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Chair

Mr. Blake Richards

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•(0935)

[English]

The Chair (Mr. Blake Richards (Wild Rose, CPC)): We'll call the meeting to order.

Welcome to the 31st meeting of the Standing Committee on Aboriginal Affairs and Northern Development. Pursuant to Standing Order 108(2), this study is on access to capital.

This is our first meeting on that particular topic. With us today we have, from the Department of Indian Affairs and Northern Development, Andrew Beynon, acting assistant deputy minister, lands and economic development; Brad Cline, acting director general, aboriginal entrepreneurship branch; and Allan Clarke, director general, policy and coordination branch.

Thank you all for being here today.

Mr. Beynon, it looks like you're giving the presentation on behalf of the officials. I will turn it over to you for your presentation, followed by questions from the members.

Mr. Andrew Beynon (Acting Assistant Deputy Minister, Lands and Economic Development, Department of Indian Affairs and Northern Development): Chair and honourable members, thank you for inviting us back to discuss some of the challenges experienced by first nations communities and businesses in accessing capital on reserve.

I understand that the committee has welcomed some new members since our last chance to appear before you in May, so I would like to recap some of our earlier comments for their benefit, and also to update all of you on our recent efforts to reduce barriers and increase access to capital for first nations communities and businesses.

First nations leaders continue to prioritize economic development as a means to greater self-reliance and improved quality of life for their communities. The sizeable reserve land base in Canada is growing steadily with the settlement of comprehensive and specific land claims, and through additions to reserve.

Since 2006, 873,449 acres have been added to the reserve land base. First nations are seeking to unlock the economic potential of their growing land and resource base. As population centres grow, more reserves are now located within, or very near, urban settings. This is opening up new opportunities for economic development, but also underscores the importance of effective tools for supporting access to capital.

Urban reserves in particular are providing first nations with significant fiscal and economic benefits. A recent study from the National Aboriginal Economic Development Board found that six first nations with urban reserves had collectively created over 7,000 jobs and over \$77 million in annual economic activity for both their communities and neighbouring municipalities.

A growing number of first nations communities and business are achieving remarkable economic success. Membertou, Osoyoos, Whitecap Dakota, and Kamloops, among many others, are well-known examples.

Aboriginal self-employment is also on the rise. According to the 2011 census, there were more than 37,000 aboriginal people in Canada who had their own business, which is an increase of 85% since 1996.

Despite these many successes and very positive trends, access to market capital and private financing remains a significant challenge for first nations communities and businesses. On reserve, the limitations of the antiquated Indian Act present particular challenges to creating an environment that is attractive to raising capital and advancing economic opportunities.

I would like to speak a bit about Indian Act provisions that affect access to capital.

First, all first nations communities face obstacles to accessing market capital because of difficulties in leveraging land and assets on reserve. Section 89 of the Indian Act prohibits the mortgage, levy, or seizure of real and personal property of a first nation, or an individual situated on reserve.

This provision of the Indian Act was originally intended to prevent unscrupulous creditors from taking advantage of individuals, but it has now become a key obstacle to raising capital. Under this provision, first nation governments and individuals are impeded from using their assets fully as collateral to obtain access to market capital without the direct involvement of the federal government. We know that off reserve, individuals and businesses very often leverage the value of their property and assets to start, operate, and expand businesses.

Second, the Indian Act designation and leasing processes on reserve present potential structural barriers that impede the development of relationships with investors on reserve.

Leases under the Indian Act are possible if there is both a community vote to designate land and the approval of the minister for the designation. The designation provisions of the Indian Act were streamlined in the Jobs and Growth Act, 2012 by changing the community vote threshold to a simple majority, and by granting the Minister of Aboriginal Affairs and Northern Development the authority to accept designations.

This has assisted some first nations in speeding up development processes. Nevertheless, the Indian Act system, which often requires lengthy and complex lease negotiations involving our department and the Department of Justice, still results in delays, added costs, and missed opportunities.

Third, legislative barriers to moneys management impede first nations' abilities to leverage own-source revenues to access market capital.

Indian band moneys are held in the consolidated revenue fund and, pursuant to sections 61 to 69 of the Indian Act, can only be expended for the use and benefit of the band. Except for bands that have authority to manage their own revenue moneys, all expenditures under this Indian Act provision must be authorized by the minister. These provisions have the effect of delaying the disbursement of a first nation's own moneys, particularly capital moneys, which are generated from on-reserve activities, such as natural resource extraction, or from the sale of reserve lands. Revenues from leasings do not carry the same restrictions but are still subject to certain administrative requirements for their access.

Finally, first nations have limited access to financing and are generally unable to raise the capital required for major projects. Although first nation communities can collect property tax under section 83 of the Indian Act and under the First Nations Fiscal Management Act, only 150 of 617 Indian Act first nations are actively collecting some form of property taxation.

Long-term debt provides many advantages over the cash-based approach to financing infrastructure projects, which is a common practice among most first nations, and which is heavily reliant on federal transfers. Comparatively, off reserve, local governments can use cash financing from significant tax bases, but also have access to public debt borrowing, for example, turning to the municipal bond markets, and project financing opportunities, for example, turning to public-private partnerships. Over the past 40 years, most provincial governments have set up finance authorities that have the ability to issue long-term collective debt on behalf of municipalities.

