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# **Standing Committee on Aboriginal Affairs and Northern Development**

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**EVIDENCE**

**Thursday, May 7, 2015**

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**Chair**

**Mr. Blake Richards**



# Standing Committee on Aboriginal Affairs and Northern Development

Thursday, May 7, 2015

• (0850)

[English]

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

Welcome this morning to the 40th meeting of the Standing Committee on Aboriginal Affairs and Northern Development. We're continuing our study on access to capital.

We have two organizations with us this morning. From Community Futures North Central Development, we have Chief Marcel Moody, the chairperson of the business development committee; Mr. Tim Johnston, the manager; and Ms. Frances McIvor, chairperson. We also have with us this morning, from the Aboriginal Savings Corporation of Canada, Mr. Jean Vincent, president and general manager.

We'll start with Community Futures North Central Development. I believe, Mr. Johnston, you are making the presentation on behalf of the organization. You have 10 minutes for your opening remarks. The floor is now yours.

**Mr. Tim Johnston (Manager, Community Futures North Central Development):** Mr. Chair, thank you for the invitation to appear today. I am Tim Johnston, manager of North Central Community Futures Development Corporation Inc. I am joined today by our chairperson, Frances McIvor, an entrepreneur from Wabowden, Manitoba, and a member of the Peguis First Nation; and Chief Marcel Moody of Nisichawayasihk Cree Nation in Nelson House, who chairs our business development committee. We are grateful for the opportunity to share our comments regarding access to capital.

CFNCD was formed in 1997, with the assistance of Western Economic Diversification Canada, as a regional, community-based economic development agency. Our region covers the north central portion of Manitoba and extends from Norway House in the south to Churchill in the north. The population is approximately 35,000, and is comprised of seven first nations, seven northern affairs, and three urban industrial communities. Some unique aspects include that all five of the northern first nations that are signatories to the current Manitoba hydro development projects, as well as the Canadian city with the highest percentage of first nations residents, are within the region and members of CFNCD.

CFNCD is an aboriginal financial institution and a member of the National Aboriginal Capital Corporations Association.

CFNCD programs include business development through the provision of business loans and consultative services and support,

and community development by providing support and assistance for initiatives that enhance quality of life and viability of communities. The CFNCD board is of the position that neither of these two functions can achieve success without the other. As noted in "Sharing Canada's Prosperity—A Hand Up, Not a Handout", the final report of the Standing Senate Committee on Aboriginal Peoples in 2007:

Successful economic development depends on a community's capacity to manage and develop those resources to its economic benefit. Without this capacity, the economic value of lands and resources will be limited.

However, for today's presentation, CFNCD will focus on business development and the challenges, barriers, and opportunities relating to access to capital for first nation entrepreneurs and communities in our region.

Since inception in 1997 to March 31, 2014, CFNCD has advanced a total of \$6,625,221 in loan funds designed to assist entrepreneurs for start-up, purchase, or expansion of a business. CFNCD was capitalized in 1997 with \$900,000, and received \$100,000 in 1998 based on demonstrated need, but has not since received any additional capitalization. The total bad debt is \$576,000, of which a total of \$120,000 has been recovered, meaning a loan loss rate of 8.7%, with a recovery rate of 20.9%, for a total loan loss of 6.9%. As a developmental lender, the CFNCD board is proud of this achievement.

Over the last two fiscal years, from April 1, 2012, to March 31, 2014, CFNCD has advanced 13 loans to new businesses, for a total of \$404,000; advanced 14 loans to existing businesses, for a total of \$633,000; rewritten four loans at a value of \$122,000; leveraged \$900,557; and created a total of 58 full-time and 39 part-time jobs.

The question is, how can a loan fund of \$1 million achieve these results? The answer is it cannot. CFNCD has accessed additional capital in the amount of \$1,075,000 by way of five loans from other sources: four from the Community Futures Investment Funds in Manitoba, and the initial loan from another AFI, Northwest Manitoba Community Futures Development Corporation in Lynn Lake.

The ability to access additional capital has been critical, but it also creates challenges. The cost of borrowing must be factored into the lending rate. Also, as the funds are borrowed, the tendency is to become more stringent in lending funds, and loans become strategic. This eliminates some borrowers from accessing capital. These challenges should not necessarily be viewed as negative, but they do impact the availability and the cost of capital for entrepreneurs.

CFNCD served as an external delivery office for aboriginal business programming from September 1998 until March 31, 2013, with Industry Canada, Indian and Northern Affairs Canada, and Aboriginal Affairs and Northern Development Canada. CFNCD then delivered programming for the First Peoples Economic Growth Fund and Louis Riel Capital Corporation until March 31, when funding constraints resulted in termination.

Unfortunately, the devolution of the program over the years reduced the CFNCD role, and our organization no longer provides this service. CFNCD was one of the most successful XDO offices in Canada because the office was located in our region, in northern Manitoba, with a full-time staff person available to assist first nation communities and entrepreneurs. As a result, significant strategic investments occurred at a local level in major infrastructure and resource sector projects.

For example, NCN, in 2005, with a contribution of \$500,000, expanded the Mystery Lake Motor Hotel property in Thompson, at a total project cost of \$2.8 million. This was a strategic investment, as the property is currently before the federal government as an addition to reserve. This will enable the first nation to generate revenues for reinvestment.

Another example is a \$500,000 contribution received by Nisichawaysihk Construction Limited Partnership, in 2009, for construction equipment totalling \$5.8 million relating to the Wuskwatim hydro project. Unfortunately, devolution has resulted in a number of changes, including reducing the contribution formulas, as well as the delivery of the program out of Winnipeg, which is approximately 750 kilometres from Thompson. This has a detrimental impact in reducing access to capital due to a lack of program visibility and presence in the region. As a result, the developmental lending role and capacity building is diminished.

The ability to build and foster long-term relationships with first nation, aboriginal, and non-aboriginal communities, as well as industry, is critical, and an opportunity to address access to capital barriers. The CFNCD board has an objective to create wealth in our region by encouraging a shift in our economy, from being based largely on social transfers to the creation of wealth. This requires participation by all stakeholders. The federal government needs to consider legislative, as well as department, program, and policy changes.

Enabling first nations to create and retain wealth for capital investment is critical. Industry and the resource sector need to increase participation and opportunities for first nations investment in major projects and developments. This will require a significant period of time, and a strategy that combines capacity building as well as creative and increased levels of support.

Improved relationships amongst stakeholders is critical. Our region has proven that strong relationships with real action can make a difference. The creation of an aboriginal accord between our largest urban centre and stakeholders in the region was a beginning. I have brought copies of the report. I apologize that it's only printed in English, but I can leave them for your information, if desired.

Since signing the aboriginal accord in 2009, the Thompson Economic Diversification Working Group has recognized that

economic development in our region is dependent on partnerships with communities, aboriginal interests, and industry. Work has begun to create a northern Manitoba economic accord, with a goal of creating a set of shared values, beliefs, and principles among first nation and aboriginal communities, industry, environmental conservation, and other government and non-government agencies.

