

Submission To
Government of Canada Finance Committee Budget Consultation 2016-02-14

The Yukon First Nations Chamber of Commerce welcomes the opportunity to provide input to the budget consultation process. We support the Government's commitment to openness and transparency and appreciate being given the time today to provide the Committee with an overview of how important infrastructure funding, and financial support for communities, are critical to the future of Yukon.

Our presentation will focus on our understanding that infrastructure funding is key to the long-term development of Yukon. It is an imperative that deserves your important consideration. We will let others deal with the need for overall public government funding. We support the need for adequately funded Territorial and First Nation Governments that can provide good governance and the programs needed for a prosperous society.

Before I begin the main part of my presentation, let me set the stage. Yukon's economy is experiencing a downturn. The unemployment rate forecast has recently been revised to be 8.3% this year and expected to reach 9 – 11% by this time next year. GDP is also in decline. Our GDP forecast for 2015 is -5% to a -7% for the year ended 2015. Government has been counting on a contribution for this year and next from the Minto Mine, which just announced a reduction of operations with closure forecasted for mid-2017. Population growth has been declining for several years and real estate transactions have fallen off dramatically. As outlined below, the First Nation Chamber of Commerce independent forecast shows a deep decline in Yukon's economy:

- ❖ GDP stagnant with expected further decline
- ❖ Increase in unemployment rate
- ❖ Population stagnant or declining
- ❖ Further decrease in real estate transactions (trending)
- ❖ CPI to remain stagnant
- ❖ Lower demand for housing = decrease in new housing starts
- ❖ Lower consumer confidence = lower investment in housing
- ❖ Increasing supply of commercial space / increased vacancy rate
- ❖ Increase in vacancy rate for commercial space = lower starts

Collectively, Yukon First Nations are reported to have between \$500 - \$750m in invested capital and assets. We have annual revenues of approximately \$200m and employ in excess of 600. In communities outside of Whitehorse, First Nations Governments and Development Corporations are the largest employers to both First Nation and non-First Nation groups. Those communities depend on First Nations for jobs. We have a real stake in Yukon's future and we want to make sure that we play a



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major role in what that future looks like. We want to share our ideas and our aspirations and we must be successful partners in Yukon's economic growth.

I want to provide two quotes that outline the essence of our argument, one from the recently released report prepared by the National Aboriginal Economic Development Board: Recommendations on Northern Infrastructure to Support Economic Development:

“Good infrastructure is an important pre-requisite not only to the long-term development of a region but also for economic development. Investment in transportation, energy, and telecommunications infrastructure is most strongly connected to creating economic benefits by supporting industrial growth and re-investment in additional economic infrastructure. However, long-term economic growth also relies on community infrastructure that supports a diversified economy and good quality of life for community members. Assets such as education infrastructure; health care infrastructure; water, waste water and solid waste disposal; and housing infrastructure, enhance quality of life in communities which increases the potential of a business to attract workers and acts as a disincentive to out-migration of community members. For example, businesses across the North struggle to attract and retain employees when there is a shortage of suitable housing. Community level infrastructure and large-scale infrastructure go hand in hand in supporting an investment-ready North.”

And the other from the Canada West Foundation and also contained in the above report:

“Inadequate public infrastructure is a threat to long-term economic growth. Inadequate infrastructure lowers economic potential in a direct and obvious way according to this simple progression: inadequate public infrastructure results in increased costs for business; increased costs result in a lower return on private investment; lower returns – profits – mean less money for business to reinvest; less investment means fewer jobs and less productive labour; lower productivity means less economic output and lower personal incomes.”

In addition to these the reports, I would like to refer you to the following studies that also outline the challenges facing economic and community development in the North.