I'll turn to key measures to address these impediments. I will discuss some of the key legislative, program, and institutional arrangements that have helped reduce barriers for first nations in gaining access to market capital.

One of the key strategies the federal government has undertaken to address structural barriers has been the development of a number of optional legislative tools. These optional regimes, including, for example, the First Nations Fiscal Management Act, the First Nations Land Management Act, and the First Nations Commercial and Industrial Development Act, as well as the First Nations Oil and Gas and Moneys Management Act, provide participating first nation governments with the ability to remove themselves from many of the

antiquated and restrictive provisions of the Indian Act. Together, these acts provide ways for first nation governments to leverage on-reserve real property taxation and own-source revenues in order to gain access to capital markets, gain control over their financial management, gain control over the designation of lands on reserve, develop comprehensive regulatory regimes to manage major economic development projects on reserve, and control oil and gas revenue moneys earned on reserve. In total, first nation communities can use such opt-in legislation to remove themselves from 48 sections of the Indian Act that are recognized as barriers to economic development.

The First Nations Land Management Act and the First Nations Fiscal Management Act have been taken up actively, and are reported by first nations who participate to be useful tools in enhancing access to capital. For example, a benefits review of the first nations land management regime completed by KPMG and associates in 2014 affirmed that first nations operating under the regime view their ability to borrow money for capital investments under the act as a significant economic advantage, and they have reported increased attractiveness to investors as well as better partnership opportunities.

In June 2014 the First Nations Finance Authority issued its first bond, which was a major breakthrough for first nations seeking to build both the quality of life infrastructure improvements such as on-reserve housing as well as manage investments and major resource projects. Through pooled borrowing that was secured by projected future first nations revenues to be obtained through property taxation, \$90 million was raised on behalf of 14 borrowing members with a competitive credit rating from Moody's of A3. I would note for committee members that this is a higher rating, for example, than those given to pipeline companies like Enbridge and TransCanada.

● (0940)

With the success of this very first inaugural bond, interest in the first nations financial management regime has grown among first nations across the country. As of February 2015, 75 first nations are exercising property taxation jurisdiction under the act; 45 have met the financial performance requirements established by the First Nations Financial Management Board, and 38 are eligible to borrow through the First Nations Finance Authority. There is currently more than \$200 million in unused borrowing capacity that can be deployed over the next two to five years among the current 38 finance authority members.

The Chair: Excuse me for a second, Mr. Beynon.

We have gone over what the normal allotted time is. I'm inclined to allow him to finish the presentation, given that it is our start to the study. Unless members tell me they want me to do otherwise, I'd be inclined to let him finish the presentation; then we should still have lots of time for questions.

It seems that is the consensus.

Please carry on, Mr. Beynon.

● (0945)

Mr. Andrew Beynon: Thank you, Mr. Chair.

In terms of the role of mainstream and aboriginal financial institutions, the Government of Canada has also been working to mitigate barriers beyond the Indian Act. Major banks and other private lenders provide a limited range of commercial financing to aboriginal business. Mainstream financial institutions focus on securing high volumes of loan activity and use formula-based risk rating approaches to screen loan applications. Most aboriginal businesses are very small, with a significant portion located in small or rural and remote communities; therefore, they often do not meet the risk profile of mainstream lenders. Aboriginal businesses are generally perceived as higher-risk by banks and mainstream lending institutions. Access to developmental loans through the network of aboriginal financial institutions is the only source of capital for many aboriginal businesses across Canada.

Through this national network of aboriginal financial institutions, the Government of Canada provided \$205 million in loan capital investment between the late 1980s and 2014. It has recently surpassed 38,000 loans with \$2 billion in loan value.

This network does not have enough capital, however, to help aboriginal businesses finance equity stakes in major projects. Federal efforts to increase the number of aboriginal suppliers bidding for and winning federal contracts through the procurement strategy for aboriginal business are also enabling aboriginal businesses to raise capital that can be further leveraged in growing their businesses.

Since the launch of this procurement strategy in 1996, aboriginal businesses have competed for and won more than \$1 billion in contracts, with the value of set-aside contracts increasing from \$49 million in 2009 to \$109 million in 2012.

The government also supports aboriginal entrepreneurs through a comprehensive suite of programs that enable communities and businesses to seize economic opportunities. These programs include the aboriginal business development program, the community readiness and opportunities program, and the ministerial loan guarantee program. These programs support first nations communities in providing business services and facilitate greater use of land and resources, economic development infrastructure, and housing. By providing federal loan guarantees or contributions, they also help fill a financing gap in capital and serve to leverage private sector capital.