In conclusion, some consideration of the following would be beneficial to improve access to capital.

Additional capital is required by many AFIs, including CFNCD, to meet the demonstrated need, but it should be based on performance. Additional loan capital must be available to all AFIs. Aboriginally controlled Community Futures AFIs like ours have not always felt that we are equal or full partners at the NACCA or federal government table.

An interest rate buy-down program is necessary and must bridge the gap between borrowing and lending costs. Any devolution of programs must consider the impact on the entrepreneur and communities served. If centralization is to occur, plans must be in place to ensure program accessibility, presence, and visibility. This could be accomplished by way of subcontracts with agencies such as ours.

The federal government must coordinate departmental policies and programs to maximize benefits to first nations. NCN and the City of Thompson reached a municipal services agreement in 2005, amended in 2010, and yet both parties eagerly await designation by the federal government. At a time when access to capital is an issue, the last thing that the federal government should be doing is standing in the way of first nations creating their own wealth.

In preparing for this presentation, Mayor Dennis Fenske of the City of Thompson and NCN Chief Marcel Moody both requested that I to encourage the government to move this process forward. Program contributions and funding should focus on creating opportunities for first nation communities to participate in unique and timely economic projects in their territories. In our territory, it's hydro development. This was raised in the previously referenced report, which said:

In addition, because financing options are often limited, communities find themselves unable to invest in infrastructure improvements or participate in large scale resource development projects.

Finally, a need exist to encourage and foster better relationships between first nation communities, industry, and non-first nation communities in order to maximize economic opportunities for first nations.

Our corporation thanks you for the opportunity and would welcome any questions.

•(0855)

**The Chair:** Thank you very much.

Next we'll turn to Mr. Vincent for your opening remarks, and then we'll go to questions from members.

The next 10 minutes are yours.

**Mr. Jean Vincent (President and General Manager, Aboriginal Savings Corporation of Canada):** Thank you, Mr. Chairman.

Mr. Richards, members of Parliament, Chief Moody, and speakers, thank you for giving me the opportunity to talk about access to capital and some solutions that we have developed over time.

If you don't mind, I will continue in French in order to be more efficient, given the time that's in front of me.

[*Translation*]

I would like to talk to you about the problem of First Nations' lack of access to capital. My colleagues here today, members of the National Aboriginal Capital Corporation Association (NACCA), have explained this problem very well. My organization has also been a member of NACCA since 1992.

First among the factors at play in the problem of First Nations' lack of access to capital is section 89 of the Indian Act, which stipulates that the property of an Indian on a reserve is not subject to seizure. Another factor is that communities are located a very long way from the large financial centres. Aboriginal communities are also clearly characterized by cultural differences. A traditional banker, who is not fully aware of an environment, will generally be hesitant to provide financing.

Aboriginal people generally have difficulty in securing access to capital. Aboriginal entrepreneurs are not immune from this reality. That is why, in 1995, the federal government, in conjunction with First Nations, launched the Canadian Aboriginal Economic Development Strategy by injecting \$345 million into First Nations. That sum included \$200 million to create SOCCA, the native commercial credit corporation. I am the President and General Manager of SOCCA, which was established in 1992 with an initial capitalization of \$5 million, plus an additional \$3 million that came from the federal government, for a total capitalization of \$8 million.

From 1992 to today, we have provided \$60 million in loans. We have invested in more than 500 business projects, for a total of 650 business loans. The capital of \$8 million is now \$11 million. Our capital has borne fruit. For SOCCA, I feel that the best is yet to come.

Another of SOCCA's accomplishments is that we have opened the door to establishing partnerships. We have been working for a number of years with the Mouvement Desjardins in Quebec and with the Royal Bank of Canada. We see SOCCA as a kind of pioneer. It has opened doors and introduced the aboriginal market to major financial institutions. Over time, we have seen that large banks and credit unions, once reluctant to provide financing to aboriginal communities, have become more and more involved, having recognized that good business opportunities exist there.

Socca has been involved in education and development. By so doing, it has prepared the market, in a way. At the beginning, we

financed small companies and those companies, with a positive experience of credit, quietly moved to large financial institutions. In 2005, in the course of its activities, SOCCA noticed that communities had other kinds of needs, specifically in housing, which was a very serious problem.

I will not go through all the details with you, but you know that aboriginal communities all across Canada have a housing backlog that runs into billions of dollars. Solutions must be found. In 2005, SOCCA started another organization, the Aboriginal Savings Corporation of Canada. To begin with, it was a pilot project. The corporation had no capital and relied on SOCCA's financial capabilities.

The pilot project consisted in testing the market and issuing \$1 million in bonds for sale to First Nations' members who had a taste for saving. The first bond issue was around \$1 million, but our objective was actually more modest.

•(0900)

We told ourselves that, if we sold \$500,000 worth, it would be a success. The day before the bonds were issued, we had already reached the million. After the pilot project, we continued issuing bonds. Since 2005, we have had 18 bond issues with a total capital of \$22.3 million. Basically, the bonds have all been sold to the members of eight different First Nations.

In 2012, we also opened the market to large institutions. Three bought Aboriginal Savings Corporation of Canada bonds, including the Native Benefits Plan, the aboriginal pension fund in Quebec, which today is a half-billion-dollar fund.

To whom do we make loans? Basically, the money assembled from the bond issues is lent out for the communities' housing needs. To date, we have 57 borrowers and we have made loans totalling \$24 million. The market we are targeting first and foremost is made up of solvent individuals who wish to own their own homes. We also work with First Nations band councils that have their own housing funds. When the funds need capital, they can come to us for a loan. We also make loans for community housing projects.

The loans we make come with training programs tailored to the reality of the communities we serve, depending on their level of advancement.

One of the objectives for ourselves and for the Aboriginal Savings Corporation of Canada is to change the way in which things are done, to change mindsets, and to move from a system of dependence in a community to a system based on responsibility.

Dependence in a community is when tenants see their housing as first and foremost an obligation that the band council has to them. Housing is too often seen as their due, not as an opportunity for a future investment in their heritage.

Tenants basically depend on the band councils. In turn, band councils depend on governments for ministerial guarantees and financial contributions. We have to acknowledge that, in the current climate of austerity—a very popular word in Quebec at the moment—money is not always on the table and not always available.

The lenders collect all the profits and take almost no risk. They make the loans, they make money and they are backed by ministerial guarantees. The big losers, in fact, are band councils, who pay the bills knowing that a ministerial guarantee ultimately means that their operating budgets are going to be reduced.

That system has to be changed and everyone involved must be given responsibility. That includes the lenders, who clearly are going to want to continue making a profit and getting some performance from their capital. However, we need to educate them so that borrowers take risks—borrowers and band councils—but also First Nations members with a home or housing of some kind. They also have to assume some responsibility.

