

Canadian Council for
ABORIGINAL
BUSINESS



Community and Commerce

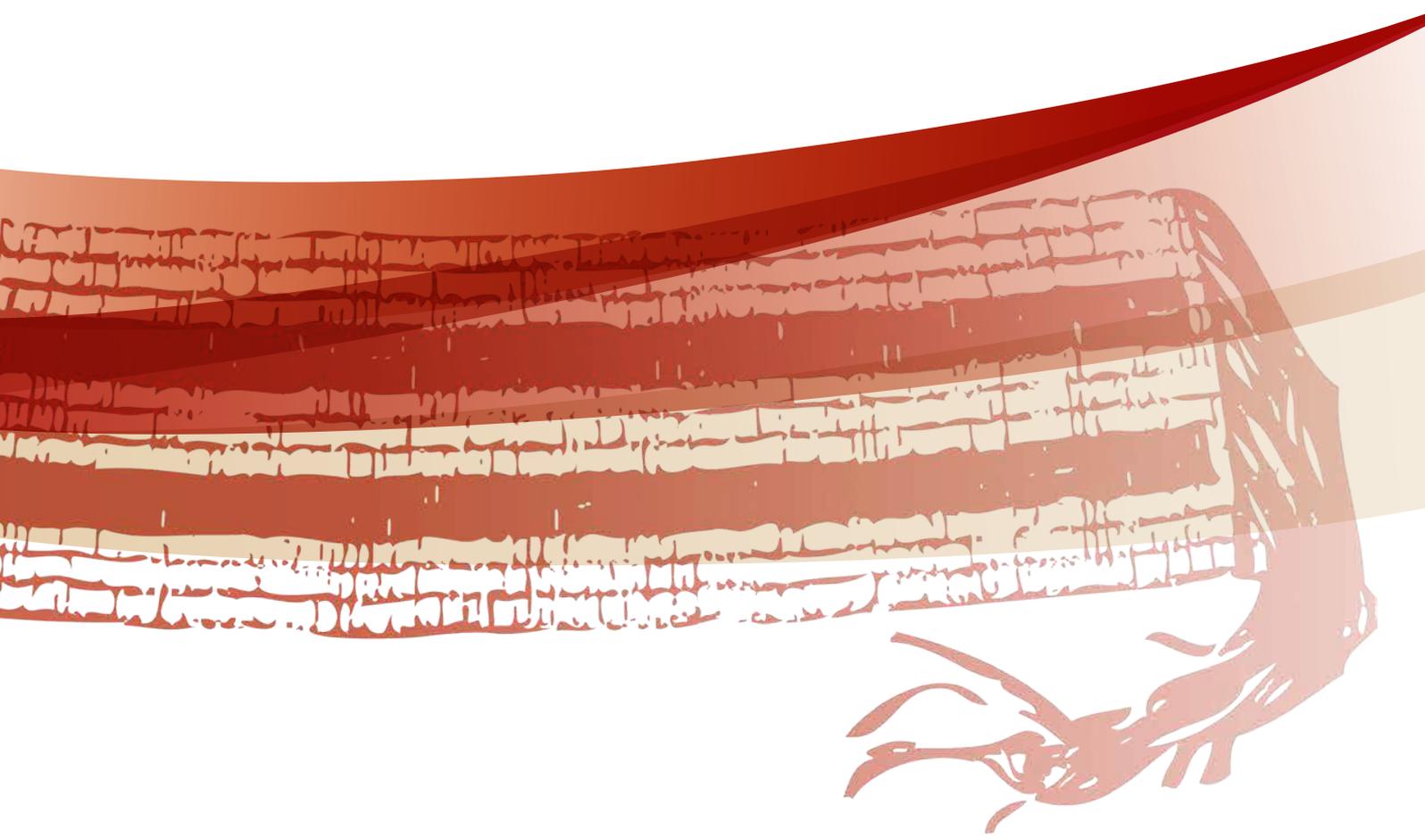
A Survey of Aboriginal Economic
Development Corporations in Ontario