We have seen that barriers to accessing capital are far from absolute. Private lenders, including mainstream banks, have provided hundreds of millions of dollars in loans to first nations governments and businesses on reserves. With the Government of Canada's commitment in 2011 to settle outstanding land claims and pay out approximately \$1 billion a year to bands that are owed money, aboriginal banking has become a fast-emerging market for major financial institutions, such as the Bank of Montreal, Royal Bank of Canada, and the Toronto-Dominion Bank. Furthermore, multimillion-dollar lease mortgages are common and have been used to finance resorts, casinos, community facilities, residential devel-

opment, and smaller-scale community business ventures. Since 2009, the department has registered 4,289 mortgages and 5,916 lease arrangements.

I'll turn to alternative financing options and some potential innovative solutions. The First Nations Fiscal Management Act regime in particular is considered to have achieved an effective balance between affirming first nations jurisdiction and providing appropriate institutional capacity. The act not only enables participating first nations to collect property tax and access pooled borrowing regimes, but also creates an integrated system whereby the institutions created to oversee the regime provide ongoing support that mutually reinforces their respective mandates to ensure integrity of the system. For example, the act requires the first nation to possess a certificate from the Financial Management Board in order to become a borrowing member.

Similarly, for the finance authority to issue a long-term loan backed by property tax revenues, a first nation must have a borrowing law approved by the tax commission. This integrated system enhances investor certainty by certifying that participating first nations have the financial capacity and financial management systems to manage large economic development projects.

In 2012 a legislative review of the First Nations Fiscal Management Act was tabled in both Houses of Parliament. This review identified a number of suggested changes to the act, including various administrative and regulatory improvements and expansion of institutional powers.

New and innovative ways of unlocking existing capital could also be pursued. There is approximately \$1 billion in Indian moneys currently held in the consolidated revenue fund that could be used as a major source of capital for first nation communities. Much of the Indian moneys held in the consolidated fund are oil and gas royalties paid to first nations which are held in trust by the Government of Canada under the Indian Act provisions.

• (0950)

In a November 2014 article, *Maclean's* magazine highlighted the stark differences between the affluent municipality of Opportunity and the adjacent Bigstone Cree Nation. Both are located in Alberta's oil sands area. Despite receiving \$231 million in cash through a 2011 land settlement and receiving comparable oil and gas royalties to Opportunity, Bigstone continues to experience terrible housing conditions, poverty, high unemployment, alcoholism, and gang violence. Without direct authority over the 77,000 hectares of land that make up its reserve, nor to the royalties that they receive, Bigstone has not been able to invest in community building initiatives and economic development projects that could transform the quality of life of its members.

I would like to conclude today by offering a few other key areas that you may wish to consider further.

The first area is financial management and financial literacy. Communities are telling us that they require support to develop these capabilities to engage in large and complex commercial transactions. According to recent studies by the National Aboriginal Economic Development Board, the Public Policy Forum, and the Task Force on Financial Literacy, financial literacy remains a significant barrier to the creation and growth of aboriginal businesses, particularly on reserve. Exploration of these issues and the next steps for targeted intervention would be useful to inform a forward policy and program agenda to address the capacity gaps.

Second, it may be useful to explore ways to strengthen the network of aboriginal financial institutions, including finding ways to promote their self-sufficiency, introduce additional capital, and have them act as a continuing source of financial literacy for aboriginal businesses and communities.

Third, efforts to modernize and improve land administration tools and processes for those first nations under the Indian Act and to further improve the First Nations Land Management Act should continue to be explored. Recent work to improve commercial leasing on reserve is an example of what the Government of Canada can do to remove or reduce barriers to economic development on reserve.

Finally, examples exist in both the mainstream economy and for more specialized targeted groups of arm's-length organizations that provide a comprehensive suite of tools to help secure financing and leverage private sector investment. As a department, I would offer that we're looking at models like Indigenous Business Australia to determine the range of services they offer, the results they have achieved, and the contributions of the public and private sectors in financing activities. Key considerations include the viability and affordability of such a model. Pending the department's findings, the committee may wish to learn more about the Indigenous Business Australia example and its potential applicability here in Canada.

In closing, let me underscore that we are very pleased to assist the committee in any further work on this critical issue, with a view to helping improve the economic outcomes of aboriginal people in Canada.

Thank you for your time.

I'm sorry I went over time, Mr. Chair.

The Chair: That's not a problem at all. You've certainly helped provide us with a good background and basis for the study. Thank you very much for that.

We'll move now to the first round of questioning from members.

[Translation]

I now give the floor to Mr. Genest-Jourdain.

Mr. Jonathan Genest-Jourdain (Manicouagan, NDP): Good morning, gentlemen.

Mr. Beynon, in your presentation, you identified the use of lands and resources as one element to facilitate access to capital on reserves. You know as I do that the vast majority of reserves in Canada are rather small.

Do you think that access to capitals must absolutely involve mortgaging the traditional territories of the country's aboriginal communities, rather than simply making use of the resources on reserve lands?

Mr. Andrew Beynon: That is a good question.

[English]

We certainly are trying to emphasize what we have observed in terms of the barriers to access to capital created by the Indian Act system in terms of on-reserve lands management. With respect to your question about off-reserve areas, there it's largely a question of solving the right partnerships between provinces, first nations directly, and industry in order to unlock those issues. It's not quite the same in terms of the barriers imposed by the Indian Act.