Rather than to have them as tenants, our objective is to make them homeowners. When you own your home, you are inclined to take care of it. You are inclined to maintain it because it may become one of the major assets in your legacy, and when you retire.

However, we must not be under any illusions. Moving from a system of dependence to a system of responsibility is not going to happen overnight. It will take time.

● (0905)

We need pilot projects, pioneers and organizations with development as their mission that are going to quietly create a housing market in the communities. That is much like we did with the entrepreneurs with the Native Commercial Credit Corporation and it is what we intend to do with the Aboriginal Savings Corporation of Canada. The change will be gradual. We will have to be patient, but we are also going to need the commitment and support of the government to allow the changes to happen.

Rather than opting for a system of ministerial guarantees, the government should consider the possibility of providing the means to make the investment products offered to investors and those with money work. What must be guaranteed, then, are the sources of capital rather than the loans. The management of the risk and the loans must be left in the hands of the organizations that know the market well and who specialize in it.

Thank you.

● (0910)

**The Chair:** Thank you, Mr. Vincent.

[*English*]

Next we will have members' questions.

We'll be moving to Ms. Ashton first.

You have seven minutes.

**Ms. Niki Ashton (Churchill, NDP):** Thank you very much.

Thank you to all of our witnesses for joining us today. You travelled quite a bit to get here.

My first question is directed at North Central Development.

Mr. Johnston, you referred to a partnership with NCN, particularly with regard to a parcel of land that is owed to NCN and that has yet to receive approval from the federal government despite a delay of 18 years. We know that the treaty land entitlement process is an immense barrier to economic development in our region.

I'd like to begin by asking Chief Moody what this situation means for NCN. To both of you, how important is it to move forward?

**Chief Marcel Moody (Chairperson, Business Development Committee, Community Futures North Central Development):** Without stating the obvious, I think it's critical that we get our lands transferred to reserve.

We have a property in Thompson. It's known as the Mystery Lake property. There's a hotel and a bar. There are about four acres of land. We've been trying to convert that property to an urban reserve for the last 12 years. It's been a slow and cumbersome process. The file is finally here in Ottawa. It's before the Treasury Board.

It has taken us that long. Over that time we have lost between \$20 million and \$30 million because that property hasn't been converted to a reserve. It's taking such a long time for the property to be converted that a lot of revenue that's been lost. That has had a major negative impact on what we're able to do as a community. sure.

The support from the mayor and council of Thompson has been great. As you know, Tim Johnston was our mayor before. The support has been always been there from Thompson. It's a process that's so slow, and it really impedes our ability to move forward as a community.

**Mr. Tim Johnston:** Mr. Chair, I appreciate the question.

The Mystery Lake property is an example of aboriginal business development programming working, in that the acquisition of the property by NCN was done with the assistance of Aboriginal Business Canada financing, in addition to the expansion I spoke to.

One of the comments we make is that the challenge, when we're talking access to capital, is that we have to encourage first nations to create capital. Unfortunately, right now, at the federal level there are real challenges with doing that between programs and policies among departments, which counteract, in many ways, the ability of first nations to accumulate wealth.

When we talk about access to capital, it's interesting that we put barriers in front of first nations to accumulating wealth, which creates capital for investment. Mystery Lake is a prime example of this problem. The process has been under way for 12 years, including many years prior to that in negotiations. The agreement was signed in 2005. It's 2015. This is absolutely a shame.

**Ms. Niki Ashton:** Thank you for making that strong point.

Speaking to some of the more broader challenges that you faced as North Central Development, I'm wondering what you would be able to do as North Central if you had access to more funds. What could first nations in northern Manitoba and Manitobans expect from that?

**Mr. Tim Johnston:** In response to the question, there are two points. When we look at our own loan fund, which was capitalized at a million dollars, we lend approximately \$600,000 a year. Our terms are one to five years. The math says we can't do it. Our fund would require an amount of \$2.5 million to meet the current demand we see in the region.

Interestingly enough, one of the challenges that has been put forward by AFIs is that they're not sustainable in the current market conditions in terms of interest rates. In fact, with the loan loss rate of 6.9%, we are sustainable even at these low interest rates.

Again, I think performance and demand is critical, but a loan fund in our region would require \$2.5 million, based on the \$1 million. We've borrowed \$1 million of that amount. We continue to look at unique ways to create a larger loan fund. That's our specific fund.

In terms of aboriginal business Canada funding, we used to flow approximately \$500,000 to \$1 million dollars a year in contributions. Those are critical because, as has been pointed out, during the transition over the last 20 years in northern Manitoba we have moved away from funding small projects—which, quite frankly, had a larger or a higher risk attached to them—to looking strategically at major investments for long-term returns, such as the participation of NCN in the Wuskwatim hydro project. That will earn returns as a partner as long as that dam is operating, but it took \$4 million in a contribution leveraging other private funds in order to get there. We've got to start thinking more strategically. Quite frankly, that means that contributions will need to be larger if we want to minimize the risk in the long haul.

• (0915)

**Ms. Niki Ashton:** Thank you for that feedback.

I'm wondering if you could speak a bit about the kind of lending needs you see in the region where you operate.

**Mr. Tim Johnston:** I think what we've seen, as I noted, is a transition over time. Quite frankly, northern Manitoba is active in terms of development. There are major hydro developments taking place. As I noted, all five of the first nations that are signatories of the Manitoba Hydro development are within our region. There are unique opportunities there.

In the past, unfortunately, we focused on the wrong areas in terms of funding. We often focus purely on job creation. The unfortunate part of that is that when the project's done, the job is done. One of the things we've seen with the NCN example with Wuskwatim is that if you create partnerships, and if you create unique opportunities to establish businesses that provide service, that has a far greater success for a longer impact.

For example, moving outside of hydro, the mining industry right now has a series of regulations. I just happened to attend a session in Saskatoon on green mining. We have to encourage and support first nations to look at providing the services the mining industry requires, not on a specific short-term basis but long term. We know that the environmental regulations are increasing. Why are first nations not at the table with businesses providing those types of services?

We need to be more creative in our outlook and provide the support to do that. There are great examples in this country, such as B.C. and southern Ontario, where we've seen some of those things.

From our position in northern Manitoba, we have a unique economic opportunity with the hydro developments. We need to be strategic in our investments, and both levels of senior government have to do the same.

**The Chair:** Thank you very much.

We'll move now to Mr. Seeback for the next seven minutes.

**Mr. Kyle Seeback (Brampton West, CPC):** Thanks, Mr. Chair.

Mr. Johnston, I found it interesting that you say you initially capitalized \$900,000 and then another \$100,000, so you have \$1 million dollars worth of capital. That capital comes from the federal government, I assume. It seems to me that your institution is operating profitably because you are still able to give out money. Do you operate at a loss, or do you operate profitably?

When we heard yesterday from Francine Whiteduck, she was explaining that AFIs generally operate at an average of an 8% loss. How does your particular organization do?

