanding the considerable efforts made, conditions have generally not improved for First Nations in each of the areas subject to our audit. The education gap between First Nations living on reserves

and the general Canadian population has widened, the shortage of adequate housing on reserves has increased, comparability of child and family services is not ensured, and the reporting requirements on First Nations remain burdensome."<sup>11</sup>

Giving remote communities the tools they need to assume their place as full economic contributors neither can, nor should, fall totally onto the shoulders of government alone. Private sector stakeholders have much to gain from investments in remote communities – either alone or in partnership with government – when there is a business case for doing so.

What is lacking is a comprehensive strategy based on strong research, realistic costing and achievable goals that recognizes the link between Canada's economic future and the opportunities provided by our remote communities, and considers how all interested stakeholders – remote communities, governments, business and all Canadians – can work together to realize their economic potential.

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<sup>11</sup> Status Report of the Auditor General of Canada, June 2011.

# BUILDING A BUSINESS CASE FOR INVESTING IN REMOTE COMMUNITIES

*“Past discussions about remote communities have centred on what government can do to support remote communities and the lives of those who inhabit them. But what is needed is a greater effort in aligning good public policy with a clear, contemporary understanding of what it takes to draw more business investment into remote communities, and what will make that investment succeed and multiply. It’s time to look at remote communities through a business lens.” Elyse Allan, President and Chief Executive Officer of GE Canada, Edmonton Commerce News, March 2011*

During the first half of 2011, GE Canada undertook a broad consultation with the objective of answering the question, *“What is the enabling infrastructure that will engage remote communities in the 21<sup>st</sup> century economy?”* GE Canada was seeking to understand both the barriers to entry and the best practices already taking place in Canada’s remote communities by employing a business lens—looking at how and why businesses choose to operate in remote communities and what tools can be employed to drive growth in a coordinated, strategic and thoughtful way. GE’s hope is that developing ideas for public policy will help lead to expanded private sector investment in Canada’s remote communities.

More than 150 business and community leaders, academics and government officials in 11 locations<sup>12</sup> across Canada participated in roundtables and more than 350 responded to an online survey. The consultation indicated a high level of optimism about the potential role of remote communities in Canada’s economic future. Responding to the question, “Will

remote communities play an important role in the growth of Canada’s economy over the next century?”, 92 per cent of the online respondents said “yes” (57 per cent said this role will be **very** important). Only eight per cent of the survey’s respondents said they believe that these communities will have little to no importance in the future.<sup>13</sup>

Participants indicated that private sector investment is encouraged by a product or group of products for which there is a market complemented by a skilled workforce that is either available locally or can be attracted to the community.

## A skilled labour force

Companies need to ensure they have access to a skilled labour force. Nearly all roundtable participants acknowledged the education issues in remote communities and many raised per capita funding of education as a factor in these regions’ difficulties. When funding is geared to population size, a small community is at a disadvantage. In order to provide the right kind education that will equip people with the skills employers need and attract business investment, new funding models need to be explored and pursued.

*“In several of the roundtables, education funding revealed some deep frustrations, where local residents felt that they were not arguing for a social benefit or entitlement, but making a logical case for expenditures that would be good for the broader economy, and should be understood and respected as such.”<sup>14</sup>*

<sup>12</sup> Edmonton, AB; Fort McMurray, AB; Halifax, NS; Iqaluit, NVT; Montreal, QC; Ottawa, ON; St. John’s, NF; Toronto, ON; Vancouver, BC; Yellowknife, NT; and Whitehorse, YK.

<sup>13</sup> GE Online Results Summary, NATIONAL Public Relations, July 2011.

<sup>14</sup> Towards a Remote Communities Investment Strategy for Canada, *Report on GE Canada’s Project: Shaping Economic Growth in Canada’s Remote Community Economies*, July 2011.

The quality of and level of participation in education is often linked to the degree of social problems in a community. Ensuring a strong commitment to education will make a huge difference in a remote community. In addition, provincial curricula developed for urban areas may not address the needs of sectors and trades which are useful to remote communities. Building closer working relationships between governments and business in this area was seen to be a step in the right direction.

The common thread in the discussion was that labour is a complex and often expensive component of doing business in a remote community. Many participants suggested that public policies concerning education, training and labour supply should be re-examined from the standpoint of how to ensure that they are more closely tailored to the unique needs of remote communities.

## Infrastructure that will attract business investment

Once they have the “product” and labour issues addressed, businesses said the availability and/or lack of certain critical infrastructure in remote communities affected their investment decisions including:

- **Water:** Investment is “unthinkable” without clean and safe drinking water. The availability of an abundant supply of water for industrial purposes including the agriculture and extractive sectors is a consideration for private sector investors as is the need for policy to manage competing demands on limited supplies of water.
- **Housing:** A lack of affordable housing can be a major disincentive and force businesses to adopt a “fly-in, fly-out solution” to the detriment of the community’s economic and social sustainability.
- **Health care services:** Lack of adequate health care can deter people from working in – let alone relocating themselves and their families to – remote communities. It also is a reason why people leave these communities for more highly-populated centres.

*“If timely access to high quality health services is one of the thorniest public policy problems in Canada’s largest urban centres, then it can easily be imagined that this is an even more acute challenge in many remote communities. Public policies that facilitate new solutions, such as tele-health services may hold significant potential, but to date have not been as broadly embraced as might be ideal.”<sup>15</sup>*





- **Energy:** The lack of economical and environmentally-sound energy options is one of the most serious challenges for businesses, especially in communities which are off-grid. Participants suggested an increase in north-south grids as well as emphasis on the development of renewable energy projects (which was committed to by the federal government in its 2011 *Speech from the Throne*). “Green” energy solutions that would not be economically viable in the south could be viable in remote communities as they would be better than the status quo.
- **Transportation links:** While needs vary greatly, nearly all participants representing remote communities at GE’s roundtables said theirs need some kind of transportation enhancement.
- **Broadband telecommunications services:** While “table stakes” in more populated areas, essential to doing business, as well a key enabler for public health and safety, as well as education and training, many of Canada’s remote communities have poor wireless communications and inadequate, costly, internet connections. This is particularly hard on small companies. Roundtable participants acknowledged the priority the federal government has placed on expanding broadband connectivity, but re-thinking how this will be accomplished may be necessary.

## Additional barriers

Creating longer lasting opportunities in a remote community is also more difficult when industrial activity has a limited life span, for example in the mining and non-renewable energy sectors.

A number of additional barriers tend to discourage the development of other infrastructure which would attract companies and workers to these communities including:

- Policy and program structures are not always flexible enough to accommodate the widely differing realities of remote communities;
- Political influence is stronger in major urban centers, while remote communities risk being “out of sight, out of mind;” and
- Regulatory overlap, duplication and red tape often make investment cumbersome and expensive.

## An investment, not a handout

Many roundtable participants were frustrated by their sense that Canada treats spending on infrastructure in rural and remote regions as a subsidy rather than an investment. Governments should rethink how they determine value for money when building infrastructure in remote communities; it is not just about the community but about Canada as a whole.

## New partnership approaches

*“Policy makers may need to address how to avoid a self-perpetuating paralysis and to create means and approaches for crosscutting, strategic investment involving public and private funds in ways that are pragmatic and novel.”<sup>16</sup>*

Roundtable participants said that many of remote communities’ infrastructure needs have traditionally been seen as governments’ responsibility but that, in an environment where governments are dealing with deficits, different approaches are warranted. Business investment, they said, can help communities that want to thrive, grow and diversify. They suggested new approaches should include:

- A commitment by governments to integrated long-term planning involving both the public and private sectors;
- An open mind to novel funding approaches, including public-private partnerships;
- An attitude that looks at spending in remote communities not as a subsidy but as a strategic investment for the country as a whole; and
- Embracing new technological solutions to help bridge infrastructure gaps, in areas such as energy, water, telecommunications, transport, health and education.<sup>17</sup>

Despite the challenges facing remote communities in meeting their full economic potential, roundtable participants agreed these obstacles can be overcome more easily than most people imagine. Applying modern technologies and infrastructure solutions could go a long way toward resolving some longstanding infrastructure needs, they said.

The consensus was that while there is no single template solution, a comprehensive strategy for remote communities that embraces a new way of thinking about them and adjusts public policy to stimulate public and private investment in them is urgently needed.

*“One of the keys to developing the infrastructure the territory needs is partnerships, particularly public-private partnerships. These partnerships are also a vital necessity for businesses in Nunavut to grow and thrive. We need to develop new partnerships, nurture the existing relationships and promote the use of Nunavut-based companies that have built their expertise so that as much of the benefits (economic and other) remain in our territory and our communities.*

*Developing the infrastructure and other needs of the territory will help unlock the vast potential of Nunavut and help the territory move from relying on federal transfer payments that are greater than what the territory contributes to the national economy, to a time where Nunavut will contribute more to the national economy than it receives.*

*That day is not far off and would be closer still if we work together.” Hal Timar, Executive Director, Baffin Regional Chamber of Commerce.*

<sup>16</sup> Ibid.