I do recognize the point you're making, that in order to obtain access to capital and have heavy participation of first nations in off-reserve projects, which can often be major projects, it's certainly an area that we also have to look at. My colleagues may want to speak to this as well, but it's a question of, for example, trying to work with first nations, industry, provinces, ourselves, and other federal departments to look at what the ingredients are that could lift an opportunity for participation in mining projects, forestry, etc., off reserve.

• (0955)

[Translation]

Mr. Jonathan Genest-Jourdain: Thank you.

You also talked about financial literacy. I am interested in everything that relates to the social aspect.

What are the current federal programs that encourage an understanding of the financial principles involved in starting up a business and gaining access to capital? At this time, what programs are there for the first nations?

Mr. Andrew Beynon: I'm going to ask my colleague Brad Cline to answer your question.

[English]

Mr. Brad Cline (Acting Director General, Aboriginal Entrepreneurship Branch, Department of Indian Affairs and Northern Development): Thank you for the question.

We build financial literacy through a number of means. We have a program called aboriginal business and entrepreneurship development at Aboriginal Affairs and Northern Development. We have a small amount of grants and contributions funding and we work with national and regional aboriginal organizations on financial literacy projects to help build the capacity around when people want to start businesses. There are discrete projects that we do support. Also, we work with an organization called the National Aboriginal Capital Corporation Association. We provide supports to that organization through an aboriginal capacity development element, which is approximately \$1.3 million. That helps with the training of board members, training of aboriginal financial institution staff. Again, we work in partnership with that national organization across that 60-member network.

[Translation]

Mr. Jonathan Genest-Jourdain: Thank you.

Mr. Chair, how many minutes do I have left?

The Chair: You have three-and-a-half minutes.

Mr. Jonathan Genest-Jourdain: I'm going to share my speaking time with my colleague.

[English]

Ms. Jean Crowder (Nanaimo—Cowichan, NDP): Thank you, Mr. Chair. I thank the witnesses for coming.

In your presentation, there are a couple of points I want to have clarified. You mentioned the leasing process. We know that this can be a cumbersome and time-consuming process. Can you tell me what the department itself has done to streamline that leasing process? It does seem that's where it does get hung up.

Mr. Andrew Beynon: Thank you for the question.

There are several things. One, I alluded in my comments to some changes in legislation that Parliament adopted, which has provided some improvements. The other item I would raise for your consideration is that we have quite a lot of experience now with leasing on reserve. One of the initiatives undertaken is to develop a national commercial leasing template. Until about a year ago, we used to have inconsistent leasing practices across the country. Based on experience, we've now created a template precedent, which is what we start with and try to move more efficiently to commercial leasing. We're looking to expand that and to work, for example, on residential leasing templates. I think that those initiatives are part of a streamlining process.

I would offer to committee members that there are limits to that. With the Indian Act regime, we can take it only so far. Experience has shown that first nations that operate under the first nations land management regime, and who undertake leasing activities directly themselves, without involving the department or the Department of Justice, proceed faster.

Ms. Jean Crowder: With regard to the FNLMA, I think you're well aware that the interest is far greater than current capacity. What is being done to allow and support more first nations to come under the FNLMA? You cited the KPMG study. I think the committee looked at that a year or so ago. The results are quite positive. What's happening in order to ramp that up?

Mr. Andrew Beynon: I'm glad you asked. There are many things. First of all, let me just offer that there will be an updated KPMG report, some case studies, coming very soon, probably in the next month or so. We would be pleased to share that with committee members. Again, I think it's indicating very positive results for the first nations land management regime.

In terms of responding to the demand, we're working very closely with the Lands Advisory Board and the First Nations Land Management Resource Centre on opportunities for expansion across the country. A number of first nations have been announced as potential new entrants. When some of them advance into the regime, they will occupy spots, but we're watching very carefully, for example, any of the first nations who may, ultimately, choose not to go there or who may have had unsuccessful votes and we're looking to rapidly fill those spots. We're also looking at further opportunities for investment in the first nations land management regime over time. We're hoping to continue that expansion, because we do think that it's important.

• (1000)

The Chair: Thank you. The time has expired on that round.

Now we have Mr. Strahl.

Mr. Mark Strahl (Chilliwack—Fraser Canyon, CPC): Thank you. If I don't ramble on too long, I'll share some time with Mr. Seeback.

My question involves the leasing provisions as well. In Chilliwack where I come from, there are many first nations that have high capacity. They're in first nations land management. They're in the finance authority. They have leased and built residential housing for primarily non-native clients who have long-term leases. I assume those people can use that leased home on reserve as an asset that they can get a loan against at the bank. I guess we'll have to ask that of the commercial lender.

Theoretically, does the Indian Act allow for a lease to a band member, or does it have to be someone who is not a band member who can lease a home on reserve?

Mr. Andrew Beynon: It's open to having leases to members and non-members. There is that flexibility. The same flexibility arises under the First Nations Land Management Act. As you said, in many communities they've had tremendous economic success in moving beyond their own members and looking to have major housing developments and real estate developments which involve either commercial leases or residential leases. I would just offer for committee members that for many of the creative communities, including the ones that are in your area, their success particularly when operating under the Indian Act has been in spite of those obstacles created by the Indian Act and due to tremendous creativity on their part, not because the Indian Act makes it easy to do.