- The Business Case for Investing in Canadian Remote Communities Canadian Chamber of Commerce;
- Economic Development in the Canadian North, Canadian Polar Commission; and



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- Leveling the Playing Field and Supporting Mineral Exploration and Mining in Remote and Northern Canada

The Yukon First Nations Chamber of Commerce could not have provided a better summary of the issues facing the Yukon economy and Yukon society. We are a small population living in a large geographic area. Yukon is larger in area than Newfoundland and Labrador and larger than New Brunswick, PEI and Nova Scotia combined. While we are a relatively large geographic area, the population of Yukon is just under 40,000 people. Our challenge is quite simple; how do we provide infrastructure that will support our communities and grow the economy with so few residents and taxpayers to fund the costs. We can only accomplish this with the support of the government of Canada and the various programs that provide operational and capital funding. I do want to point out however, that Canada should consider that funding programs based on population size do not work with the small populations in the North. We hope you will understand that the significant investments needed to fund Northern programs that have small populations and large geographic regions require innovative approaches to funding formulas.

The support we receive from CanNor, and other Federal agencies such as INAC and HRSDC has been instrumental in supporting the significant investments made by First Nation businesses in Yukon. There are many federal programs that help but today I want to concentrate specifically on CanNor. CanNor provides critical funding for the examination of business opportunities, the development of proposals and business plans, and the important stages of due diligence and business analysis that leads to sound business Investments. Without this support in the early stages, businesses would not have the tools necessary to build out new ideas and to analyze the implications of making new investments. We encourage you to continue the level of financial support that CanNor and other federal agencies require to be successful in the North and to give them the ability to grow with the business community that depends on them for support.

As stated earlier, without the necessary investment in infrastructure, economic development is stagnant or does not happen. The cost of doing business in the north is an estimated at 2.5 times that of doing business in the south. We want Yukon businesses to be successful and to stimulate the development of strong communities and a strong economy. First Nations look to our Development Corporations to provide the economic success that can foster healthy local communities. To that end, we must be able to attract investment when opportunities arise. Waiting for infrastructure to start when new resource developments commence is not the answer. We need to have infrastructure development that is complimentary to economic opportunities, not lagging behind.



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It is also important to note that Yukon communities are falling behind in attempts to acquire infrastructure funding for water, sewer and municipal service infrastructure. All Yukoners, including First Nations, are concerned that funding for renewal of major municipal infrastructure projects has not been generally available, and certainly not for projects that the communities feel are a priority. We understand the importance of ensuring communities can provide the services needed to support both economic and social growth. We hope you will also support initiatives brought forward by Yukon communities in support of infrastructure development.

In an economic era where there is competition for scarce investment dollars, Yukon is falling behind. The question of when to invest in infrastructure is complex but the need for infrastructure spending is not. We cannot talk about growing an economy where energy, roads, telecommunications, airports and utilities cannot support new developments.

Projects of importance to Yukoners, such as the paving of the airport in Dawson City to accommodate jet aircraft, have been considered for several years but to date we have not secured the funding. Without jet aircraft, airline service is limited to smaller aircraft. This limits tourism growth and the ability of the community to expand an economy that has been declining in recent years. This project has broad support among Yukoners and First Nations, but we have been limited by unavailable capital funding, including the increased cost of annual maintenance. We urge you to consider this project when allocating budgetary funding for infrastructure.

Another project, The Tr'ondëk Hwëch'in and its business arm the Chief Isaac Group of Companies are working hard to develop, is a vertical farm. Vertical farming is the practice of producing food in vertically stacked layers. The farm will go a long way to sustain the community and provide local food to replace expensive imported products. This initiative assists in offsetting carbon emissions from trucking (3000kms) and provides food security, education, and much needed employment. However, we need help with funding to develop the plans required to move this project forward.

Yukon has an infrastructure deficit in energy and telecommunications services and redundancy. Living in the North has its challenges and unlike southern Canada, we have an isolated energy grid. In addition, we must build in redundancy to ensure service availability during cold winter months.



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The Kluane First Nation is involved in the development of a Wind Farm. This first nation is off-grid and relies entirely on diesel. With the high cost of infrastructure development in the North, this project also requires funding.