**Mr. Tim Johnston:** Mr. Chair, we're one of the fortunate ones. I say that, in all honesty, partially because of our geographic location and the unique economic opportunities in the region. So we have the ability too...and we've been fortunate that many of the projects that we've lent to are successful. We are sustainable. I think Ms. Whiteduck noted that there are some AFIs that are sustainable, and we are one of them. We do that, again, because of some of the success we've had in lending.

• (0920)

**Mr. Kyle Seeback:** Does that not give you the opportunity to grow your capitalization? Is your organization structured as such so that if you make profit like a regular bank, you therefore can put that into capitalization and have more funds out to loan?

**Mr. Tim Johnston:** Correct. The original capitalization of \$1 million appears on our financial statements as an amount owed to the federal government. So it is a repayable contribution. Any additional funds—revenue, profit—made from lending activities, after loan loss, accrues to the fund and is used by the fund. Our board has been very clear that we limit the amount of money taken from the fund for administration purposes. This fiscal year, for example, on \$80,000 in interest, which is about normal on an annual basis for that fund, a maximum of \$10,000 is attributed to administrative costs relating to promoting the fund. We earn approximately \$70,000 net to the fund. It stays in the fund to grow it. It's very hard to grow a fund at \$70,000 when we talked about the some \$500,000 loan loss. But we are sustainable, one of the few AFIs, again largely because of the unique opportunities and the strength of our region—and good lending practices, I might add.

**Mr. Kyle Seeback:** The average loan loss, according to Ms. Whiteduck on Tuesday, was around 5%. So up at 6.9%, you guys seem a little bit higher than average loss but still able to operate profitably. So, what's the difference between your organization and others? Is it that you've, sort of, capped this administrative cost at \$10,000? Ms. Whiteduck seemed to say that the administrative cost was the issue in other organizations operating at this average at 8% loss.

**Mr. Tim Johnston:** Right. In response, you have to take a look at the type of AFI it is. Aboriginal capital corporations largely do not receive any offsetting administrative dollars. So their challenge is that they have to return a higher rate of return to offset some of that admin. For a community futures AFIs, there is some administrative funding provided by the federal government. In our case, because we are a regional development agency, we attribute a specific amount of those dollars achieved, less than 30%, to lending practices. But I think that the average may be 5%. I think to get to 5% you have a wide range. At 6.9% we're sustainable, and again, I think that's because our fund requires us to be diligent in our lending practices.

**Mr. Kyle Seeback:** Is your fund different from other funds then, or is that just the policies you've adopted?

**Mr. Tim Johnston:** I think it's the strategy we've adopted because our fund is so small. We can't afford to take high-risk loans, which again is an issue of access to capital. Our small loan fund necessitates that we be very strategic in our lending, which means some people who probably need dollars aren't going to get them from North Central, because we can't afford to take that high a risk.

**Mr. Kyle Seeback:** So, the way your organization is set up is that you get some funding for administration. Other AFIs do not get administrative cost funding, and therefore they have to take all of their administration costs out of loan interest profit and proceeds.

**Mr. Tim Johnston:** Yes, and the difference is that aboriginal capital corporations were capitalized at a much higher level than the CFs. So, we were capitalized at \$1 million. Many ACCs would have been capitalized in the range of \$3 million to \$7 million. It's a fundamental difference.

**Mr. Kyle Seeback:** Do you think you can operate profitably even if you have to charge your administrative fees out of your profits?

**Mr. Tim Johnston:** I think if the loan fund were a reasonable amount of money, we could. Again, I think that in the discussion of access to capital, if we're going to do that, we and the program would have to be very strategic about what its objectives were and where it's going to place that money.

If you look historically, the program has had a tremendous transition in lending, and I think largely in terms of opportunities for first nations over the last 20, 30 years. I look just in our own region, the opportunities that NCN had with Wuskwatim weren't available in the hydro project developments of the 1970s. So I think that one of the things that we haven't done—and that's why in the presentation I talk about our need to be innovative and creative—we all too often cling to program policies that have been in place and we don't adapt to the changing circumstances in the environment in which we operate.

So, for example, in northern Manitoba, I think we have to take a look at those opportunities, and one of the things we have suggested

to NACCA is that there is a need to develop a fund that will target major projects' infrastructure development. In our area it's hydro, in another area it might be mining, it might be forestry. But it's interesting that when the country moved toward infrastructure development, we as lenders didn't really respond to take advantage of many of those dollars that were put into the system that we could have leveraged. That's where I think strategically we're missing it; we are not able to respond quickly enough to the changing situation.

So the whole issue of sustainability, I think, has to be revisited and you have to take a look at how you create that optimum opportunity. But I think it's going to require some real discussion on objectives in lending. If you lend and you lose 100%, you're in trouble.

● (0925)

**The Chair:** I have to stop you there. We're over time.

We'll move now to Ms. Bennett for the next seven minutes.

**Hon. Carolyn Bennett (St. Paul's, Lib.):** Thanks very much.

First, Chief Moody, in this committee's previous study on land management, I underlined the need for additions to reserve to be moved in a much more timely fashion. For us to make a recommendation in this study, it would be good if you could explain how when that slows down, it reduces your ability to access capital. Can you join those two things for us so they can be part of the report?

**Chief Marcel Moody:** We've been involved in a lot of major economic development projects in our community. We're involved with a hydro partnership, obviously, with Manitoba Hydro. We own a third of a \$1.6 billion project and we had to provide \$20 million of our own money to be a partner in the hydro development project in our community.

We also have a grocery store in Thompson, a grocery store we just opened about a year and a half ago. We have our Mystery Lake property, which is located right in Thompson. That's a property that I think can work in Thompson. We're also building a new store in our own community to replace the Northern store that was previously in our community.

The restriction on our ability to access capital as a result of the property not being converted has been so frustrating. We've tried everything within our power to convert this property. Even with the TLE lands that have a legal obligation to convert the property or lands into reserve, that's been really cumbersome and slow as well.

So in terms of recommendations, I don't know how to make it quicker. I think the regions have to be more responsive. There are templates that are changing over time. We don't even get the information on what the policies are and the changes in them. People in the region don't understand what's happening in the headquarters, so there's a disconnect between headquarters and the regions.



Based on my experience, I don't know all the details of what's happened. Even the people in the region don't understand what the changes are when they happen, so they have to wait on what headquarters has to say. There's really a lack of communication sometimes between the department and our first nation. For example, when we make phone calls to the region, they don't answer. They don't get back to us. So we have to redo everything, like the environmental studies that have to be redone every two years.

It seems that we spin our wheels and we go back and do the same thing over and over again. That is really frustrating to me, and for us, and we've been really patient. Our philosophy has always been that we have to look after ourselves as a community, that we need to be economically independent, that we need to be economically strong. We know that government's not going to provide the funding we need. As of today, we need \$60 million in new infrastructure dollars to rebuild our nation. We spent \$20 million of our own money as equity we need for Wuskwatim.