Mr. Mark Strahl: I guess in a roundabout way I was trying to ask my question. Currently most band members are provided with a home, and I don't know what the arrangement is, but certainly they have no title to it and they live there at the pleasure of the chief and council. So I guess my question would be, if a person living in one of those homes wanted to go and start a small business to service power lines or they just needed a pickup truck and some chain saws and that kind of level of capital, if they had the ability to actually lease that home from the band, would they then be able to go the bank and say, "I need a \$50,000 loan and can you give it to me"? Or are they prevented from setting up a lease structure on those community homes that would allow for that?

Mr. Andrew Beynon: A few communities have been very creative in securing mortgage financing despite the limitations under the Indian Act.

In answer to your question, yes, some first nations communities could choose to enter into a more robust lands and housing regime providing leasehold interest to their community members, and that would create more of an opportunity to secure financing. There are also some first nations leaders who are considering going one step further and thinking about the potential option of private property ownership or fee simple ownership on reserve to unleash even more strongly that potential to secure the value from individual homes and property.

• (1005)

The Chair: Three minutes, Mr. Seeback.

Mr. Kyle Seeback (Brampton West, CPC): Andrew, I want to pick up a little bit on where Jon went when you were talking about the FNMLA. I've taken a lot of time to look at that program and I think it's fantastic. Every year when I make submissions to the finance minister on where we should send some more money, I say FNMLA, because I know the good it does.

Where are we on the wait-list? What are the actual numbers? How do you see getting through those numbers to process those? It seems to me it's a critical factor in helping with capital. How long is someone on the wait-list right now?

Mr. Andrew Beynon: Mr. Chair, I would like to provide a very precise answer to the committee, because we maintain those statistics and the numbers are changing over time, but I'll provide some ballpark numbers. We've now moved to approximately 50 operational first nations across the country. It is a major increase from just a few years ago. In terms of developmental first nations, there are approximately 25 more who are still working their way through developing their land codes, their laws, and their systems in order to

put this to a community vote. So on the horizon, there's still quite a bit of expansion going.

The waiting list is an interesting question. I would say it's approximately 25 to 50 more, but that's an ever-changing waiting list. As more and more first nations see what others have achieved, our waiting list grows or the pent-up interest grows. In terms of those who have been on the waiting list and how long they're sort of parked on that waiting list, some years ago the regime was closed to new entrants. There was quite a backlog. We've now moved through that backlog significantly so it's not a huge time length. It's not like some of the old specific claims, and so on. But we're really trying to respond to that pent-up interest.

I think you know there was a target that was set of 90 first nations by 2017. We're just working as hard as we can to try to meet that particular target.

The Chair: A brief question.

Mr. Kyle Seeback: One of the things I know is that when I was in private practice as a lawyer, an issue for first nation businesses would be that a lot of businesses did not want to extend credit because there is no security or collateral and because enforcement is very difficult. Are there any options for letters of credit or things like that for first nations businesses to be able to try to get that kind of supplier credit that other businesses can get?

The Chair: Mr. Seeback's time has expired but I will allow you to answer. Just try to keep it fairly brief.

Mr. Andrew Beynon: Do you want to answer?

Mr. Brad Cline: With respect to the specific leasing and those types of guarantees, what we've done is have program interventions that actually help mitigate the risks so there's access to the equity, which triggers the debt finance. But it's not so much on just the pure legalities of it. It's more we're focusing on the access to the financial package to enable that business to actually, in turn, go to an aboriginal financial institution to get access to the debt financing. We try to put together whatever package we can so that the equity is there. Then it can trigger access to that debt financing. So we do have programs that we work with, again, with aboriginal financial institutions and the National Aboriginal Capital Corporation Association.

The Chair: Thank you. You did mention that you may want to provide a more precise answer to the one question. If you want to do that, you could certainly do that through the clerk or myself.

Next we have Ms. Bennett.

Hon. Carolyn Bennett (St. Paul's, Lib.): I think I would like to take a slight different tack in that I would like know what you think the committee should do or where we should go in order to help in that you suffer under the Indian Act.

I think all of us have heard Robert Louie's stories of it taking 10 years to get a Royal Bank at Westbank. I guess I want to know if are we doing any better than that. But it seems, from the bands still under the Indian Act, like Osoyoos to Westbank, and land management to self-governing....

How would you organize that we do our work here? Should there be three different approaches, or is your assessment that it's just tough, period, in terms of access to capital? I wouldn't mind if you had any suggestions in terms of other government departments that might be helping, particularly around microfinancing on some of the other things that maybe we could help. I just would like you to help us in terms of designing our work.

•(1010)

Mr. Allan Clarke (Director General, Policy and Coordination Branch, Department of Indian Affairs and Northern Development): Perhaps I could start with the answer. Thanks for the question.

