

IMPACT ECONOMICS

Review of Five-Year Plan

For the NWT Indigenous Leaders Economic Coalition

The NWT Indigenous Leaders Economic Coalition is developing a five-year plan that will see the creation of a new investment body that will bring First Nation, Metis, and Inuit together for the purpose of business development and project investment. This is a big step for Denendeh's Indigenous groups and early success will go a long way to ensuring its long-term viability.

This review considers the plan against the vision and mission statement of the Coalition and then begins the conversation of what approach or framework for identifying investment project might look like. It is meant to spur discussions within the Coalition and ultimately result in a clear structure going forward.

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CLARIFYING THE MANDATE AND APPROACH, AN OVERVIEW OF THE COALITION'S CHALLENGE

The NWT Indigenous Leaders Economic Coalition has been given a mandate to invest in the NWT economy in a way that improves the lives of Indigenous peoples and elevates Indigenous business activity. The Plan provides some details of this mandate through vision and mission statements that state the focus is on “major infrastructure and resource projects”.

These opening statements set the Coalition on a clear pathway that is not reflected in the plan. The Five-Year Plan suggests an investment plan that is much broader. For instance, in the Economic Priorities and Objectives chapter, examples of potential projects include hotels and real estate. Later in the Plan, one of the five investment criteria is “no political/regulatory hurdles”, which rules out most major infrastructure and resource projects.

These inconsistencies suggest a need for clarity. If we were to overlook the mission statement, the Five-Year Plan presents a kind of “business opportunity investment club” unencumbered by the narrow focus directed toward infrastructure and resources. The concept is not without merit as it gives Indigenous communities an opportunity to get involved regardless of their size, finances, or experience. But it raises other challenges. Some of which show up in the guidelines. For example,

The Coalition will not compete directly with existing regional or community development corporations or with existing Indigenous business.

The challenge is that the vast majority of business opportunities throughout the NWT are community or regional based, are small to medium in size, and are likely to be within the scope of regional or community development corporations or businesses. In these cases, the intent of the Coalition is to be a source of investment capital to these opportunities. This is an example of where the Coalition's role in the opportunity is limited to that of a silent investor and would play no role in the management of the business.

To be clear, it is not the intent of the Coalition to enter into local or regional economies, but instead be a financial supporter of Indigenous business. This point should be clarified in the five-year plan.

The Guidelines also reinforce the commitment to invest in large projects.

It is expected that the Coalition will invest in major projects which has significant capital requirements, or projects of strategic importance to economic development.

The examples of potential sectors where this investment model might work include energy production and/or power transmission and transportation infrastructure including roads, airports, and marine facilities. These types of projects seem better suited to the investment concept being proposed. But the challenge is that these types of projects require years of investigation, due diligence, and preparation. What to do in the meantime? The Coalition wants to become active now and envisions the medium term as a time to build confidence within the Coalition through successful investments.

Some clarity is needed in order to better describe how the Coalition will function over this time period as it investigates and prepares for investments in major projects. The next five years are being used as a time to generate cash flow and establish confidence. How much risk is the Coalition willing to take on given the critical importance of achieving positive results over such a short time period? Such pressure all but eliminates any investment that comes with too much risk. It is important here to remember that for investments in local and regional business entities, the Coalition will not control the day-to-day workings of its businesses. There will be a heightened need for due diligence and require tremendous confidence in the existing ownership. These factors combine to reduce the likely number of business opportunities that will fit within the guidelines for Coalition investment.

Nowhere in the Plan is return on investment discussed. What return is expected? It is suggested that revenues are the primary objective, but is the Coalition interested in financial return only? How much, if any, weight will be given to other forms of return, especially in areas related to improvement of quality of life in Indigenous communities?

As a final point, one cannot overstate the current economic conditions in the NWT that were on a downward trajectory even before COVID 19 hit and the effects on profitability for the small and regional businesses. It might be that the downturn is lowering the sale price of businesses, but those lower prices are largely a reflection of current and future revenue projections.