<sup>17</sup> Ibid.

# THE POLICY ENVIRONMENT NEEDED TO FILL INFRASTRUCTURE GAPS IN REMOTE COMMUNITIES

## Skills and training that is flexible and focused

After a business determines that a community offers a product – or group of products – for which there is a market, one of its first investment considerations is whether or not there is a skilled workforce available locally or that can be attracted to the community. As many of Canada's remote communities are Aboriginal, the failure of the education system to graduate Aboriginal youth from secondary school and give them the opportunity of post-secondary education and training is a considerable barrier to economic development.

Over the next decade, 400,000 Aboriginal Canadians will reach working age, yet Canada's Aboriginal peoples continue to be under-represented in post-secondary achievement statistics. According to the *2006 Census*, 42 per cent of First Nations peoples had completed some level of post-secondary education<sup>18</sup> compared to 61 per cent of the rest of Canadians. Improving these outcomes will not only enhance Aboriginal peoples' standards of living, but Canada stands to benefit from a highly-skilled, home-grown workforce. The economic benefits stemming from addressing the longstanding issues in Aboriginal education are clearly laid out in *Investing in Aboriginal Education in Canada: An Economic Perspective*.<sup>19</sup> This report documents the real economic benefits that could accrue to Canada if – by 2026 – Aboriginal youth were to achieve the same educational outcomes as those achieved by the non-Aboriginal population in 2001. It is estimated that the annual economic output of the labour market would be \$36.5 billion higher, with increased tax revenues of \$3.5 billion and reduced government expenditures of \$14.2 billion.<sup>20</sup>

Because Aboriginal peoples are, on average, much younger than the overall Canadian population with a much higher birth rate, they have the potential to make a disproportionately large contribution to the Canadian labour force over the next 20 years. There is also evidence that increased educational attainment results in increased productivity in the labour market. If true, the return to Canada's economy of improving Aboriginal Canadians' educational outcomes would be even greater.<sup>21</sup>

Though the economic benefits of investment in good education and training are clear, as the Auditor General observed in her June 2011 report, the federal government has made no progress in improving First Nations education on reserves. "The proportion of high school graduates has risen steadily in the general population across Canada but not among First Nations students living on reserves. Based on census data from 2001 and 2006, the education gap is widening. The proportion of high school graduates over the age of 15 is 41 per cent among First Nations members living on reserves, compared with 77 per cent for Canadians as a whole. In 2004, we noted that at existing rates, it would take 28 years for First Nations communities to reach the national average. More recent trends suggest that the time needed may be still longer."<sup>22</sup>

Some of this lack of success is no doubt attributable to that fact that First Nations – whose on-reserve schools are funded by the federal government – are required by the Department of Aboriginal Affairs and Northern Development to deliver a curriculum equivalent to that of the province in which they are located by provincially-certified teachers. Yet the federal government funding provided to First Nations is considerably less per student than what provinces

18 This includes apprenticeship or trades certificate; college or CEGEP diploma; university certificate or diploma below bachelor level; university degree or bachelor's degree or above. Gionet, Linda *First Nations people: Selected findings of the 2006 Census*. Statistics Canada, Catalogue no. 11-008.

19 Sharpe, Andrew and Arsenault, Jean-Francois, *Investing in Aboriginal Education in Canada: An Economic Perspective*, The Centre for the Study of Living Standards, for the Canadian Policy Research Network, 2009.

20 Ibid.

21 Ibid.

22 *Status Report of the Auditor General of Canada, June 2011*.

provide for students for whom they are directly responsible. According to the Assembly of First Nations, "The funding approach is outdated, unstable and is not based on the actual number of students in the classroom. On average First Nations schools receive at least \$2,000 less per child which accounts for the lack of learning materials. It is also difficult to retain qualified teachers in First Nations schools because they earn some of the lowest salaries among teachers in Canada."<sup>23</sup>

A significant source of concern with respect to the education gap is the current Band Operated Funding Formula (BOFF). The current BOFF was developed in 1988 and was originally designed to apply to all First Nations schools in Canada. The BOFF provides funding based on multiplying the number of students by a tuition rate. This amount is expected to fund teachers' salaries, books and supplies, instructional materials and core curriculum requirements.

With a lack of sufficient funding it is next-to-impossible for First Nations to provide an education to their peoples that is not only deemed provincially-equivalent, but is culturally relevant and provides the opportunity for students to learn in their own languages. It also makes it very difficult to attract educators equipped to teach the mathematics and sciences essential for post-secondary education and employment.

Secondary school graduation – or its equivalent – is usually the minimal level of education required by employers. The recent announcement of the National Panel on First Nations Elementary and Secondary Education is a positive step, particularly if measures resulting from it that improve the education outcomes of First Nations peoples are also applied, where appropriate, to other Aboriginal peoples in Canada.

In June 2011, the Inuit Tapiriit Kanatami released *First Canadians, Canadians First: The National Strategy on Inuit Education*<sup>24</sup>. The *Strategy* makes 10 recommendations to improve Inuit peoples' education outcomes by supporting children to help them stay in school; providing a bilingual curriculum to achieve literacy in the Inuit language and at least one of Canada's official languages, and learning resources that are relevant to the Inuit culture, history and worldview; and increasing the number of education leaders and bilingual educators in schools and early childhood programs.<sup>25</sup>

Human Resources and Skills Development Canada (HRSDC) offers several programs to fund Aboriginal Canadians' training under its Aboriginal Skills and Employment Training Strategy (ASETS).<sup>26</sup> ASETS' programs require that local organizations in Aboriginal communities consult with area businesses in the development of training plans to ensure that training is well-suited to the job market and meets the needs of employers. Unfortunately for some remote communities, there are few businesses available with which to consult. The federal government needs to show flexibility to make its programs work successfully for Aboriginal communities and should be exploring additional ways to facilitate links between training and business opportunities/requirements. When there are few local businesses with which to consult, ASETS managers should reach out to businesses in other communities in the region to obtain guidance on what skills they require.

HRSDC's Aboriginal Skills and Employment Partnerships (ASEP), aimed at major economic development projects such as mining, construction and tourism, is meant to build partnerships between Aboriginal communities and the businesses involved

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23 Assembly of First Nations. *It's Our Time: A Call to Action on Education*. [www.afn.ca](http://www.afn.ca) Accessed July 2, 2010.

24 [http://www.itk.ca/sites/default/files/National-Strategy-on-Inuit-Education-2011\\_0.pdf](http://www.itk.ca/sites/default/files/National-Strategy-on-Inuit-Education-2011_0.pdf)

25 Ibid.

26 ASETS replaced the Aboriginal Human Resource and Development Strategy - AHRDS- in the spring of 2010.

so that Aboriginal peoples can obtain the right skills for long-term employment with these projects. ASEP is scheduled to expire in 2012.

No matter how flexible and geared to employment opportunities, there will be situations where skills and training programs – provided by governments, employers or both – will not meet their objectives of engaging local people in the workforce or, once trained, keeping them in their home communities. When a local workforce is not available to a prospective private sector investor in a remote community, that employer will need to – at least temporarily – bring the workers it requires from elsewhere. A community that nobody wants to live in will make it more difficult – and costly – for employers to do this. Employers and governments may need to work together to invest in “social” infrastructure that – while not essential to the operation of a business venture – can enhance the livability of a community and its long-term economic future.

The communities of Wabush and Labrador City (Labrador West) in Newfoundland and Labrador, grew up in the 1960s around the Wabush and Iron Ore Company of Canada mines. In the early days, there was not much for the community to offer workers and their families except the work itself, so as people retired they left these communities mostly to return home. Over the years, however, these “mine towns” became communities in their own right with company-built infrastructure provided to meet the needs of workers and their families being complemented by recreation, cultural and other facilities in partnership with governments. Today, Labrador West – which brands itself as “Built on industry” and “A Premier Lifestyle Community” – is experiencing a housing squeeze because the workers who used to leave when they retired are now staying because their own families are establishing their own roots there. Economic – and community – development that was driven first by a business case is now being fostered by the people who came there to work and have stayed to “live”.

## Private sector partners can help develop a local skilled workforce

*“... there may be a need for businesses and governments to work more closely together in planning education infrastructure, and perhaps in funding arrangements as well. To be successful, this would likely require variations on the degree of local decision making authority than allowed for under current policy and program arrangements at the levels of federal, provincial and territorial governments.”<sup>27</sup>*

In Yukon, the mining and other resource industries have joined forces as partners in the Yukon Mining Training Association (YMTA). With multiple funders, including ASEP, the YMTA fosters close links between employers, First Nations and other governments, and training developers. YMTA’s goal is to train and develop a local skilled workforce made up of both First Nations and other Yukoners to meet the needs of the resource sector. It is also involved, along with labour and industry partners, in establishing occupational standards for resource-related jobs that are key to Yukon industry.