I think Andrew's comments in the presentation are clear around some of the key impediments. The Indian Act is the major impediment to business on reserve, unquestionably. I think that where we have been successful either by sectoral or self-government agreements is we have gotten people out of the Indian Act through things like self-government agreements themselves, or through things like the First Nations Fiscal Management Act or the First Nations Land Management Act. Basically, these are things that are allowing people to remove the constraints of the Indian Act from how they do business. All these things have shown a lot of success, and so I think increasing the use of those regimes as well as finding other alternatives to the Indian Act is a good thing.

There are also provisions within the Indian Act that are kind of paternalistic or anachronistic, like the treatment of Indian moneys. This is something that deserves some attention and needs to be examined in a more fulsome way. The National Aboriginal Economic Development Board provided some recommendations to the minister recently around the need to examine the provisions around Indian moneys.

We mentioned developmental lending and access to capital, and I think in terms of business development the network of AFIs has been very useful to building a class of entrepreneurs across Canada. In terms of the value for money, that regime works very well indeed. The other thing is, on a comment made around access to capital, it's not only access to capital, but rather the cost of capital as well.

Part of the challenge is around not having secure, let's say, ownership or tenure on reserve; for instance, you can't securitize it. Lending certainly happens on reserve, but a lot of the lending is secured only by people's income. So, you're paying more for the money than you would be if you were able to borrow or take out a mortgage against your house, which is kind of difficult. So, it's also the cost of capital, not just access to capital.

Another thing is infrastructure spending and how we support infrastructure on reserve, which is critical to economic development. The Senate committee is looking at this issue itself, so there might be some crosswalks to be made between what their deliberations are and your thinking around some of the issues around access to capital.

Financial management literacy is the other important element as well. We have something called the First Nations Financial Management Board in addition to some of the stuff that Brad spoke about. The Financial Management Board is working with communities across Canada to increase their capacity around financial management both with respect to their financial management processes and systems and with respect to their performance. That has been exceedingly successful, and it's also building on that success particularly. I noticed in your list of potential witnesses that you have representatives from the First Nations Fiscal Management Act regime, so the the First Nations Tax Commission, the First Nations Finance Authority, and the First Nations Financial Management Board. Those institutions all work together in a way that is extremely useful for first nations in terms of having first nations governments having access to capital in a way that would not have been possible without that regime.

I will close by saying that those are some of the key issues around access to capital.

Hon. Carolyn Bennett: Is there any more advice on the study?

Mr. Brad Cline: Thank you for that opportunity.

There are a number of other federal departments that do play a role in the microfinance or access to capital area. The regional development agencies work closely with a network of about 23 aboriginal community future development corporations. They're focused a lot on community development. The regional development agencies, such as Western Economic Diversification, ACOA, and FedNor, work very closely through the AFI network. That opens us up to speaking to people like the National Aboriginal Capital Corporation Association, which provides supports through our support to that national network. There are a lot of natural connections there that I think can be accessed through that.

There are other organizations—

•(1015)

Hon. Carolyn Bennett: Should we call the ministers who are responsible for those regional development corporations?

Mr. Brad Cline: I don't know.

Hon. Carolyn Bennett: It would be a good idea, don't you think?

Mr. Brad Cline: We do work very closely at the official level with these regional development agencies on technical program advisory committees and things of this nature, so we do share some financing with some of the aboriginal financial institutions. We have a delivery partnership, and then ACOA supports some of this.

If I may, there are other organizations we're working with right now that can give a very good portrait, such as the Canadian Council for Aboriginal Business. They did a portrait in 2011 based on the census information that Andrew cited, and we're doing another study with them based on the 2011 census.

There are a number of groups, and I do think there are some great successes and models around access to business opportunities in both the public and private sectors. Procurement is becoming a very important tool to actually build aboriginal capacity and competitiveness, and is a very good form of access to capital.

Hon. Carolyn Bennett: Great.

The Chair: Thank you. Time has expired on that round.

Next we have Mr. Barlow.

Mr. John Barlow (MacLeod, CPC): I am one of the newbies, so please bear with me if I'm asking some questions that have been asked in the past.

Mr. Beynon, I found it interesting that in your presentation you said some first nations are exercising the ability to collect property taxes and that there was \$200 million in unused borrowing capacity.

Are these first nations collecting property taxes and putting the money aside as a fund to fund businesses, or are there some rules as to how they use that property tax, or how is it being used to help businesses?

Mr. Allan Clarke: It relates to the First Nations Fiscal Management Act regime. I mentioned the three institutions that support that regime.

Essentially what that regime does is it affirms jurisdiction for first nations around such matters as taxation and fiscal management and creates a vehicle akin to what exists in provincial jurisdictions so that communities can take advantage of pooled borrowing.

Essentially, all of these three institutions work together. The Tax Commission approves taxation laws; the Financial Management Board certifies the financial performance of communities, and the strength of these institutions and the support these institutions provide to communities maintains the integrity of the regime.

Based on revenue streams from both taxation and other sources of revenue, there are about \$280 million in revenues that can be secured by the First Nations Finance Authority. They issued their first bond last June for about \$89 million, which was historic. It was a very good rating—an A3 rating, as Andrew mentioned—at a rate of 3.7% or 3.8%, which is very competitive and much better than they would have had if they had gone to the market themselves.