In summary, the Coalition would benefit from greater clarity regarding its mandate, vision, and mission. This would help in the development of a Five-Year Plan that would ensure the Coalition's vision is achieved and give Coalition members greater confidence in the concept being proposed.

IDENTIFYING GAPS

One of the underlying challenges the Coalition will face is in identifying potential investments that (a) fit within its vision, mission, and guiding principles, and that offers an acceptable return on investment. The Five-Year Plan offers only a vague outline of how project's will be identified. One approach would be to look at gaps as a means to identifying areas where investment opportunities might exist and where Indigenous communities require improvements. There are numerous socio-economic gaps between Indigenous communities and peoples and what the average Canadian will experience. It is important to recognise that, for many Indigenous people, the ultimate goal in life is not to become an "average Canadian", but most would agree that improved education, better health, safer homes and communities, greater security in their food supply, solid infrastructure, and reasonable access to public goods and services would make their lives better. The idea of closing gaps is less about the gap than it is about

ensuring Indigenous peoples have reasonable opportunities to succeed in whatever path they choose. This list of areas in need of improvement can be a starting point for investigating potential investment opportunities.

GAPS PLUS A BUSINESS CASE

There is an almost endless list of these so-called gaps in the NWT, whether it is in public infrastructure or services, commercial capital, or consumer goods and services. Gaps can also be viewed in terms of social and economic performance—health status, education levels, financial wellbeing, community safety, food security. They can also be seen in economic sectors or industries. For example, there are gaps between the performance and potential in mineral exploration, tourism, and commercial services.

It is easy to identify these gaps, but the existence of a gap is not a sufficient condition for this exercise. In economics, a gap can imply a disequilibrium in the market place. The question the Coalition must ask is whether there is a business case associated with the misalignment of demand and supply. That is, is there a financial interest in closing the gap?

To understand this, think of an extreme example. There is no hospital in Colville Lake, but there is one in Yellowknife. This can be viewed as a gap in infrastructure and/or in service. But there is also no market for a hospital in this community. A market implies there are buyers and sellers. In this case, there might be interest (demand) for this infrastructure but there would be no buyer (no money) for a hospital.

The example might seem farfetched, but it presents an important methodology to be considered by the Coalition. By investigating the many gaps in different aspects of Indigenous lives and communities, we stand to uncover potential markets that are perhaps not quickly identified using existing knowledge and experience. Some opportunities might turn out to be too small for the Coalition or require a local entrepreneur to take on the project, but are good business opportunities nonetheless. Some will simply not fit the

Coalition's mandate. Others will be small but easily replicable in several communities, growing the long-term potential for Coalition investment. Others will turn out to be gaps that simply cannot close, but Coalition members might be better informed about them having gone through the exercise.

It is recommended that the Coalition investigate the gaps in Denendeh communities in terms of

1. physical capital (economic, social, organisational, environmental),
2. socio-economic performance versus potential, or
3. industrial activity (economic growth, sectoral growth).

The hope is that this will lead to informed discussions on how to proceed with deeper investigations and proper due diligence of the potential project before moving to a search for partners, and also prevent the Coalition from pursuing investments based on nothing more than a single opinion.

The food security and housing research projects just underway are examples of this approach. Both areas have long been identified as gaps within Denendeh's population, there are many who believe there are positive investments to be made in these areas, but they both require careful study first in order to build an investment strategy that can be successful.

The next section of this review begins the exercise of identifying gaps and investigating the nature of the disequilibrium. To emphasise, this is just a starting point. As mentioned, there are literally hundreds of identifiable gaps in the NWT. The real point is to develop a system whereby these gaps can be catalogued in manner that leads to constructive discussions regarding potential business cases and future investment, and gets the Coalition into a position to have real and meaningful discussions regarding possible investments that align with its vision, mission, and guiding principles.