Getting the timing right on training is a key consideration for people in remote communities so that they can actually use the skills they acquire. For example, as Agnico-Eagle Mines Ltd. prepares to re-open a gold mine at Meliadine, 25 kilometres north of Rankin Inlet (Nunavut), it is working with that community and others in the Kivalliq region to prepare. Rankin Inlet, created around a mine which closed in 1962, recognizes the opportunity that a new operation will bring. The Kivalliq Mine Training Society, comprised of the government of Nunavut, Nunavut Arctic College, the Kivalliq Inuit Association and Agnico-Eagle, with funding from ASEP, has developed an entrepreneurship course at the local high

<sup>27</sup> Towards a Remote Communities Investment Strategy for Canada, Report on GE Canada’s Project: Shaping Economic Growth in Canada’s Remote Community Economies, July 2011.

school and a new trades training school. The Society has brokered training for about 150 people of whom approximately 70 have gone on to jobs at Agnico-Eagle's Meadowbank gold mine.<sup>28</sup>

While these and other programs led and/or supported by government are successful for many individuals, the aggregate results for Aboriginal peoples in post-secondary training and education suggest that existing programs are not yet addressing some major barriers for them and other Canadians in remote communities. There are complex reasons for the failures of education and training programs to bring the desired outcomes. Often it is an issue of a lack of focus and flexibility, not funding. Education and training programs developed to meet provincial, territorial and – in the case of Aboriginal programs – national goals may not be focused or flexible enough to meet the needs of the residents of remote communities and their prospective employers. In some remote communities, it may not be possible to offer onsite training and mentoring programs may be the most effective way to convey the skills required for a particular type of employment. In communities where there is no prospect of a major extractive or construction project, training people who want to stay in their communities in the use of heavy equipment will only result in frustration and bitterness. Training – perhaps delivered online – in skills that can be used to deliver services remotely, for example accounting, as well as web and graphic design, might be more appropriate for some remote communities.

### When training at home is not available

Often, there is no option for residents of remote communities other than to relocate – even temporarily – to an urban centre to obtain higher education and training. The federal government needs to work with Aboriginal organizations, businesses and other stakeholders to develop innovative means of bringing training to remote communities and, when this is not possible, to do more to help people from these communities prepare for life in an urban setting when that is their only alternative to seek advanced education and training.

<sup>28</sup> Bell, Jim, Nunatsiaq NEWS, April 12, 2011.

<sup>29</sup> <http://www.nstraining.ca/about.php>

There needs to be effective transition support for those leaving remote communities to pursue studies in urban centres. In addition to the challenges posed by advanced education studies, those from remote communities – especially women with children – face the additional hardship of being far from home and the support of their families.

Best practices exist which could be applied more broadly. For example, the Nunavut Sivuniksavut (NS) program has proven to be a highly successful skills and training model.<sup>29</sup> 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 (1999). Every year, 20 to 30 young people from Nunavut are brought to the NS College in Ottawa for skills and training programs. At the same time, they are exposed to society in the south so that they can gain a better understanding of it which can be very useful for future business and other 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. Not only are these young people better prepared to work with businesses coming into their home communities, they can also act as mentors to others who must go to urban centres for education and training.

### Mainstream businesses must adapt as well

The cornerstone of long-term success in business is based upon all partners feeling they are benefiting from the relationship and know what each expects from the other.

This means the onus of understanding others' cultures and norms lies not only on the shoulders of those in remote communities, but on those of the businesses coming from elsewhere to invest in them. For example, businesses investing in remote communities need to consider the importance of community consultation and oral communications to their Aboriginal partners and factor this into their planning.

The federal government has a role to play in working with the Canadian businesses and stakeholders in remote communities to develop more tools to allow them to familiarize themselves with each others' business practices, governments, agencies, regulations and culture.

## RECOMMENDATIONS:

*That the federal government:*

- *Review the funding formula for education in First Nations communities to ensure parity with the provincial financing model in each of the provinces where First Nations schools are expected to adhere to the provincial curricula, recognizing that First Nations schools must keep pace as curricula are updated. Any revised funding model must be public, comprehensive and equitable in its construction and application to ensure that the education needs of all First Nations communities are met;*
- *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;*
- *Partner with businesses whenever possible to ensure training programs are delivered efficiently and meet the needs of employers;*
- *Put effective transition programs in place for those leaving remote communities to pursue education and training opportunities in urban centres. One approach is partnering with post-secondary institutions in urban centres to host prospective students from remote communities to expose them to urban life; and*
- *Provide tools for Canadian businesses and stakeholders in remote communities to allow them to familiarize themselves with each others' business practices, governments, agencies, laws and regulations.*

## Reducing red tape and overlap

Businesses want to operate within predictable, acceptable regulatory parameters. Without them, the cost of business can become unwieldy and investment unattractive and/or impossible.

Canada's legal and regulatory environment provides the stability and predictability Canadian and foreign investors seek, often making Canada a more attractive place in which to operate. On the other hand, poorly designed and managed regulation can result in red tape and, when combined with the often overlapping jurisdictions and competing interests of various levels of government, can be hugely frustrating. This can stop investments – and the economic development they bring – in their tracks.

If a company is raising money for a new project, its investors will not always wait months, let alone years, for project approvals. They will find another project in which to invest with a more predictable timeline for a return on their investment. Lengthy, unpredictable regulatory processes decrease the competitiveness of Canadian companies internationally and can hold back the development of our remote areas. This is to the detriment of our economy and all Canadians.

The costs of complying with regulations represent a significant proportion of overhead expense and net margin. The overlap and duplication of government regulations create additional, unnecessary costs to business and can become a nightmare for the company trying to navigate through them. Today, businesses must absorb the costs associated with regulatory compliance. There are no consequences for regulators when their actions create delay or confusion. There needs to be a clear accountability framework established for regulators.

An example is the duplication and excessive administrative burden caused by environmental regulations and the paper burden associated with *Canadian Environmental Protection Act (CEPA)* documentation and reporting requirements. There is a

need to coordinate and/or harmonize environmental regulations amongst the federal, provincial and territorial governments. A company should only need to report its greenhouse gas emissions to one level of government and copy the other, rather than having to complete separate forms (that might have different requirements or measurement techniques). To make matters worse, the provinces and territories are developing their own systems, which may not be compatible, causing problems for companies that operate in multiple jurisdictions.

A streamlined and efficient environmental assessment process requires coordination amongst provincial/territorial and federal jurisdictions at the national level. A national framework integrating existing policies and procedures would ensure that changes to the process result in greater predictability across the board, reducing the compliance and regulatory burden and lowering the cost of doing business.

It is possible to do effective project assessments, taking all aspects of the project's impact into consideration, within reasonable time frames. Businesspeople in Canada's North find the YESEAB (Yukon Environmental Socio-Economic Assessment Board) an effective regulatory model. 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* establishing 14 self-governing First Nations in Yukon, the YESEAB is an arm's-length board whose binding recommendations are then passed for implementation to the appropriate regulatory agencies, be they territorial, federal or First Nations. YESEAB works under reasonable, published timelines so that project proponents can know when to expect decisions. By law, its effectiveness must be reviewed every five years, giving regular opportunity for adjustments to its operations.

The YESEAB model is one that the federal government could explore with the provinces and territories as a way to boost efficiency, encourage investment and reduce government and business costs.

*YESEAB works very well but, in large measure, I have to give credit to industry. Mining practices have really changed over the last 10 to 15 years. Yukon has its share of past horror stories, but now industry is prepared to do what is necessary and to sit down with all players to work things out. Today's business people are amazing to work with." Dale Eftoda, Project Specialist and former Chair of YESEAB.*

The federal government acknowledged the impediment some federal regulations pose to investment when it established the Red Tape Reduction Commission in January 2011. The Commission's mandate is to identify irritants to business that stem from federal regulatory requirements and to review how they are administered in order to reduce the compliance burden on businesses, especially small businesses. The Commission is focusing on regulatory issues that have a clearly detrimental effect on growth, competitiveness and innovation, and to recommend long-term options that will control and reduce the compliance burden without compromising the environment and the health and safety of Canadians. The Commission held roundtables across Canada as well as an online consultation process and is to issue its report in the fall of 2011.

## RECOMMENDATIONS:

*That the federal government:*

- *Adopt a standardized "one project-one assessment approach" that harmonizes federal and provincial/territorial statutes and regulations;*
- *Establish single points of contact where businesses can obtain all regulatory information relevant to their projects and complete all necessary procedures electronically;*



- *Work with the industry sectors concerned to agree on a pre-set total regulatory cost to which all relevant regulatory agencies agree, and then ensure that any regulatory change brings a zero net increase in compliance burden;*
- *Hold regulators accountable for the impact of their actions;*
- *Make the regulatory process more transparent, for example by communicating the drafting of new regulations in advance and ensuring affected sectors are consulted and receive sufficient notice of regulatory changes;<sup>30</sup> and*
- *Look to the Yukon Environmental Socio-Economic Assessment Board as a potential model for business regulation.*

## Encouraging private sector infrastructure investment and service delivery

The infrastructure needs of Canada's remote communities are as different as the communities themselves. It is not realistic to think that all gaps will be filled by governments alone, yet the private sector will not build infrastructure without incentives to do so. If new ways of attracting private sector investment in the construction of – and delivery of services associated with – the infrastructure needed to foster economic development in remote communities are not found, much of the economic potential of these communities will be squandered.