Mr. Andrew Beynon: Let me add as well that this is part of a progression, in the sense that taxation authority on reserve has existed for many years now. Then the First Nations Fiscal Management Act came into effect, which enhanced that authority, but not all of the taxing first nations have moved to participate in the pooled borrowing regime.

It's a growth line. As I was saying in the presentation, we've just gone through the inaugural, first time ever bond financing. What I think we are likely to see over time is more and more of the first nations who are raising dollars by taxes both achieving the capacity

and having the desire to participate in the pooled borrowing regime, and so more bond financing is going to come over time.

Mr. John Barlow: To build on that, what kind of potential do you see, short term and long term, with the bond program?

Mr. Allan Clarke: It's huge. Depending on how you count it, first nations are earning revenue through taxation and other sources of revenues. There are a bunch of different pieces that have to connect together here. But if you look at various sources of information, there is not quite \$1 billion of revenue in the consolidated revenue fund that is basically first nations money sitting there waiting to be approved for use. That money can sit there in the Indian moneys account, or it can be used to borrow against. There are real revenue streams, about \$250 million a year, in revenues coming into the CRF.

That's just one example. First nations are also earning their own money that doesn't come under the CRF. Counting only the 38 that have been approved as borrowing members of the Finance Authority, they could borrow on the strength of more than \$200 million of revenue, which is significant. It's hundreds of millions of dollars.

• (1020)

Mr. John Barlow: If there is some more time, I'll pass it on to Mr. Dreeshen to ask some questions as well.

The Chair: Mr. Dreeshen, you have just less than three minutes.

Mr. Earl Dreeshen (Red Deer, CPC): Thank you very much, Mr. Chair.

Thank you, gentlemen, for being here this morning.

I want to expand a little bit on the bonds to see where you see them going and whether there happen to be any limitations we should be aware of. That's the first part.

The second part, if we have enough time, is to look at some of the best practices. You described the issue in the oil sands region. Could we get a picture of what is holding one back rather than moving forward, so that we can wrap our heads around either the opportunities or the barriers that exist there?

Mr. Andrew Beynon: I'll offer an initial answer and then ask my colleagues to join in as well.

For this committee, this is actually one of the areas for which there really should be some tremendous optimism. You have a growing reserve land base. You have greater closeness of first nations with neighbouring communities as they expand. You have more and more experience of many first nations with heavy-duty commercial activity. You have an increasing generation of tax revenues and this initial experience with bond financing.

I agree with my colleague, Allan. Over the next three to five years, this is going to grow quite significantly and that will have a multiplier effect of unlocking more and more opportunities.

What needs to happen in order to help that move along, I would suggest again moving away from the Indian Act restrictions, which I think we've talked about both on lands and moneys management. We need to build more capacity and stable capacity among first nation governments. We have programming where we try to do that. The more that they have the experience, and the direct capacity and knowledge of financial systems, the more effective they're going to be at unlocking these opportunities.

I would also offer for your consideration an interesting emerging area. We have done a fair amount of work in recent times on land use planning and associated economic development planning on reserve. Typical of what you see in other governments in Canada with commercial development, real estate development, environmental controls, infrastructure, including roads and so on, these are introduced, financed, and taxed all in accordance with well-developed plans. We've had some success with this on a pilot basis and we're looking to expand it.

I would also note for committee members, and be willing to provide a follow-up, that we had an interesting pilot project where we joined first nations and some of the neighbouring municipalities. They were willing to work together on land use planning. We had demand for at least 40 partnerships between first nations and neighbouring municipalities working with the Federation of Canadian Municipalities and the Council for the Advancement of Native Development Officers. We were only able to move ahead with six, but that was a good way to pilot. The interesting thing is that all six of the pilot participants have been a success. It's opening up new avenues and new opportunities.

While we're seeing these successes, the opportunity over time for first nations and neighbouring governments to work together to lift the financing and access to capital may be an emerging area as well.

The Chair: The time has gone significantly over, but if you did have something quick, please go ahead.

• (1025)

Mr. Allan Clarke: I am going to say something very quickly. It's about the bond regime and the First Nations Fiscal Management Act.

Back in 2012 there was a legislative review of the regime. It proposed a number of changes to improve it. It was a kind of normal course of events; after about eight years we looked at the regime to see if we could improve it and make it work better.

We've been working with the Finance Authority, the First Nations Financial Management Board and the Tax Commission to look at ways to accelerate and streamline participation in the FMA and reduce some of the administrative burden associated with the regime, as well as strengthen investor and capital market confidence in the regime. There's a series of proposals that have been put together by the institutions and they hope to come to this committee to talk about them.

In fact, they are on the Tax Commission's website if you care to take a look at them. They are quite explicit in terms of the types of changes that they are proposing. They are looking at support from parliamentarians on moving this along.

The Chair: I did provide a little leeway there as I thought there was some helpful information being provided.