IDENTIFYING GAPS (BRAINSTORMING EXERCISE)

Gap (Subject/area)	Specifics (What is the gap? Why is it a gap?)	Is there a market? Who is the buyer? What are the challenges?
Physical Capital		
Housing	Insufficient housing stock	Government can't afford to build public housing units, households on waiting list can't afford the housing options available in their community
	Lack of Affordable Housing outside Yellowknife	Low personal income / High unemployment
	Lack of Appropriate Housing outside Yellowknife	Absence of inheritance (intergenerational wealth transfer)
	Need for Public Housing is greater than what is provided	Is there a market for public housing? ...
		Is there a market for affordable housing?
Power Transmission	Is there a need for redundancy	The power market is reliable, with large upfront costs, and a very long and stable revenue stream.
	Potential for new power generation: Talston is the most often cited, though others exist such as the La Martre Falls, Bear River, etc.	Timing of this is potentially beyond the current 5-year outlook
Broadband Transmission	There is a need for a redundant fibre line into the territory	Broadband is a heavily distorted/disrupted market
	There is a massive gap in Broadband between NWT and southern Canada, and between Yellowknife and remote communities	Partnerships with industry/expertise would be needed
		There is a strong argument that government should be the owner of Broadband backbone. Is there a viable private-sector market?
Office Space		Is there a gap here anymore? Demand is currently below supply in Yellowknife. What about elsewhere?

Warehousing	The NWT and Nunavut have, over the past 100 years, developed a complex system of transportation and distribution of goods. Are there gaps? Can newer technologies be employed to achieve greater efficiency?	The transportation component may provide business areas to explore. The market may be too small to invest in the warehousing on its own. This market might be best accessed through acquisition of existing businesses and/or merging complementary businesses.
Airports and Ancillary Buildings	The government owns and operates the territory's airports. There are no 3P arrangements currently. There is a long list of improvements needed.	The gap, if there is one, is likely on the service side or on ancillary buildings. With that said, it is a market that would need more investigation.
Transportation Infrastructure	Access to economic opportunities/stranded resources	Roads are traditionally a public good, except when built for economic growth purposes (which are often still seen as a public good)
	Access to communities/communities' access to markets	In NWT, even after devolution, new roads are paid for by the federal government, while maintenance is a territorial responsibility
		There can be significant business opportunities from road construction, maintenance, and safety, but the road itself is only an investment if there is a market established ... tolls, for example.
Health care related	Long-term care facilities	These areas are all dependent on lease back arrangements with the government.
	Addictions facilities	If combined with the provision of additional goods and services, there may be opportunities for a more comprehensive suite of businesses.
	Assisted living	
	Health clinics	
Education related	Training facilities	These are opportunities for Indigenous groups to take advantage as land owners and as investors.
	Polytechnical Institute	Timing is unknown.

Socio-economic performance		
Health care	Provision of services	These services could be provided as stand-alone businesses or connected in some way to investments in infrastructure.
	Alternative services	
	Ambulatory services	
	Private-sector health (testing, MRIs, telehealth, others)	
Education	Provision of services	There are several Indigenous businesses currently operating (or trying to operate) in this sphere. It may not be well suited to the Coalition's approach.
	Alternative services (on-the-land education)	
Workforce Participation	Job training	Similar to the above regarding education.
	Employment promotion	
Food Security	Imported foods transportation, distribution, retail	The challenge is in finding gaps that are not local or regional in nature.
	Local food production	For example, food distribution could potentially be an opportunity for an entrepreneur in a region. It is not clear if there is an opportunity for the Coalition's investors
	Farming/agriculture	
Community Safety	Community policing, jailing.	
Industrial Growth		
Oil and Gas	Conventional deposits	Are there any conventional deposits left? Exploration?
	Unconventional (offshore, shale)	Is there a market for high cost oil in remote and environmentally sensitive regions?
		Environmental responsibility
Mining	Existing operations	Does investment have to be in NWT?
	Exploration	High risk, very high levels of investment. Who is taking the risk? (a point that should be explored with the Coalition)