The Swan Valley region of west central Manitoba has lost two substantial employment opportunities because of inadequate rail infrastructure. Swan Valley relies upon agriculture and forestry as its economic basis. In the past few years, two major employers (a mineral refining facility and a canola crushing plant) have chosen not to locate there because the existing rail line is not robust enough to transport full car loads of their products to markets. Each prospective employer would have created approximately 100 jobs.



Broadband telecommunications, taken for granted in urban locations, offers a potential model of how government could work with the private sector to meet public policy goals for infrastructure.

Telecommunications services in many remote areas of Canada lag well behind those in more populated regions. Yet broadband telecommunications holds the promise of bringing more economic development options to remote areas. In its report *A Matter of Survival: Arctic Communications Infrastructure in the 21<sup>st</sup> Century*, the Northern Communications & Information Systems Working Group suggests that, “Ensuring appropriate communication services may be one of the few truly affordable infrastructure efforts that address some of the challenges facing northern residents, and the sustainability of communities in the long run.”<sup>31</sup>

The Canadian Radio-television and Telecommunications Commission (CRTC) released a new national broadband coverage target earlier this year saying all Canadians should have broadband internet access at 5 Mbps or faster by 2015.

<sup>30</sup> Submission to the Red Tape Reduction Commission, Canadian Chamber of Commerce, June 2011.

<sup>31</sup> *A Matter of Survival: Arctic Communications Infrastructure in the 21<sup>st</sup> Century*, Arctic Communications Infrastructure Report, April 30, 2011 <http://www.aciareport.ca/>

*“The CRTC anticipates that this target will be reached through a combination of private investments, targeted government funding and public-private partnerships. The launch of new satellites and advances in wireless technologies will make it possible to provide Canadians in rural and remote regions with reliable broadband connections at reasonable rates and higher speeds than those available today.” Konrad von Finckenstein, Chairman of the CRTC.*

Rural and remote regions of Canada are usually the last to be serviced by broadband telecommunications. Current funding for existing levels of service is – particularly in Canada’s North – is often insecure and dependent upon short-term federal funding programs.

For telecommunications – or other types of infrastructure – a sustainable model for private sector investment and provision is possible when governments provide incentives and public-private partnership options. The success of this kind of model has been demonstrated by projects funded by Broadband Canada: Connecting Rural Canadians and other programs. What is missing is predictability and long-term incentives which allow the private sector to not just extend infrastructure to remote communities but to maintain service at affordable prices.

Broadband Communications North Inc. (BCN), a non-profit community enterprise made up of First Nations, remote communities and other stakeholders, is working to ensure that rural, northern and remote citizens have equitable access to high speed broadband

telecommunications services. BCN has also encouraged communities to harness the opportunities provided by the internet, including business development, e-learning and telehealth. With funding since 2005 from the federal and Manitoba governments, BCN has extended broadband service to more than 3,000 households in Northeast Manitoba, Flin Flon and Thompson.

BCN was instrumental in establishing the Northern Indigenous Community Satellite Network (NICSN), an inter-provincial partnership jointly-managed by First Nations and Inuit organizations in Quebec, Ontario and Manitoba.<sup>32</sup> NICSN launched the first interprovincial community-owned and operated broadband satellite network in Canada in 2005. Since then, it has expanded residential access, procured more satellite transponders and the required earth station and local access network upgrades to meet demand for the next 11 years. Funding is provided by the National Satellite Initiative (\$21 million); the Northern Ontario Heritage Fund; the government of Québec’s Villages branchés program and Telesat Canada (\$13 million in total). Broadband Canada is also contributing toward extension of the service networks in each area<sup>33</sup>. NICSN while working successfully and achieving economies of scale and network efficiencies with strong, long-term partnerships, is dependent upon ongoing government funding for its sustainability.

Canadian business needs the right incentives to keep investing in up-to-date telecommunications – and other – infrastructure. Investment models that encourage competition in as many communities as possible will foster innovation, better service and customer choice.

<sup>32</sup> KO-KNet in Ontario, the Kativik Regional Government in Quebec and the Keewatin Tribal Council, which formed BCN in Manitoba.

<sup>33</sup> *Putting the Last Mile First: Re-framing Broadband Development in First Nations and Inuit Communities*, Simon Fraser University December 2010 <http://www.sfu.ca/cprost/docs/Putting-the-Last-Mile-First-Dec-1-2010.pdf>

## Building demand

Governments – which are a major economic force in many remote communities – can assist in stimulating demand by ensuring reliable and easy online interactions, for its partners, citizens, and suppliers. Already, many interactions, including tax returns, can be filed online. Like any large user, by undertaking a commitment to online commerce and the related technology, governments can defray costs for suppliers and provide valuable incentives to adopt technology.

Governments can also encourage private sector investment by adopting procurement practices that recognize the varying geographical challenges of many remote areas and have the flexibility to allow several suppliers to use the most appropriate technologies to serve communities efficiently while meeting their needs.<sup>34</sup>

## RECOMMENDATION:

*That the federal government look to the possibilities associated with extending broadband telecommunications to remote regions – and business models for delivering the services associated with them – as a model for engaging the private sector in other types of infrastructure construction and service delivery.*

## Fostering an environment for partnerships

In an era of deficit reduction, often there will simply be no new government funds available to support economic development through infrastructure – or any other – investments. However, this does not mean the government cannot be of assistance. Government can provide the tools to allow stakeholders to pool their resources and expertise to bring economic benefits to both.

It is remarkable what can happen when parties with elements lacking from their economic development puzzles connect with others who have the missing pieces.

## The Baffin Fisheries Coalition-Newfoundland partnership

In 2000, as a result of exploratory research in the northern part of Nunavut, new quota for turbot was established for the 2001 fishing season. This spurred stakeholders, who lacked the equipment and know-how to develop the new offshore fishery, to join forces to form the Baffin Fisheries Coalition to accumulate the critical mass of resources needed. Jerry Ward, Chief Operating Officer of the Coalition, was able to match excess fishing equipment, boats and expertise from Newfoundland with Nunavut fishers.

From its first days, the Coalition has set aside a percentage of its revenues to build a fund for fishing infrastructure, invest in training of local fishers, and to undertake research on fishing stocks. In addition, it shares a percentage of its revenues with the communities involved, allowing them to invest in additional infrastructure or community supports, such as purchasing snowmobiles for elders, or buying small boats for inshore fishing.

The Coalition's efforts have led to an increase from 21 to 44 per cent in the quota assigned to Baffin Island fishers in the waters adjacent to the island. At the outset, there were no large vessels owned by fishers in Nunavut. Today, the Coalition has two factory freezer vessels which are 51 per cent Inuit-owned and another which is 100 per cent Inuit-owned. A \$1.3 million investment by the Coalition in training has leveraged an additional \$10 million from existing federal and territorial programs, resulting in a strong base of Inuit trained in offshore fishing, with ongoing training being offered through a separate not-for-profit organization established by the Coalition. The Nunavut Exploratory

<sup>34</sup> A Matter of Survival: Arctic Communications Infrastructure in the 21<sup>st</sup> Century, Arctic Communications Infrastructure Report, April 30, 2011 <http://www.aciareport.ca/> pg. 185)

Fisheries Fund was set up by the Coalition in 2010 to continue work it had started surveying unexplored fishing areas. Although the Department of Fisheries and Oceans lacked the funds to do the research, they provided technical support and cooperation. Early exploration led to the opening of new waters to fishing including additional quota in Cumberland Sound that is exclusively for the use and benefit of the town of Pangnirtung.

Still missing on Baffin Island are deep sea ports with the capacity to load and unload offshore fishing vessels. Consequently, most of the catch is unloaded at ports in Greenland in the summer and Newfoundland in the winter. With the fishing season extending steadily to about 10 months of the year in southern Baffin Island and about four months on average in the northern areas, Nunavut can look forward to a growing fishing industry.

Many businesses on Baffin Island hope that federal infrastructure projects – such as the military deep sea port to be constructed in Nanisivik on the Island’s northern coast – will be planned with potential commercial benefits in mind.

## Bringing stakeholders together for sustainable economic development

Several provincial and territorial governments are encouraging investment in remote areas by finding innovative ways to encourage partnerships. Plan Nord: the Project of a Generation, announced in May 2011, is Quebec’s strategy for long-term economic development north of the 49<sup>th</sup> parallel, which accounts for 72 per cent of the province’s geographic area but less than two per cent of its population. Plan Nord sets out the principles for a partnership relationship with First Nations and Inuit, mandating business to consult directly with First Nations/Aboriginal communities affected by any projects.

A public-private business model will see construction and maintenance costs for infrastructure shared by businesses, the communities concerned, the provincial government and other users. Plan Nord will be managed by a separate corporation, working directly with businesses and local communities and financed

through a dedicated investment fund. The fund, started with a \$500 million investment from the Quebec government, will be built through a portion of the royalties collected from new mining, infrastructure and Hydro-Québec projects. Hydro-Québec is contributing an additional \$10 million per year for social projects. The first investments between 2011 and 2016 are expected to be \$1.2 billion for infrastructure and \$382 million for social initiatives related to housing, health, the reduction of transportation costs and education.