We've concluded the first round of questioning and we do have a little bit of time remaining. I think what I'll do is move to the first two slots in the second round, one for the NDP and one for the Conservatives. We'll do about a three-minute round on each side and then conclude our meeting.

Ms. Hughes, the next three minutes are yours.

Mrs. Carol Hughes (Algoa—Manitoulin—Kapusking, NDP): Thank you very much.

First of all, Mr. Beynon, I'm glad that you were able to present again, because last time around, we didn't get a chance to question you.

I want to get some clarification. You mentioned that through the national network of aboriginal financial institutions the Government of Canada provided, and I don't know if you misspoke, but you said \$205 million, and yet your document on page 8 says \$240 million. I just want to know which one is correct.

Mr. Brad Cline: It is \$240 million.

Mrs. Carol Hughes: Thank you.

On page 9, you say that with the Government of Canada's commitment in 2011 to settle outstanding land claims and pay out approximately \$1 billion per year to bands that are owed money.... I'm just wondering if this is on target, because we know this has been a big impediment for first nations to be able to move with development, whether it's housing or businesses. Have they been able to meet this target?

Mr. Andrew Beynon: We'll get back to committee members with a precise answer because that's some of our other colleagues who work in that area.

Mrs. Carol Hughes: Okay, thank you very much.

On page 10, you indicate that the review identified a number of suggested changes to the act, including various administration and regulatory improvements and expansion of institutional powers. Again, I'm wondering if these are being worked on and whether there's consultation going on with first nations to draft legislation to look at some changes.

Mr. Allan Clarke: Yes, that's what I was referring to in my last remarks. There has been work going on with the institutions and the department, as well as first nations, capital markets, institutional lenders, to look at the legislative review and the results of that and to come up with some recommendations to government for how to improve and enhance the regime.

As I mentioned, there are descriptions of them on the First Nations Tax Commission's website. I expect that the Finance Authority and the Financial Management Board will also be putting the same information on their own websites in the coming days.

Mrs. Carol Hughes: Again, on page 10 you talk about financial literacy and that there's still some support required to develop the financial management capacities. With the challenges there, have these been identified as to how that can actually be improved? What types of supports are actually needed that are still not in place?

Mr. Brad Cline: We are working with a national association called the National Aboriginal Capital Corporation Association. There are very specific program elements. We provide roughly about \$7.8 million in financing to that association, which then works through that national network to develop the financial literacy and capacity not only of the board members but also of the people who work in the institutions themselves, because one of the key objectives here is to ensure the sustainability of the network going forward.

We work closely with that national association and then, as I mentioned previously, we do provide those supports through discrete project proposals with aboriginal organizations that identify what their literacy needs and challenges are with respect to their local area and their organization, including the support of business networks where there can be some learning opportunities. There are a lot of discrete initiatives in addition to that broader institutional network support.

•(1030)

The Chair: Thank you very much.

For our last round for the day, Mr. Clarke, for three minutes.

Mr. Rob Clarke (Desnethé—Missinippi—Churchill River, CPC): I thank the witnesses for coming in.

Allan, you mentioned in regard to the Indian Act how it's impeding development for first nations business opportunities on reserve. One of the things we mentioned, or what first nations have been doing or have been in partnership...was the First Nations Land Management Act, and how that's providing opportunities for businesses. You look at Osoyoos; you look at Westbank where they've moved away from that and we've seen them grow.

One of the things that Carol mentioned was in regard to first nations being able to draft their own legislation. Bill C-428, which I drafted, would allow first nations to develop their own band bylaws. Would that assist? That's one.

Two, in regard to first nations, also in my private member's bill, the Indian Act would actually be removed, and first nations could

grow their own crops and sell them. How do you feel about that? Do you feel it would be beneficial?

I look at opportunities for first nations across Canada. They have different soils where things could be grown. You look in, say, Ontario where tobacco is being grown, for instance. You look in the Prairies where wheat, potatoes, corn, and anything like that can be grown for, say, alcohol production. Then you look at B.C., where they're actually growing grapes and making their own wine in Osoyoos. Could you elaborate further on that?

Mr. Allan Clarke: I guess there's a professional and a personal opinion about some of these things.

I think the Indian Act has two things that are striking.

The first part is it's an anachronism in paternalism, and I think some of the efforts to remove some of those things is very welcome.

The second part is technical. It is the major impediment to economic development on reserve, and you see that all over Canada. If you want an economy, I think most people would agree that you need to have jurisdiction over people, land, and resources. The Indian Act does not confer or affirm this jurisdiction. Where we have these optional pieces of legislation like the Fiscal Management Act, like the ability to write your own bylaws for instance, and so where you are affirming jurisdiction for first nations, that's where I think you're going to see, and we do see, much more success around economic development. Whether you call it the First Nations Fiscal Management Act, or the First Nations Land Management Act, or any of these other types of legislation that get people out of the Indian Act, I think it is definitely the way to go. I think that most chiefs across Canada who are participating in these regimes would probably be saying the same thing.

The Chair: Thank you.

Time has essentially expired on that round, so with that, we'll conclude our meeting today. We'll see some of you back here on Thursday for our subcommittee meeting.

The meeting is adjourned.

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