It really impacts the development of our community, but we know that in order for us to rebuild our community, we have to invest economically, and it's so frustrating, especially for other first nations. In Manitoba 75% of our first nations are under some sort of third-party management or remediation and it's really hard for them to access capital from conventional banks. Even when we borrow money from banks to pursue an economic development project, the government has to guarantee those loans, and if something does happen with the minimal amount of money we do have, it can bankrupt our nation.

But, luckily, we were able to do it ourselves. There are other smaller first nations that don't have that capacity and that need to access capital so they can start participating in the mainstream economy. There are only so many gas stations that you can build on their reserves. They need to participate in our economy and resource development. That's really important.

As far as recommendations as to how to speed up that process are concerned, I think the government has to have the will to make those happen, because we're not going to be able to provide all the funding that we need for first nations. Even our first nation, for example, needs \$60 million today. We need a new school, we need new water treatment plants, and we need to rebuild our houses. We're short 400 houses in our community and our philosophy has always been, yes, we need to invest economically so we can rebuild our own community.

We've been waiting for a hundred years to get the proper funding that we need from the government. It's not there, but we're doing it ourselves. For me, I think it's the right way, but we need access to capital and that's the bottom line.

● (0930)

**Hon. Carolyn Bennett:** So if this had been declared reserve land eight years ago, your community would have been much better off?

**Chief Marcel Moody:** Absolutely. We would have participated in more and more projects, and it would have expanded the opportunities for our community and the first nations. Maybe we can help other first nations. That is part of the whole scheme that we have. That is our philosophy. We are going to do it ourselves, but we need some help from the federal government, and that is so critical.

Access to capital is so vital. Without the access to capital that we had.... For the Wuskwatim project, we got \$4 million from the federal government. That really helped. If it weren't for that, we would never have been able to own 33% of the project.

We have \$20 million. We need \$150 million to own the Wuskwatim project because the debt-equity ratio for the project is 75-25. If it weren't for Manitoba Hydro and the innovation by them in providing us with the money that we needed for our equity, it wouldn't have been possible for us. Resource developers need to step up to help first nations, to be innovative, and to help with their equity, too. That's really key, and that's what we did for our Wuskwatim development project.

Our future is great. Of course, it depends on the commodity. It goes up and down, and lately it has been really negative, but the future is there. Once we pay off our debt, we are looking at \$20 million to \$30 million of revenue for our first nation, based on a projection. That's not going to happen for another 30 or 40 years, but at least there is a future for our people. If it weren't for access to capital, that may not have been possible, and we would have been stuck in a perpetual cycle of poverty. It's terrible. It's sad, but that is the reality of a lot of first nations. They need help.

**The Chair:** Thank you.

We'll move now to Mr. Strahl for the next seven minutes.

**Mr. Mark Strahl (Chilliwack—Fraser Canyon, CPC):** Thank you.

[*Translation*]

Mr. Vincent, thank you for the presentation you gave.

[*English*]

In your presentation, you mentioned that we loan to solvent people who will become owners of their houses. We want to make tenants into owners. I want to try to get an idea from you now.... Are we talking about first nations property ownership, which has been advocated by Chief Manny Jules and others, or is there a different model that you are talking about that would allow tenants to become owners, allow people to start to own their property?

● (0935)

[*Translation*]

**Mr. Jean Vincent:** Thank you for the question.

We take our inspiration from the Huron-Wendat First Nation in Wendake, located close to Quebec City. That model inspires us because, in the 1970s, the community of Wendake was quite poor and the houses were small. People took two and three years to build their houses, for as long as they received government grants. The community of Wendake was no different than most of the other communities in Canada.

In the 1970s, the elected council at the time decided to create a housing fund and to lend money to individuals rather than giving them government grants piecemeal. Today, that fund is valued at \$30 million. I can tell you that the houses in Wendake are comparable to those in the municipalities that border the community.

I spoke about breaking the cycle of dependence and instead bringing a community into a situation of responsibility. That is exactly what has happened in Wendake over a period of about 40 years. As the housing fund grew, the community was able to make bigger and bigger loans, which allowed people to have more access to capital and therefore to build more comfortable homes that better met their needs. Instead of being all the same, the houses have features that reflect people's own tastes.

Gradually, people became homeowners. Because of that, they have continued to maintain their property, with the result that, today, the community of Wendake is beautiful, with beautiful houses that most of the people own. When they retire, they will have a significant asset at their disposal.

The community of Wendake also worked with financial institutions. First, it was with the credit union in Wendake, then with the Native Commercial Credit Corporation, which is an aboriginal finance company just like the Community Futures North Central Development, represented by other witnesses at this committee. Since 2005, the housing fund has been working in coordination with the Aboriginal Savings Corporation of Canada.

We use the Wendake model as our inspiration and we are reproducing it in other communities that are prepared to make the transition from dependence to more responsibility. At the outset, we want to work with model individuals, those who are solvent and who have good jobs. We feel that, little by little, those individuals will become examples in their communities and will encourage others there to emulate them and achieve the same turnaround.

[English]

**Mr. Mark Strahl:** Thank you.

I think that if we have time we should hear from the people of Wendake and learn how they're doing this.

You said you determine the solvency of people by their job. Is that the primary...? Do you determine who gets a loan based on whether they have reliable, good employment?

Their cash flow determines that. Okay.

I'm asking you to speak to a model that you're basing it on. Do those people gain equity like we would outside of the reserve system? They're home owners but I'm assuming there's still an underlying collective nature of the land. Are they able to bank on that asset for commercial loans or to start their own small business for instance?

• (0940)

[Translation]

**Mr. Jean Vincent:** With Wendake, we have certainly created a market. The community has a lot of owner-occupiers. Those houses are also in demand. The owner-occupiers who own a home with excellent equity may well be able to use the value of their property to get commercial loans, using the house they own as security.

Does that answer your question?

[English]

**Mr. Mark Strahl:** Yes.

**The Chair:** Sorry, unfortunately I have to stop you there.

[Translation]

Mr. Genest-Jourdain, you have seven minutes.

**Mr. Jonathan Genest-Jourdain (Manicouagan, NDP):** Thank you, Mr. Chair.

Good morning, Mr. Vincent.

As I mentioned in our previous discussion, I looked at your biography, which dates from 2009. It says that your organization provides financing under commercial conditions to start or expand businesses that are under majority aboriginal control. I imagine that is still the case today.

I studied commercial law in law school. So I can decipher and read a share-capital document. But it does require some special training, which is why most of my constituents are not able to look at the breakdown for any given company.

In my constituency, one of the key aspects of my mandate for the past four years has been the requirement to deal with white-collar crime. We have to call it for what it is. Because of the Plan Nord and the economic boom, a number of companies have been started in my riding in the last four years. The truth is that they are fraudulent; they are shell companies. They use aboriginal people for tax purposes, for income tax. You are aware of the specific rules that apply to an entity that claims aboriginal status.