Xstrata Nickel, which is looking at extending its Raglan nickel and copper mine (in Nunavik at the northern tip of Quebec on Ungava Bay) beyond 2020, believes Plan Nord provides a model for truly sustainable economic development. Plan Nord provides a common platform for stakeholders – business, community and government – to share information associated with the construction of the infrastructure required for economic development projects. Compelling interested parties to talk to each other creates a more efficient and sustainable alternative to projects proceeding on a piecemeal basis. Stakeholders can pool their resources as well as share the risks and rewards of economic development infrastructure projects. Plan Nord also provides the Quebec government with a medium to ensure stakeholders are aware of the provincial rules and regulations associated with these projects. This means all parties start their discussions from the same point of understanding which can save a lot of time and results in discussions amongst stakeholders that focus on how to best create sustainable value and benefits for all stakeholders.

*Jack Blacksmith, President and Chairman of Cree Regional Economic Entreprises Company (CREECO), believes Plan Nord comes at a very good time for his organization and other Cree businesses. The government-funded projects, which include the extension of roads into remote areas, will accelerate private sector investment by making these locations much easier/more affordable to reach. “We are totally ready for the opportunities presented by Plan Nord to partner with project developers. While the development occurring in remote areas of Quebec would likely have happened sooner or later, Plan Nord has accelerated it.”*

## New life for an unneeded railway

Along the Quebec-Labrador border, isolated communities are also benefiting from infrastructure which another organization no longer needs. The Quebec North Shore and Labrador Railway (QNSL) was once owned by Iron Ore Company of Canada. QNSL connected Schefferville, Quebec with Emeril Junction, Labrador and continued to the port of Sept-Isles, Quebec. When the Iron Ore Company closed its mine in Schefferville in the 1980s, it no longer needed the line between Emeril Junction and Schefferville. In 2005, it sold the line for \$1.00 to Tshieutin Rail Transportation Inc. (TSH), the first Aboriginal-owned railway in Canada.<sup>35</sup> With approximately 40 employees, TSH offers passenger – and limited freight – service between Emeril Junction and Schefferville and provides passenger rail service on the remaining QNSL-owned line running from the port of Sept-Isles to Emeril Junction.<sup>36</sup> In an agreement announced in February 2011 with Labrador Iron Mines, TSH will now ship iron ore from the re-opening mine sites near Schefferville.<sup>37</sup>

Transport Canada's Regional and Remote Passenger Rail Service Class Contribution Program has provided ongoing support to TSH for upgrading tracks and equipment. The province of Quebec has now made rehabilitation of the Emeril Junction to Schefferville line one of its priority initiatives as part of Plan Nord. As well as providing a needed service to people living in many remote communities along the railway line, the economic benefits of the railway are again being recognized.



## Engaging communities in developing Ontario's Ring of Fire

Ontario recently released its *Growth Plan for Northern Ontario, 2011*, a 25-year plan that aims to strengthen the economy by diversifying the region's traditional resource-based industries and stimulating new investment. Ontario is particularly focused on the development of the Ring of Fire, an area near James Bay which has extensive untapped mineral wealth. Discoveries include nickel, copper, zinc, gold, kimberlite and possibly one of the world's largest discoveries of chromite, the only source in North America and believed to be enough to supply all of the continent's stainless steel and defence industry needs.

Essential to the province's development plans for its northern areas is reducing corporate income tax rates to improve international competitiveness and adjusting electricity pricing for large industrial users through the Northern Industrial Energy Rebate Program. The province intends to work with industry, labour, professional associations and communities to collaborate on better labour market planning for Northern Ontario, to both increase labour market participation of underrepresented groups and to attract skilled workers.

<sup>35</sup> Tshieutin Rail Transportation is owned by the Innu Nation of Matimekush-Lac John, the Naskapi Nation of Kawawachikamach and the Innu Takuaikan Uashat mak Mani-Utenam.

<sup>36</sup> [www.tshieutin.net/index\\_an.htm](http://www.tshieutin.net/index_an.htm)

<sup>37</sup> <http://finance.yahoo.com/news/LIM-Signs-Agreement-With-ccn-3578375422.html?x=0&.v=1>

The Ring of Fire area encompasses four Aboriginal communities accessible by road and five fly-in communities. The most remote of the communities are located closest to the Ring of Fire development region. The Ontario government has signed a letter of intent with the Marten Falls and Webequie First Nations to work together to build community capacity and increase economic development opportunities. It has also announced a number of capacity building and community supports for Aboriginal communities in the area. These include \$45 million over three years for a Northern Training Partnership Fund<sup>38</sup> to help Aboriginal peoples and other northerners develop their skills in order to benefit from emerging economic development opportunities. An additional \$10 million in funding enables First Nations communities to work on land-use planning with the provincial government.

### Government-business pilot projects bring infrastructure solutions to communities

Pilot projects can reduce government's costs to improve critical infrastructure and enhance the business case for private sector investment in remote communities, by providing a "living-lab" for businesses testing new technologies. That is what happened in Bella Coola, British Columbia, 400 kilometres north of Vancouver and not connected to BC Hydro's grid. Bella Coola's electricity has been powered by diesel generators and by a small run-of-river hydro facility which, while generating clean electricity, had no means of storing it. The community's high dependency on diesel generators meant expensive high-emission electricity that had a heavy impact on the environment and limited business investment potential in the community due to its high cost.

In 2010, a partnership of BC Hydro, GE Canada and Powertech, supported by the government of British Columbia as well as Sustainable Development

Technology Canada (SDTC), resulted in the Hydrogen Assisted Renewable Power (HARP) project which has brought state-of-the-art electricity storage capacity to the community. HARP converts the electricity generated in off-peak hours by the hydro facility into hydrogen for use during times of peak demand. Bella Coola is expected to require up to 200,000 fewer litres of diesel annually, saving the community money and reducing its carbon footprint by 600 tons per year.

Planning and partnership building at the provincial/territorial level are important, but Canada suffers from a lack of information flow across the entire country when it comes to opportunities for pooling resources and expertise, particularly when these opportunities involve multiple industries and governments. Sharing information on technological developments, best practices and infrastructure partnership opportunities could be facilitated by the federal government through its regional economic development agencies. However, these agencies tend to work in isolation from each other. Economic development in remote regions – and all of Canada – would be well-served by a federal forum that would connect business, community leaders and others.

### RECOMMENDATIONS:

*That the federal government:*

- *Establish – and communicate – an online forum for potential business and community partners to share their infrastructure gaps and excess capacity;*
- *Pursue more opportunities to enter into pilot project partnerships with the private sector to bring enabling infrastructure to remote communities; and*
- *Consider potential commercial benefits when choosing the locations of federal infrastructure projects.*

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<sup>38</sup> This also includes funds from the federal Aboriginal Skills and Employment Training (ASET) Program.

## Investment or subsidy?

Formulae for government investment in infrastructure have been developed for more densely-populated areas of the country, where per capita funding usually works well and the costs of providing infrastructure are not excessive when spread across a broad tax base created by higher population and industrial densities. For example, the federal government's Gas Tax Fund has been set up to fund municipal infrastructure projects and determines the allocation of funds to municipalities based on a per capita formula. However, when these formulae are applied to remote communities with low populations, huge and hard-to-reach geographies and major infrastructure needs, they do not work. As a consequence, the extra costs of building infrastructure in remote communities are too often regarded as subsidies or handouts rather than investments.

The reality is that higher populations mean more votes. It is not surprising, then, that urban areas nearly always fare better when it comes to infrastructure funding.

This is particularly frustrating for remote communities given the "... ample evidence that businesses operating in remote communities are making an important contribution to Canada's total GDP, and offer uniquely powerful growth dynamics..."<sup>39</sup>

For infrastructure in the three territories, there is an additional issue; territorial governments are restricted by debt caps, part of their legislative frameworks. While the rationale for the caps is understandable, they restrict the territories' ability to raise funds for infrastructure investments and to form the kinds of public-private partnerships that could help the territories' peoples benefit economically.<sup>40</sup>

Overcoming infrastructure gaps also requires a changed attitude on the part of government and the public based on understanding why investments in remote communities are essential to Canada's future. Were the government to do the cost-benefit analysis – such as has been done for the economic benefits of better Aboriginal education by The Centre for the Study of Living Standards – and explain the economic and social returns to the Canadian public, incorrect assumptions about the value of investment in remote regions could change.

The government of Australia has done the analysis, recognized the long-term benefits of closing the infrastructure gap in many of its remote communities, committed the funds and gotten to work in partnership with business.