Telecommunications services also need built in redundancies and these are much more expensive than the same service in the south. We can't grow our economy without new investment in energy and telecommunications. We need those investments to be in partnership with First Nations and we are confident that we can move in that direction, but not without funding for new infrastructure. These new energy developments including transmission lines, telecommunications enhancements and small renewables, are limited by the availability of investment and funding resources. We need access to large funding sources for building infrastructure.

More importantly, we need access to infrastructure funding that enables us to develop comprehensive plans and take projects to the shovel ready stage, that are ready to be built when growth dictates. Smaller funds that support planning, engineering and environmental assessment will be a significant step forward. Access to this type of funding will allow us to get ready for the future and be prepared to meet economic opportunities. If we do not plan and build for the future and overcome our energy deficits on a long-term basis, we could see new resource developments passing us by. If there is insufficient accessible energy, developers will resort to fossil fuels and avoid renewables that have higher capital requirements. We need to reach a point where we have a plan that continues to supply renewable energy sufficient for economic growth in a timely manner.

Yukon's current electrical requirements are generated primarily by hydro. Hydro accounts for approximately 99% of electricity usage in Yukon. We are fortunate and we want to continue to see renewables feed the grid. Our energy related emissions are low and declining. Even if new resource extraction projects come on stream, our overall environmental footprint will remain low and we can take steps to offset any negative affects by implementing projects like vertical farming, mine reclamation, high efficiency housing, residential & commercial conservation efficiencies, along with the addition of new renewable energy project credits.

Other local energy projects like the North Forks Hydro project a few miles outside of Dawson City are the type of projects that meet the key elements of the federal government's agenda. The project owned by Chief Isaac and the Tr'ondëk Hwëch'in, will provide green energy, reduce future GHG emissions and will enhance not just the local economy but that of the region as a whole. We are at the pre-feasibility stage and



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will need federal assistance to advance this project. This is a good example of a project that can be planned, engineered and ready to move forward when the grid requires additional capacity. It also supports First Nation economic and community development.

We have several opportunities for resource extraction projects to move forward. However, without improvements to Yukon highways such as the Nahanni Range Road, the Freegold Road and the Dawson Trail, product cannot get to market. The lack of transportation infrastructure funding puts Yukon in a position where these projects may not happen simply because we have not had the resources to build the infrastructure needed for future growth. We cannot afford to watch opportunities pass us by. We cannot afford to let good jobs and opportunities to support new industries go elsewhere because we do not have the necessary infrastructure in place. With the required infrastructure, we as true partners, can control these developments to make sure that they provide local jobs, training opportunities, community development initiatives, build respect for First Nation culture and ensure that the environment is protected to meet our First Nation's requirements. This is a new future where Yukon First Nations can be real partners in resource development. We can take our communities from a continuous struggle to modern healthy, well-balanced and enviable places for all our citizens. With the opportunities in front of us, we can change the landscape in Yukon even more than we have during the past decade.

Yukon First Nations understand projects that benefit Yukon also benefit Canada. Economic growth in Yukon means more resource royalties, and taxes for the federal government. We can guide resource and infrastructure developments to meet federal objectives and mandates, by ensuring strong First Nations participation and high standards for environmental protection, climate change and GHG emissions, and new innovation imperatives. We want to support these initiatives and to ensure that projects we are supporting also meet these new sustainable standards. There are numerous considerations surrounding the need for infrastructure investment that we hope you will take into account when making decisions related to federal Infrastructure dollars.

We are at a stage where First Nations and resource companies are reaching an understanding on what real consultation means, and more so what real partnerships mean. Yukon First Nations will benefit from real participation but the need for support from Canada is imperative. Please consider the opportunities that are in front of us when considering how infrastructure funding and federal programs for the North should be allocated. We hope that by hearing from First Nations and northerners, the federal government will have the information it needs to support investment in Yukon infrastructure. Yukoners want to see a strong private sector economy. With the required



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infrastructure investment, all Yukoners will be able to contribute to national economic growth by building a strong economy, with strong and resilient communities.

We thank-you taking the time to review our presentation. We hope you will consider the information we have provided and the opportunities that are in front of us when deciding how infrastructure funding and federal programs for the North should be allocated.