Some turnkey companies have appeared in the Manicouagan region. They work mostly in natural resource extraction and construction. I am thinking about the La Romaine project, for example. A number of corporate entities popped up overnight. You just have to glance at their share-capital to realize that the leadership, the steering wheel, is not really in the hands of First Nations communities or individuals.

Another situation was brought to my attention by the economic development officers in Manicouagan. In their view, First Nations' participation is often limited to being given tokens—I am not familiar with the concept—that allows them to attend board of directors meetings and even Montreal Canadiens' games, if you can imagine. That is where their participation ends. When these shell companies no longer need their token Indians, if you will excuse the expression, they simply cast them aside. Then it's game over for the company that claimed to be aboriginal when it started.

Mr. Vincent, what protections does your organization have in place in order to keep that kind of embezzlement, those kinds of shell companies, out of your activities?

**Mr. Jean Vincent:** Thank you, Mr. Genest-Jourdain.

In terms of commercial loans, we have been working with the Native Commercial Credit Corporation, which has been in existence since 1992. We have issued more than \$60 million in loans so far. But our loss rate on the loans is less than 1%. We have a competent team as well as investment and credit policies. That said, from the outset, we screen entrepreneurs for their capability, their reputation and their competence. Whether they are fully aboriginal or have some association with non-aboriginals, it doesn't matter. We still conduct quite a major screening.

As for the problem you mentioned, criminality, we unfortunately have those whom we might as well call crooks. In my opinion, they are taking advantage of the poverty and ignorance among aboriginal people. Generally, as we know, training is a problem among First Nations and, unfortunately, even some of the leaders do not have your competence and expertise, Mr. Genest-Jourdain. If they did, they might understand how deals are organized, how to read financial and share-capital documents to see, in these cases, who the shareholders are and how the system works, with voting shares and non-voting shares and so on.

The crooks sniff out the ignorance and poverty in some communities. They then get the leaders in their pockets, they wine and dine them, fly them around in jets or helicopters, invite them to hockey games, and so on. Unfortunately, only a few leaders in a community get those perks while the whole community is suffering. That leads to situations like the one you describe.

In my opinion, the solution would be to invest more in training leaders. Clearly, we also need to be able to encourage economic development in First Nations communities, to get them out of poverty, to stimulate their economy and to create jobs. It is clear to me that that would largely solve the kinds of problems you are describing.

You were talking about the construction companies in your region, but I can tell you that other initiatives, like Wendake Construction, are working very well. The company has ties to Hamel Construction, a construction company with an exemplary reputation, a company that passes all the *Autorité des marchés financiers*' tests.

Before it firmed up those ties, Wendake Construction analyzed its partner thoroughly. It made sure that the company was built on solid foundations. It also made sure that training would be provided to Wendake members so that they would not be token Indians, but would genuinely play a role in the management of the company

• (0945)

**Mr. Jonathan Genest-Jourdain:** Mr. Vincent, I would just like to emphasize that you are one of the only witnesses to have directly addressed this issue in recent years. Thank you for that.

[English]

**The Chair:** Mr. Barlow, the time is yours for the next five minutes.

**Mr. John Barlow (MacLeod, CPC):** Thank you.

Mr. Johnston, Chief Moody, and Ms. McIvor, thank you very much for coming. I know it's a long journey. I appreciate your being here with us today.

Mr. Johnston, perhaps you could address some confusion I have. You talked about some of the projects that your Community Futures program was investing in, and the jobs, and what not. You also talked about investing in a large project like the hydro project.

I have several Community Futures programs in my riding. My vision on the mandate of Community Futures is to stimulate start-up businesses, small and medium-sized enterprises. For you to be looking to invest in a substantial project like a hydro project, is that going away from your mandate? Can you explain to me what your

vision is there, to be going away from that small and medium-sized business to something that is much larger?

**Mr. Tim Johnston:** Mr. Chair, good question.

North Central delivers the Community Futures program. We were under contract to serve as an external delivery office, in addition to providing the Community Futures programming. The major contributions were done as an XDO. We hired a separate person to deliver that contract and that programming. I think it was critical.

One of the roles of CFs is to participate or to provide loans. Through the Aboriginal Business Canada program at the time, there had to be a contribution, but then there also had to be lending from conventional lenders. We would often be able to do part of that. The contributions, I spoke to, were through the Aboriginal Business Canada programming XDO contract that we held.

It is no longer in the region and it will create difficulties for first nations to access that funding now.

• (0950)

**Mr. John Barlow:** Maybe Chief Moody could answer this. Was there not an opportunity to go through the First Nations Finance Authority or the First Nations Bank of Canada? Was this a better option at the time, or were you not able to access those programs to help invest in the hydro project?

**Chief Marcel Moody:** We're able to get loans from wherever we can, but those loans had to be approved by Manitoba Hydro. I don't think we approached those types of lenders, but we're looking for grants. The majority of the loans were provided by Manitoba Hydro itself through an agreement that we had with them. They were leveraged with the amount of money we had. I think the ratio was about one to six. Say we had \$20 million, they lend us \$120 million. That's the type of agreement we had with Manitoba Hydro, but we never did approach those other industries.

For a typical agency to provide money for NCN, we have to provide a guarantee as a nation and then as a government. I don't think we have that ability or that authority because if something does happen.... People lend us, obviously, on security and if something happens to the project, then they call in that security and it would probably bankrupt our nation. The funding we get is very limited too.

**Mr. John Barlow:** I understand that. We had witnesses earlier in this study who, for example, were using FNFA's for Ontario Hydro, and they were investing in those types of projects very successfully. I'm just wondering if maybe that is an opportunity for you, if these projects do come up, to take a look at those projects as well.

Mr. Johnston, you talked about having that million dollar nest egg. I guess you're sort of saying that if you could double it, that's what the demand is right now. Do the Community Futures leverage their assets? I know in Alberta they do, but I don't want to say in Manitoba. I know they get together as a group on some larger investments to kind of leverage what they have as a group. Do you do some of that as well?

**Mr. Tim Johnston:** We can do that. You haven't seen a lot of that in Manitoba. As a Community Futures, we have drawn the most from the Manitoba-pooled funds. One of the challenges obviously in western Canada is the amount of money held by many Community Futures. As I've said, we've borrowed four times from the Manitoba fund in order to access capital. That's really been the only way we've been able to build up our fund, which is excellent for us, although we're borrowing money to lend it again, and that creates some challenges.

We can do joint projects. We haven't done a lot. We borrowed from a CF previously as well.

**Mr. John Barlow:** I guess it depends on how—

**The Chair:** Sorry, Mr. Barlow, your time is up.

**Mr. John Barlow:** Thank you.

**The Chair:** We're moving across now to Ms. Ashton for the next five minutes.

**Ms. Niki Ashton:** Thank you very much.

Chief Moody, you and Mr. Vincent have outlined some pretty fundamental barriers to economic development, particularly when we're talking about first nations members being able to access economic development opportunities directly, a recurring theme in your presentations. We've heard from others as well on education.