## How Australia is closing the infrastructure gap

More than 85 per cent of Australia's landmass is classified as remote, with approximately half a million indigenous peoples living in these areas. As in Canada, standards of living, levels of education, health outcomes and levels of employment of indigenous Australians lag well behind the rest of the population. Recognizing that the social, economic and health challenges of indigenous populations are inextricably linked to the challenges of remoteness, Australia began a broad-based initiative known as Closing the Gap in 2009.<sup>41</sup>

The objective of Closing the Gap is to ensure that indigenous Australians living in remote communities receive the same standard of services as Australians living in similar-sized communities elsewhere in the

<sup>39</sup> Towards a Remote Communities Investment Strategy for Canada, *Report on GE Canada's Project: Shaping Economic Growth in Canada's Remote Community Economies*, July 2011.

<sup>40</sup> As reported in the *Nunatsiaq News* (March 2, 2011), Nunavut has a debt cap of \$200 million of which least \$150 million is already committed ([http://www.nunatsiaqonline.ca/stories/article/98786\\_nunavut\\_mulls\\_increase\\_in\\_its\\_credit\\_limit/](http://www.nunatsiaqonline.ca/stories/article/98786_nunavut_mulls_increase_in_its_credit_limit/)).

<sup>41</sup> [http://www.fahcsia.gov.au/sa/indigenous/pubs/closing\\_the\\_gap/2011\\_ctg\\_pm\\_report/Documents/2011\\_ctg\\_pm\\_report.pdf](http://www.fahcsia.gov.au/sa/indigenous/pubs/closing_the_gap/2011_ctg_pm_report/Documents/2011_ctg_pm_report.pdf)

country. The program works through a framework of national partnership agreements that provide funding and facilitate cooperation with stakeholders and service delivery partners in order to reduce or eliminate gaps in indigenous health outcomes, housing, early childhood development, economic participation, service delivery and public internet access. Closing the Gap sets specific targets for each priority area: access to pre-school for all indigenous four-year olds by 2013; halving the gap in employment outcomes by 2018 and in secondary school graduation by 2020; and eliminating the gap in life expectancy by 2031.<sup>42</sup> Among the partners involved are the national, state and territorial governments, Aboriginal communities, non-governmental organizations, research organizations, and businesses – particularly in the mining, agriculture and tourism sectors.

Private sector partnership is key to achieving the program's economic goals to improve education and training, build new enterprises and strengthen existing industries that provide jobs in remote areas. Business contributes to education and skills development through the provision of information technology and other equipment as well as direct training assistance. Businesses are also called upon to support more broadly-based training programs such as the Indigenous Australian Engineering Summer School which is funded by more than 20 corporate partners.<sup>43</sup>

Most businesses implementing indigenous initiatives do so in collaboration with governmental, educational or indigenous community organizations that help to provide expertise and cultural awareness. For example, BHP Billiton, Testra and Qantas with various governmental partners have helped to form the Desert Knowledge Australian Outback Business Network to connect desert-based small- and medium-sized businesses (SMEs) in order to share expertise and

expand their business opportunities. Rio Tinto, which employs more indigenous workers than any other company in Australia, has created a team of human resource specialists who are available free-of-charge to consult with businesses and government about indigenous employment and retention strategies.<sup>44</sup>

By 2025, the Australian government projects large reductions in social assistance accompanied by national economic benefits from increased employment, more highly-skilled workers and creation of new SMEs.

An example of how inaccurate assumptions about remote regions can be demonstrated in Prince Rupert (British Columbia). By 2003, Prince Rupert was on its knees economically. The forest industry was in rapid decline, and Prince Rupert's pulp mill went into receivership; the fishing industry had virtually ended; and the population of Prince Rupert was down to 12,000 from 18,000 with families continuing to beat a path elsewhere.

For many years, the Prince Rupert Port Authority tried in vain to convince governments to join other investors in upgrading the Port's aging infrastructure. Few believed that the business model of a modern container port connected to the rail network in a remote location would work, believing that container ports were only for large urban centres that were close to the markets they served. In 2006, under the federal government's Pacific Gateway Initiative, funding was finally acquired on a public-private partnership basis. The new container terminal began operation in 2007. The Port's business has been growing steadily, and one of the reasons for that is its location; 1,700 kilometres closer to major Asian ports than any facility in the U.S. And, because of its modern equipment and ability to offload cargo straight onto rail cars, containers landing in Prince Rupert reach U.S. destinations a day sooner than through other Pacific ports. Even though it is early

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42 *Closing the Gap: Prime Minister's Report 2011*, Commonwealth of Australia, 2011.

43 (<http://www.engineeringaid.org/sponsors/>).

44 <http://desertknowledge.com.au>; *Many Connections, One Goal: Closing the Gap*, Business Council of Australia, 2009, <http://www.bca.com.au/Content/101619.aspx> )





days for the new port, it is about to triple its capacity and there are impressive benefits for communities across western Canada including:

- Sawmills in northern British Columbia can load their product onto trains and ship it through Prince Rupert directly to China. (Canada has now surpassed the U.S. in the volume of forest exports to China);
- Specialized grain products are being stored in new container facilities, built because of the port, in Edmonton and Prince George and shipped to Asia; and
- Direct employment at the Port has grown from 250 to 600 jobs and the population of Prince Rupert is up to 14,000 and growing.

Prince Rupert is thriving again because a few people were able to think innovatively and find new solutions.

Canada's politicians tend, understandably, to respond more energetically to demands from urban areas, where the political stakes are higher. Continuing to

do so not only challenges the long-term economic sustainability of our remote communities, but – given their economic potential – Canada's long-term economic prospects. The federal government needs to “revisit stereotypical views of the value for money of remote community infrastructure, in terms of net benefit to Canada's economy as a whole, and not only in the local communities.”<sup>45</sup>

## RECOMMENDATION:

*That the federal government:*

- *Look to Australia's Closing the Gap initiative as a model for addressing the infrastructure deficit in Canada's remote communities; and*
- *Undertake a thorough research initiative to measure the current and potential economic value of remote communities and clearly articulate the results to all Canadians.*

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<sup>45</sup> Towards a Remote Communities Investment Strategy for Canada, *Report on GE Canada's Project: Shaping Economic Growth in Canada's Remote Community Economies*, July 2011.

# THE POLICY ENVIRONMENT NEEDED TO FOSTER LONG-TERM/SUSTAINED ECONOMIC DEVELOPMENT IN REMOTE COMMUNITIES

## Adding value to our resource wealth

*"We need to reduce the vulnerability that comes with heavy reliance on energy sales to only one market, the U.S. – by applying knowledge in new ways to get greater value from all our natural and human resources; delivering new products and services into new markets." Shaping Alberta's Future: Report of the Premier's Council for Economic Strategy, May 2011.*

Canada's export base has shifted in recent years from manufactured goods such as autos, machinery and equipment back to its traditional base of natural resource extraction. Manufacturing declined as a relative percentage of GDP from 24.3 per cent in the 1960s to 15.6 per cent in 2005 and, hard hit by the global financial crisis, fell to 13 per cent of GDP by 2010.<sup>46</sup>

Value-added exports are the key determinant of domestic output, jobs and sustainable economic growth. For Canada to regain a competitive foothold in the international manufactured goods market we must look to producing more globally desirable value-added products from our natural resources. Managing more of the value chain should be part of a strategic plan to leverage our natural resources for long-term economic benefits.

Canada employs state-of-the-art technologies in its resource extraction which are marketable internationally. However, opportunities exist to create more value for Canada than it already derives from its natural resources – more jobs, more investment and more tax revenues to finance Canadian policy priorities, for example a sustainable healthcare system.

At all stages of the value chain – research, development, processing, manufacturing and distribution – jobs are created, local firms gain new business and communities increase their tax base.

The energy sector has examples of increased, value-added, exports. In the oil sands, bitumen is converted – by either delayed coking or hydrocracking<sup>47</sup> – into synthetic crude oil. By-products of this process, for example off-gases, are created by separating and converting the various components of the bitumen and are used by chemical companies for their value-added manufacturing processes.

Canada's forestry industry also presents potential for more value-added processing. A study by Natural Resources Canada<sup>48</sup> shows that secondary manufacturing generates additional employment and revenue, with a corresponding increase in the contribution made by the forest industry to the Canadian economy without any increase in harvesting. Currently, following primary conversion into lumber, wood panels, paper pulp or paper, Canadian forest products are typically exported. However, further processing could be carried out, such as converting lumber into building structures or pallets, wood panels into kitchen cabinets, and paper and cardboard into bags or boxes. This secondary manufacturing, though small, was growing in Canada prior to the recession.

The Senate Committee on Agriculture and Forestry recently held extensive hearings on the Canadian forestry industry. The Committee found many causes for the difficulties the industry has faced through the last decade including: excessive reliance on the U.S. market; a concentrated industrial structure focused on primary products; and a lack of diversity in manufacturing with out-of-date facilities suffering from a lack of reinvestment. Once the industry was faced

<sup>46</sup> Statistics Canada: Gross Domestic Product by Industry.

<sup>47</sup> In the coking process, carbon is removed from the long-chain molecules, resulting in the production of petroleum coke, a potential feedstock for the petrochemical industry. In the hydro cracking process, hydrogen is added to the mix to create short-chain molecules that can be used as a feedstock at nearly any refinery in the world.