	Junior mining	High risk. Does the Coalition have a mandate to involve itself in high risk investments?
Power Generation	High reliance on diesel power generation	
	High cost of production	
	Current supply is unreliable	
Remediation	There are years of work across the territory related to the remediation of contaminated sites	Is there a conflict with existing Indigenous businesses in this field?
Tourism	Is there a gap?	COVID-19 has made this less attractive.
		Tourism is a sector with a lot of family-run businesses and multinationals. The Coalition would be better suited as owners of infrastructure.
Fishery	Is there a gap?	Can the fishery grow to a size that makes it a good opportunity for the Coalition? Existing evidence suggests no.
Forestry	Is there a gap?	The small sector is currently dominated by community and regional interests
Agriculture	Is there a gap?	The small sector is currently dominated by community and regional interests
Retail	Is there a gap?	Indigenous groups have, in other jurisdictions become involved in retail, either through the provision of land, building ownership, and as owners of retail chains.

NEXT STEPS

There should be ample opportunities for the Coalition to find success. There are numerous gaps in the NWT where investments are needed. With that said, the Coalition would be well served by adding details to its initial concept. The first job of the business manager should be to establish good financial practices that clarify how the Coalition will conduct its business. It will also be important to clarify existing inconsistencies between the group's vision, mission, and guiding principles and its proposed five-year plan.

The gap assessment provided was meant to stimulate discussion—not on what to invest in, but rather, how to go about choosing potential investments for further study. The table is best viewed as a living document or catalogue of ideas, gaps, and ideas and an effective way to communicate basic information. With time, more details can be added.

It would be a positive step if criteria were established requiring that any new investment idea must pass before it is considered. The sample table begins the process but more is needed. For example:

- Is profitability the number one concern? Is it the only concern?
- Should investments pass a moral, ethical, cultural, or environmental standard?
- Must all investments be in the NWT?
- Can such things as training be considered a positive outcome or do such goals distort profitability?
- Can the Coalition partner with non-Coalition businesses?

There are many other details to consider. The point is that good governance demands clarity in these areas, even in the case where the limits are broad.

Managing a Return to Normalcy After a Year of Lockdowns

The Coalition's Five-Year Plan was just rolling out as the global pandemic caused by the novel coronavirus (COVID-19) led to lockdowns of economic activity everywhere. Six months in, it appears that these restrictions will be in place until the summer or fall of 2021. It would be a mistake to assume that life will simply return to normal and that plans put in place prior to the pandemic will remain valid in the new unknown economic climate. The Coalition would be well advised to revisit its plans as the worst of the COVID-19 restrictions are lifted and the world learns more about this new economic landscape.

It is noteworthy that there are Indigenous leaders throughout the country that the re-emergence is an opportunity for change. It is reasonable to ask the question, should the NWT's goal be to return to the status quo of the pre-COVID world? The global response to COVID-19 has taught the world the power of collective action, and it is this experience that many leaders (Indigenous and otherwise) are looking at when proclaiming that the world needn't be as it was. That it can be better.

The Coalition's formation might have been well timed. To make the territory better will require new thinking, new approaches, new partnerships, new ideas. More money would be nice, but shouldn't be expected over the long run unless some of these changes can uncover new investment opportunities. The Coalition might ask itself how Indigenous peoples can become instigators and investors in that change?

How will the economic lockdown change the outlook for the coalition?

Answering these questions will require some research into the nature of the NWT economy to determine the extent to which it has been altered by the lockdown and to investigate this idea that the territory needn't set as its goal to return to the way things were. It is not the purpose of this research to conduct a literature review and critique of the "emerging stronger" notion. But knowledge

of the movement (if it is to be considered one) and some practical oversight will be needed to understand what it could mean in terms of real-world action. The end product of this work will be an addendum to the Coalition's Five-Year Plan with some guidance directed at its Leaders on how and where the economy has changed, and how these changes will affect the plan going forward, and any opportunities that will soon emerge.