I wonder if you could speak in the context of NCN. You mentioned the need for a new school. I wonder if you could speak to the funding gap that NCN members face when it comes to education and what the federal government should be doing in this area.

**Chief Marcel Moody:** To answer the question that was asked about the FNFA, we don't belong to that organization, but we are certainly looking at that to access more capital for our community.

As far as the education issue in our community is concerned, right now, unfortunately.... Over the weekend, our kids were trying to burn down our school. I am not quite sure how we are going to deal with that. It's unfortunate, but that is sometimes the reality. People are not doing anything, so they look at other things to accommodate their time.

In terms of education for our people, for our community, we need a brand new school. Our school is about 30 years old. It is totally non-functional as a school. We had to build a temporary high school using our own funds from our own community because there was a need for a high school in the community. Education-wise, there are more dollars that we need in our community to properly educate our children.

We have a funding shortfall. We get \$5,600 per child, I think. Other school divisions in Manitoba get about \$12,000 per child. There is a disparity there. We need to educate our children.

Even when we had our Wuskwatim project, we had over \$12 million to upgrade our people so they could qualify for jobs at Wuskwatim. The majority of that money was spent upgrading our youth, our people who need to get those jobs at Wuskwatim. Throughout that process, our goal was to hire as many people as we could at the Wuskwatim hydro project, but unfortunately, because of the grade levels, we weren't able to get them trained so they could work at the Wuskwatim project, because a lot of them needed training, upgrading especially. That tells you there is a tremendous need to educate our people so they can get their basic grade 12.

Even the people who graduate from our school system—they have their grade 12 level and they graduate—at the end of the day are still only equivalent to about grade 8. That tells you about the system itself.

When we look at the grand scheme of things, when you look at educating yourself, is there hope for our people? They don't see a light at the end of the tunnel for them. Maybe that is why they don't want to do anything, because there is nothing for them to do anyway. There are no jobs. There is no industry for our people in our community.

We are trying very hard to correct that problem, but we need some opportunities. We need hope. We need to be economically independent, and that's why we are involved with so many economic development projects, so there can be hope for our people, and so they can be inspired to go to school and get that training.

Education is key, as you know, and this has been echoed everywhere in this country, but at the end of the day there is no hope. There are no jobs for people. Maybe they will be stuck, not being trained or educated, but it is so fundamental.

As I said, we need proper facilities where our people can go to school, where they can get trained. Part of the access to capital is that there have to be more training dollars available too, more economic development dollars [*Inaudible—Editor*] that need to be available.

We get about \$200,000 for economic development in our community, but that is not enough. People want to start up their own businesses, but unfortunately there is not enough money for that, even for our people in the community to start up their own small businesses. We have to rely on Community Futures North Central Development to help our people, but we need more money for economic development because the status quo is not working. Providing more money for SA, the standard approach to aboriginal economic development, is not working. We need to change that attitude. We need to create training dollars, more economic development dollars for our community.

• (0955)

**The Chair:** Thank you.

We'll go back to Mr. Seeback now, for the next five minutes.

**Mr. Kyle Seeback:** Thanks.

Mr. Johnston, I want to follow up on a couple of things from where we were last time.

What happens to an AFI that is losing this average of 8%, let's say? Where does that shortfall get made up? Does this turn into a depletion of the actual initial capitalization so their lending ability continues to decline over time?

**Mr. Tim Johnston:** I appreciate the question. I would be hesitant to answer on behalf of other AFIs, but I...

**Mr. Kyle Seeback:** What would happen in your circumstance if you were losing 8% every year?

**Mr. Tim Johnston:** We would deplete the fund. That's exactly what would happen. With a small fund like ours obviously it would just be a matter of time. Again, I think if we look at it historically that has been exactly the challenge.

**Mr. Kyle Seeback:** I ask because what we heard on Tuesday—I now wish I'd asked this question on Tuesday and I don't have my notes here, unfortunately—is that the initial amount that AFIs had to lend was something like \$65 million. I think the number now is somewhere in the nature of \$25 million. I could be off a little on those numbers.

It seems to me if there's this average of an 8% loss, that's where the reduction has come from. That may be the issue on having less money available to loan.

You can't speak for others.

• (1000)

**Mr. Tim Johnston:** I can only speak to North Central. Our board was very clear that because of our small loan fund, we had to be very cautious in our lending practices. Our objective was to build the fund. We've been successful at that. At a 6.9% loan loss rate, we're sustainable in the loan fund. It may not be covering all our admin. Unlike many ACCs, we're fortunate because we get some funding from the regional agency to offset that.

I was doing some math after we spoke, and at 2.5% we would create about \$150,000 in revenue if that were required. That would cover our admin cost as well.

**Mr. Kyle Seeback:** You don't operate like a schedule I bank so you have no ability to take deposits?

**Mr. Tim Johnston:** That's correct.

**Mr. Kyle Seeback:** Do you think that would be good for aboriginal financial institutions?

**Mr. Tim Johnston:** I think that as an independent AFI it would be a challenge to meet the regulatory requirements. I think it would have to be a broad pool that we could perhaps draw on. But I don't believe individual AFIs would have the capacity to do that.

**Mr. Kyle Seeback:** Mr. Vincent, you seem to be interested in that because regular banks are obviously leveraging deposits, which is how they're able to be so successful.

**Mr. Jean Vincent:** That's exactly the game we have been in since 2005. So far we have raised close to \$25 million from private investors and also from institutional investors. I can tell you that I could make a call this morning and get \$50 million in my bank account, but we have to offer savings products that meet the requirements of the investors, whether we have products rated by

companies such as Standard & Poor's and companies like that or we get a guarantee from government.

A lot of money is available in the market at this point. A lot of investors are ready to put those dollars to benefit first nations, given that we are in a position to offer savings products that meet their investment policies exactly. This is why we have this pilot project in conjunction with AANDC, Aboriginal Affairs and Northern Development Canada, and also with the J.W. McConnell Family Foundation. We have a pilot project at this point to prove that we can raise money from investors, given we can't count on the federal government to help raise this capital from investors.

We can raise a lot of money but we need the government to kick into this venture. I can tell you there is huge potential.

**The Chair:** Thank you.

We'll move back to Ms. Ashton now.

**Ms. Niki Ashton:** I have a quick comment.

I appreciate the feedback from North Central. We did hear from witnesses on Tuesday, but I think it's so important to recognize that people speak best to their own reality. That's why you're here today to tell us about North Central's reality.

Before I pass on the time to Madame LeBlanc, I do want to take this opportunity and ask Mr. Johnston if he could perhaps, give us a quick brief on how keen folks in northern Manitoba are to work in partnership? You spoke of the aboriginal accord and the work that's been done to overcome systemic racism and to look at ways that economic development can benefit our communities. I think that's an important piece that our committee needs to hear about, the willingness that already exists on the ground, which we need the federal government to be part of as well.