<sup>48</sup> Natural Resources Canada, <http://canadaforests.nrcan.gc.ca/indicator/valuessecondarymanufacturing>

with a rapidly declining market for pulp and paper compounded by a high Canadian dollar, it was unable to adjust. In order to survive, the industry will need to find new products and build a better value chain. The Committee recommends that Natural Resources Canada establish and fund a national roundtable on the value chain in the Canadian forest industry. The roundtable would serve as a discussion mechanism amongst the private, public and academic sectors in order to establish action plans on policy coordination, innovation and new market opportunities.<sup>49</sup>

## Value-add clusters

Other countries are seizing the long-term economic opportunities of building more capacity into their natural resources' value chains. In Chile, for example, government and industry are working together to add value to the mining sector supply chain.

Mining is the predominant industry in Chile, representing more than 50 per cent of the country's exports. It produces more than a third of the world's copper and the copper mines spend US\$10 billion annually in mining services from more than 4,500 foreign and domestic companies. International suppliers provide electricity, water, fuel, chemicals, heavy equipment and transportation, communications, and business services. Less specialized inputs, such as machinery parts and mechanical services, are sometimes sourced from local small- and medium-sized enterprises (SMEs) if such suppliers exist in the mining areas, but the remote locations of the mine sites make local sourcing a challenge.<sup>50</sup>

In 2005, Chile's government created the National Innovation Council for Competitiveness with national policy clusters for the mining, food, services and tourism sectors. The mining cluster's short-term goal was to foster the development of SMEs in Chile's remote regions that could supply a greater number of inputs to the mining supply chain, including technologically-advanced and specialized services that provide higher profits to suppliers. The cluster is a government/industry partnership, with the government supporting the incubation of SMEs with training and technology funds, business advice, loan guarantees, and matchmaking with industry buyers. The industry provides guaranteed contracts which have provisions intended to encourage the suppliers to provide value-added and technologically-sophisticated inputs.

With the business supports in place, the Chilean government has begun to focus on the longer-term goal of promising Chilean SMEs growing into large, specialized enterprises able to compete alongside international suppliers within Chile and in neighbouring countries. In April 2011, the Chilean government announced an investment of US\$45 million to develop the capacity of 250 to 300 Chilean companies to become world-class mining suppliers by 2020. Two of the largest mining companies operating in Chile, BHP Billiton and Codelco, committed to provide the industry supports necessary to make this a reality. Universities and research centers in Chile and abroad will provide training and technical contributions.<sup>51</sup>

49 *The Canadian Forest Sector: A Future Based on Innovation*, Report of the Senate Committee on Agriculture and Forestry, July 2011.

50 *Mining Cluster in Chile*, CORFO, 2009, <http://www.unido.it/americalat/Mining%20Cluster%20in%20Chile%5B1%5D.pdf> and *Mine 2011: The Game Has Changed*, Pricewaterhouse Coopers, 2011 [http://www.pwc.com/en\\_GX/gx/mining/pdf/mine-2011-game-has-changed.pdf](http://www.pwc.com/en_GX/gx/mining/pdf/mine-2011-game-has-changed.pdf)

51 Pica, Caroline, *Chile Government, Codelco, BHP Seek To Boost Mining-Sector Suppliers*, Dow Jones Newswire, April 20, 2011.

## High-value, transferable skills

Adding value to extraction translates into more skilled jobs, more spin-offs into secondary industries, and can have profoundly positive effects on the local community through infrastructure and transferable skills/career options.

One of our biggest challenges in the next decade is going to be a skilled labour shortage threatening the profitability of Canadian companies. Canada should commit to generating the best value from our resource sectors by training a workforce to develop a globally-competitive value-added products industry.

Governments can assist in increasing the base of skilled workers by encouraging related companies to come together in a cluster to provide a premium work destination for workers from around the world.

## Making it more attractive for businesses to try new technologies/processes

The role of government is to foster a business and investment climate that encourages adding value to the production chain. Government should consider the value chain as a whole and apply the policy levers that will encourage investment in research and development leading to innovation in products or processes. While businesses have everything to gain from continuously investing in adding value to their products, there may be times when the cost or uncertainty of the adoption of new or unproven technologies necessitates an incentive.

One such incentive is the federal Scientific Research and Experimental Development Investment Tax Credit (SR&ED ITC). Canada's SR&ED tax incentives are among the most generous in the world, and one would expect Canada's business sector to be among the top global performers when it comes to research and development. This is not the case. In 2008, (the last year for which internationally comparable data

are available) Canada's business enterprise research and development expenditure as a percentage of GDP ranked 16<sup>th</sup> in the Organization for Economic Cooperation and Development (OECD).<sup>52</sup>

Canada's SR&ED tax incentive program has encouraged companies to invest more in research and development and has helped to stimulate technological advancement in Canada. It has been especially important to the development and survival of start-up and early-stage companies because they can benefit from the SR&ED ITC even though they may not be earning enough income to pay income taxes. However, the design of the SR&ED program precludes many of Canada's large R&D performers from achieving any benefit. Sadly, the program is not leveraged to its full potential. Unfortunately, the program's administration – which results in tax credits not being delivered in a predictable, timely and cost-effective manner – is frustrating to businesses. The current narrow focus of the Canada Revenue Agency regarding what is supported and how SR&ED claims should be documented is simply not delivering the broad-based incentive that was intended.

## RECOMMENDATIONS:

*That the federal government encourage value-added processing of Canadian resources by:*

- *Working with the private sector to encourage the development of value-added clusters;*
- *Focusing on skills and training programs that will equip Canadians with the skills required by value-added manufacturing industries; and*
- *Reforming the administration of the SR&ED program to make it more attractive for all businesses investing in innovation.*

<sup>52</sup> *The Scientific Research and Experimental Development (SR&ED) Tax Incentive Program*, Canadian Chamber of Commerce, April 2011.

## Encouraging sustainable local businesses

One of the biggest contributions to sustainable economic development by companies locating in remote communities is the smaller businesses which are created or grow up around them. A large resource extraction or infrastructure project can foster the creation of small, local businesses and a local skilled workforce, which have the potential to contribute to the economic development and social fabric of communities after a large employer has left.

For example, since Agnico-Eagle began operations at the Meadowbank mine near Baker Lake (Nunavut), the unemployment rate in that community has declined from 40 per cent to approximately 4.5 per cent. Not all of the improvement in Baker Lake's employment picture is accounted for by direct employment at the mine. Many jobs have been created in other firms that have been established or grown because of the mine. Agnico-Eagle has spent more than \$275 million on services and supplies from Nunavut-based companies, a number of which are now flourishing in Baker Lake, either as entirely local businesses or as joint ventures with outside suppliers.<sup>53</sup>

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 unable to use their homes or land as equity and are frequently unable to qualify for loans.

Pauktuutit Inuit Women of Canada has been working to increase the involvement of Inuit women in business and has established the Inuit Women in Business Network. Its report, *Inuit Women in Micro-Businesses*, identifies a number of measures which could help make it easier for Inuit women to set up and operate home-based micro-businesses. The report recommends a peer/mentorship program; specialized tools and

resources to help increase financial literacy; clearer information about agencies and their programs and services; and assistance in growing an idea into a viable business.<sup>54</sup>

The establishment and growth of small businesses in remote communities – and the sustainable economic development they can bring – requires a combination of government policies which encourage and stimulate their creation and a commitment on the part of companies locating there to work with local businesses.

## RECOMMENDATION:

*That the federal government work with stakeholders in remote communities to develop targeted training programs and other resource materials for entrepreneurs on how to set up and sustain a small business.*

## Planning for a future beyond natural resources

*"Very few natural resource-based jurisdictions have been able to diversify. But we believe doing so is urgent and critical. It will take focus and commitment over decades." Hon. David Emerson, Chair of the Premier's Council for Economic Strategy, release of Shaping Alberta's Future, May 5, 2011.*

Many of Canada's most lucrative resources are non-renewable, and some which should be renewable have not been managed in ways which ensure they will be available for future generations. If we expect Canada to enjoy a prosperous economy and a high standard of living over the long-term, we must prepare now to be less dependent on the export of raw resources.

<sup>53</sup> <http://www.nnsl.com/business/pdfs/mining/pgs10-11.pdf>

<sup>54</sup> Pauktuutit Inuit Women of Canada, *Inuit Women in Micro-Businesses*, June 6, 2011.

In Alberta, the Premier's Council for Economic Strategy released its report *Shaping Alberta's Future* which recommends policies to enable Alberta to prosper through 2040 and beyond, moving forward from its strong dependency on non-renewable resources toward a more diversified economy with the infrastructure and industries in place to compete successfully in a rapidly changing world economy. The Council underlined that, while it is the private sector that actually creates wealth, there is a strong role for government in establishing supportive public policies, investing in infrastructure and people, and attracting capital and companies to Alberta.