•(1005)

**Mr. Tim Johnston:** I think this is an area of real opportunity that we miss, and I would agree with the comment. I think that industry and organizations are especially eager to get involved, because there's a mutual benefit. For example, in northern Manitoba right now, we always had the paradigm that government operated in its own silo; industry was over here and we didn't mix. We moved forward on the aboriginal accord, quite frankly, because of the challenges we were facing at the local level, including some opposition to the designation of the Mystery Lake property as an urban reserve. We realized that it's a question of bringing people together so they understand the needs. We started with five signatories—aboriginal organizations, and the municipality. Industry has come to the table, including Vale and Manitoba Hydro, because they have realized that being at the table provides unique opportunities to meet some of their needs.

Vale Inco operated a mining complex in Thompson for 50-some years. I would suggest that it has only been in the last five or six years that we've truly seen people coming from Nelson House to work because of a joint program that I think this was the basis for. I think this may provide the opportunity where industry also—as we've said—has access to capital. I think industry is a potential source of access to capital. The hydro agreement on Wuskwatim brought capital to the table from Manitoba Hydro that the federal government didn't have to provide. That will create a unique opportunity for NCN to generate wealth for years to come. I'm not saying that's because of this, but I tell you that it is amazing what has happened as a result of bringing those groups to the table.

The latest one we're just initiating is the development of a northern Manitoba economic accord that would set the parameters for general beliefs, values, and principles of moving forward with development. That's going to bring together industry, environmental conservation, aboriginal organizations, and the municipalities. I think that provides an opportunity to look at some of the unique things that can take place. We haven't fostered that discussion enough. That's where some of the dollars can come.

I would agree that there are opportunities to gain money, not as an individual AFI at North Central—we couldn't do that, but NACCA might be able to play that role for our AFIs.

[*Translation*]

**Ms. Hélène LeBlanc (LaSalle—Émard, NDP):** Thank you. I find it fascinating that you are able to do amazing things for aboriginal communities with the resources you have available.

As a critic for cooperatives, I wonder whether you think that the cooperative model could be useful for the businesses you want to support in aboriginal communities? Perhaps there are already cooperatives in the area that are successful.

My question is for Mr. Vincent.

**Mr. Jean Vincent:** In First Nations communities, I have certainly seen forestry worker cooperatives that were doing well.

I'm not saying that the cooperative model is the most widely used, but perhaps its advantage is having features that are similar in a way to the values of First Nations. First Nations work together a great deal. The concept of a circle is very present.

**Ms. Hélène LeBlanc:** So there is some potential.

Thank you.

[*English*]

**The Chair:** Sorry, we'll have to stop you there.

We will move on to Mr. Barlow now.

•(1010)

**Mr. John Barlow:** Mr. Vincent, I wanted to ask you a little more about the ABSCAN project for housing loans on reserves that you've talked about.

You said that it's sort of a pilot project. With the success it sounds like you've had so far, is this something that you would expand to other first nations communities? Is this something that will just be in Quebec or something that other communities across the country could take a look at as a model?

[*Translation*]

**Mr. Jean Vincent:** Right now, we are working in Quebec only, but our company is structured in such a way that we will eventually be able to provide services outside the borders of Quebec, across Canada. This is a pilot project, but it has still helped raise \$25 million in capital so far. The \$25 million was invested in loans.

There is one noteworthy fact of interest. In all the loans that we have made, there are no arrears and we have never experienced any losses on these loans. There is a reason for that. Our management team is competent. We know the aboriginal market well and we are able to accurately assess risks, which helps us to properly manage the investments we receive and make loans in the communities.

I would say that it has been a success so far. The obstacle is that we are not able to find the capital. As I was saying just now, we could have \$50 million today. Some investors have expressed an interest but only if the bonds match their investment requirements, whether for pension funds or insurance companies. Actually, our clients even include an insurance company and a pension fund.

All these major fund managers have investment policies and they cannot just buy any kind of product. Mr. Valcourt, Minister of Aboriginal Affairs and Northern Development, is well aware of the project with McConnell. The idea is to demonstrate that it works. At the end of the day, we must have the federal government working with us to guarantee the bonds that investors are willing to buy, instead of guaranteeing the loans. If we go by what we have achieved so far, that guarantee should not cost very much because we have not lost any loans in 10 years. No loans are in arrears. If the government had taken action in 2005, it would not have cost anything today. Government involvement would ensure that the model we have implemented could experience tremendous growth because capital is available. That is truly the key to success.

Ms. Whiteduck, whom I know very well, appeared before this committee. She probably told you about capital funds to attract capital. I have just recently participated in a roundtable discussion with investors because NACCA wants to set up a mechanism to attract \$25 million in short-term capital to serve the aboriginal finance companies that need it.

We recently had a meeting in Toronto, with a table of investors. They said loud and clear that they wanted products to invest in, but the products had to fit in with their investment policies. It's not terribly complicated: they buy AAA or BBB bonds, whichever, or bonds guaranteed by the federal or provincial government, or even by a municipality.

We cannot get around it. If we want to develop aboriginal communities, we need a huge amount of capital. This capital is available and it is in the hands of large investors, who want products offered to them that match their investment policies. We have been working on this for 10 years. Mr. Valcourt and the Department of Aboriginal Affairs and Northern Development are well aware of the project. Right now, the key to success is in the hands of the federal government.

•(1015)

[English]

**The Chair:** I'm sorry, Mr. Barlow, but your time is up.

[Translation]

Ms. LeBlanc now has the floor for five minutes.

**Ms. Hélène LeBlanc:** Thank you, Mr. Chair.

I think we have already briefly touched on this issue, but I wonder what we could do to remove the barriers to access to capital in the Indian Act.

Mr. Vincent could answer, followed by Mr. Johnston.

**Mr. Jean Vincent:** The legislation would need to be changed. We have tried to do so on a number of occasions in the past. Describing the ins and outs would take a whole day, I think. The process is political and very complex.

In short, to answer your question, we should change the legislation, but since it is difficult to do so, for all sorts of reasons, good and bad, we must work with the legislation in its current form and find innovative solutions to overcome the obstacles it creates in terms of access to capital.

**Ms. Hélène LeBlanc:** Mr. Johnston, what do you think about that?

[English]

**Mr. Tim Johnston:** I would agree. I think there need to be changes to the act. The act itself creates the dependency we talked about earlier. It puts limitations on first nations communities and individuals. We had this discussion yesterday. The relevance of the act to today's market probably isn't—

**The Chair:** I'm sorry, Mr. Johnston, but I'll have to interrupt you there.

As you'll notice on the wall, we have some flashing lights. That means that members have to proceed to the House of Commons for votes now.

I want to thank all of our witnesses for being here today and for answering our questions. Thank you very much for your contribution to our study.

The meeting is adjourned.







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