The following government policy priorities were seen by Council members to be crucial to Alberta's long-term success:

- Ensuring adequate education, housing and government institutions for Aboriginal communities;
- Investing in continuing education and training, with particular attention to early childhood education, to ensure a skilled workforce that can keep pace with technological change;
- Strong support for research in order to constantly develop new technologies that will help to keep Alberta – and Canada – competitive;
- Ensuring environmentally-sound management of resources, including a province-wide water management plan; and
- Ceasing to regard the government's royalties from resource extraction as general revenues and using them to invest in the infrastructure and other initiatives (for example education and training) to keep Alberta's economy strong far into the future.<sup>55</sup>

The report advocates that the right combination of policy, regulation and pricing will stimulate innovation and drive change.

Alberta is a province which is particularly dependent on one sector, but it is not alone. The human and financial costs are enormous when industries die through lack of demand for/loss of a natural resource. Canada has considerable experience with this, for example the collapse of the Newfoundland fishery. Industries grow and die as new technologies are discovered, but a country which encourages and rewards innovation, diversifies its economy and markets, and tools up a highly-skilled workforce can weather the changes better than one that enjoys the fruits of its natural resources today with little planning for the future.

The economies – and ultimate long-term existence – of many of Canada's remote communities rely upon the wealth created by the extraction of non-renewable resources. The federal government could demonstrate leadership and a commitment to their long-term economic sustainability by working with the provinces and territories to prepare them for a future when their economies must rely on other sources of wealth creation. Alberta's Premier's Council for Economic Strategy has acknowledged that this will take decades, so the time to start is now.

## RECOMMENDATION:

*That the federal government work with the provinces and territories on a long-term strategy to equip them – and all Canadians – to benefit from the wealth of their resources today and prepare them for the day when those resources are exhausted.*

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<sup>55</sup> *Shaping Alberta's Future, Report of the Premier's Council for Economic Strategy, May 2011.*

## A WORD FOR BUSINESS

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, its construction and when it is operating 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 the local workers required for the project in advance.

### Hydro-Québec’s Eastmain-1A/Sarcelle/Rupert Project

In 2012, this project located approximately 900 km. north of Montreal will bring nearly 8.7 terrawatt-hours (TWh) of additional capacity onto Hydro-Québec’s grid. While construction for this project – which includes two new powerhouses, two substations, the partial diversion of the Rupert River and the installation of new transmission lines – began in 2007, consultation with the communities affected began in the late 1990s. Learning from its experiences in the 1970s and 1980s with the first phases of the James Bay Project, Hydro-Québec wanted to ensure the communities in the new project’s 350K sq. km. footprint had the opportunity to become partners in defining its environmental impact and economic benefits.

Hydro-Québec has decided that any project it undertakes has to be economic, environmentally acceptable and well received by local communities. This is why Hydro-Québec wanted to have free, prior and informed consent from local communities before starting the project.

In 2002, Hydro-Québec, Société d’énergie de la Baie James, the Cree Regional Authority, the Grand Council of the Crees and the Cree communities affected signed the *Boumhounan Agreement*, which laid out the involvement of the Cree people in the project’s scope, construction, and operation. The Cree’s involvement in the project

has included providing input into every aspect of the project’s environmental assessment, some aspects of the project’s design, as well as the employment of Cree in the construction, operations and service provider workforces as well as in ongoing environmental monitoring.

Approximately 600 Cree are involved every summer in carrying out environmental follow up studies, many of whom have obtained skills that will be transferable to other projects.

Hydro-Québec has learned that consulting with local communities before a project begins, during its draft design phase, construction and continuing into its operation means more than fulfilling legal obligations. The knowledge of local communities can save a project time and money. An example with this project was the knowledge the local communities had of sturgeon spawning grounds that enabled to Hydro-Québec to identify them during the environmental assessment process much more quickly than if it had been working alone.

### Goldcorp’s Éléonore Mine Project

Another example of the business benefits of community engagement is Goldcorp’s Éléonore Mine Project located approximately 1,100 km. north of Montreal. The project is expected to begin producing gold by the end of 2014. However, Goldcorp began discussing the project with the Cree Nation of Wemindji, the Grand Council of the Crees (Eeyou Istchee) and the Cree Regional Authority in 2007. In February 2011, Goldcorp and the Crees announced they had signed the *Opinagow Collaboration Agreement* which addresses several aspects of the project including financial benefits to the Crees, as well as employment, business opportunities, training, education as well as commitments by Goldcorp to protect the environment and respect the Cree’s cultural and social practices. The *Agreement* holds Goldcorp and the Crees jointly accountable for annual reports on the progress of each of its elements.

Goldcorp and its Cree partners know that sustainable economic development – for project sponsors and those living around them – requires early engagement and collaboration.

# CONCLUSION

While the challenge of bringing remote communities to their full economic potential is daunting, the opportunities – for the communities themselves and all Canadians – are great. The private sector can play a significant role in making a reality what may seem unattainable if left to government alone.

Clearly a strategy that examines, measures and communicates to all Canadians the link between our collective future and remote communities is needed. Such a strategy – which must also look ahead to the day when remote communities whose economies are based on non-renewal resources will have to rely upon other economic bases – will take several years to scope out, let alone implement. Between now and then, there are more immediate measures that the government – alone and in partnership with business – could take in the shorter-term that would go a long ways to leveraging the pent up economic potential of Canada’s remote communities. These include:

- Examining new partnership opportunities with the private sector and facilitating opportunities amongst private sector partners for filling the critical infrastructure gaps in remote communities;
- 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. Often, partnering with businesses will go a long way to meeting programs’ objectives;
- Reducing the cost and frustration to business of government regulation;
- Rethinking its procurement practices to encourage the private sector to invest in critical infrastructure and maintain the services associated with them and, where appropriate/ possible, stimulate demand through its own service delivery to Canadians;
- Encouraging investment in value-added processing/ manufacturing of our natural resources and the adoption of new technologies to make it economically viable; and
- Providing small business owners and prospective entrepreneurs in remote communities with tools to assist them in establishing and growing their businesses.



Photo: Hydro-Québec

The learning from this work has the potential to be transferable to private sector initiatives worldwide and government-driven international development projects, which will benefit all Canadians by enhancing not only our competitiveness but our stature on the global stage.

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# LIST OF RECOMMENDATIONS

*That the federal government:*

- *Review the funding formula for education in First Nations communities to ensure parity with the provincial financing model in each of the provinces where First Nations schools are expected to adhere to the provincial curricula, recognizing that First Nations schools must keep pace as curricula are updated. Any revised funding model must be public, comprehensive and equitable in its construction and application to ensure that the education needs of all First Nations communities are met;*
- *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;*
- *Partner with businesses whenever possible to ensure training programs are delivered efficiently and meet the needs of employers;*
- *Put effective transition programs in place for those leaving remote communities to pursue education and training opportunities in urban centres. One approach is partnering with post-secondary institutions in urban centres to host prospective students from remote communities to expose them to urban life;*
- *Provide tools for Canadian businesses and stakeholders in remote communities to allow them to familiarize themselves with each others' business practices, governments, agencies, laws and regulations;*
- *Adopt a standardized "one project-one assessment approach" that harmonizes federal and provincial/territorial statutes and regulations;*
- *Establish single points of contact where businesses can obtain all regulatory information relevant to their projects and complete all necessary procedures electronically;*
- *Work with the industry sectors concerned to agree on a pre-set total regulatory cost to which all relevant regulatory agencies agree, and then ensure that any regulatory change brings a zero net increase in compliance burden;*
- *Hold regulators accountable for the impact of their actions;*
- *Make the regulatory process more transparent, for example by communicating the drafting of new regulations in advance and ensuring affected sectors are consulted and receive sufficient notice of regulatory changes;*
- *Look to the Yukon Environmental Socio-Economic Assessment Board as a potential model for business regulation;*
- *Look to the possibilities associated with extending broadband telecommunications to remote regions - and business models for delivering the services associated with them - as a model for engaging the private sector in other types of infrastructure construction and service delivery;*
- *Establish – and communicate – an online forum for potential business and community partners to share their infrastructure gaps and excess capacity;*
- *Pursue more opportunities to enter into pilot project partnerships with the private sector to bring enabling infrastructure to remote communities;*
- *Consider potential commercial benefits when choosing the locations of federal infrastructure projects;*
- *Look to Australia's Closing the Gap initiative as a model for addressing the infrastructure deficit in Canada's remote communities;*
- *Undertake a thorough research initiative to measure the current and potential economic value of remote communities and clearly articulate the results to all Canadians;*
- *Work with the private sector to encourage the development of value-added clusters;*
- *Focus on skills and training programs that will equip Canadians with the skills required by value-added manufacturing industries;*
- *Reform the administration of the SR&ED program to make it more attractive for all businesses investing in innovation;*
- *Work with stakeholders in remote communities to develop targeted training programs and other resource materials for entrepreneurs on how to set up and sustain a small business; and*
- *Work with the provinces and territories on a long-term strategy to equip them – and all Canadians – to benefit from the wealth of their resources today and prepare them for the day when those resources are exhausted.*

# IN PARTNERSHIP WITH



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