Research Report Spring 2015



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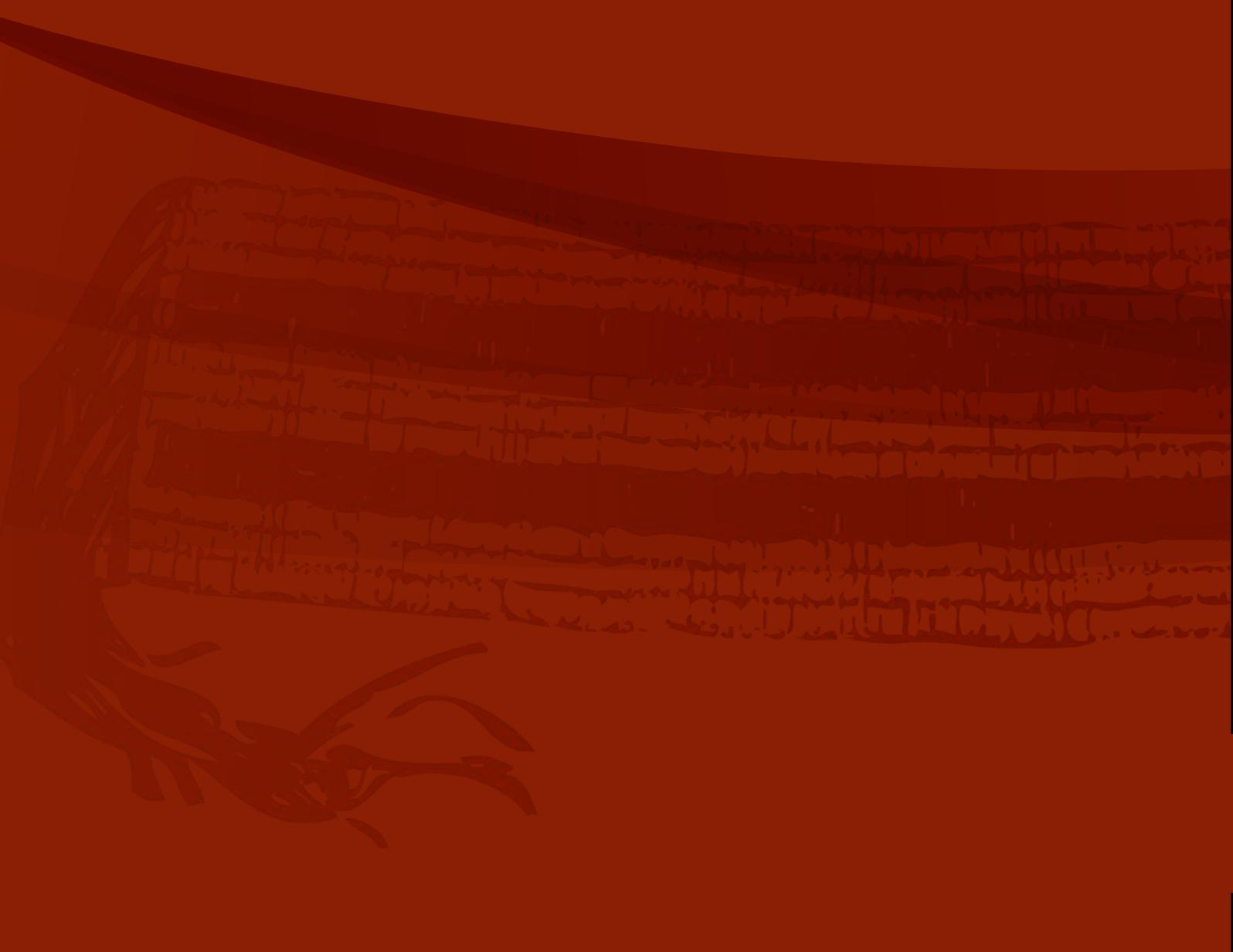
Ontario

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Executive summary



About the research

Aboriginal Economic Development Corporations (EDCs) are an important dimension of the Aboriginal business community. EDCs are the economic and business development arm of a First Nations, Métis or Inuit government, and are a major economic driver in Aboriginal communities. These community-owned corporations invest in, own and/or manage subsidiary businesses with the goal of benefiting the Aboriginal citizens that they represent.

Many EDCs have become business success stories, and the dynamism in Aboriginal economic development appears to come as much from community-owned as from privately-owned businesses. Yet, the available data on Aboriginal businesses typically do not include businesses that are community-owned.

Community and Commerce, a research series led by the Canadian Council for Aboriginal Business (CCAB), is designed to fill that gap. The CCAB undertakes this research to better understand what EDCs look like, what makes this business model successful and what holds it back.

The CCAB's goal is to widely communicate the findings of this research so it can be used by Aboriginal people, businesses and communities, as well as by the mainstream business community and governments, to develop tools, initiatives and policies that fully realize the potential of Aboriginal business in Canada.

This 2015 edition of *Community and Commerce Ontario* builds on 2013 research also conducted in Ontario, as well as a 2011 national survey of EDCs. Reports for the 2015 edition of *Community and Commerce Ontario*, as well as the two previous editions, are available for download at www.ccab.com.

Research highlights

There is remarkable continuity between the findings of this research and the 2013 study, indicating that despite the challenges involved, interest and confidence in the EDC model remains strong.

The main motivation behind the EDC model is the desire for community autonomy and control, and EDCs are increasingly being seen as an effective way to create an independent and sustainable source of wealth to fund this goal. Two-thirds of EDCs say they have been extremely (29%) or very (38%) successful at meeting their objectives to date.

Mother Earth Renewable Energy (M.E.R.E.) – Independent First Nations ownership

In 2012, M.E.R.E completed construction on two enercon E-82 turbines, making it the first AEDC in Ontario to develop and own its own wind turbines. At the heart of this success is a comprehensive community plan that gave business leadership a clear mandate to pursue M'Chigeens' goals. One hundred percent ownership is a significant achievement for M.E.R.E as it breaks new ground for community owned corporations in Ontario. The success is built on the strength of a professional staff, with a commitment to developing 'champions' in-house to drive business.

Renewable energy was a perfect fit for the M'Chigeen community's goal of sustainability "As long as the wind blows and sun shines, you're in business." This success has allowed the company to hire First Nations people in roles that range from the operation and development of the turbines, to the management of the revenues they produce.

EDCs are creating economic opportunity in terms of business development and job creation, and this is allowing them to fund a range of community facilities and programs. However, EDCs generally like to stick to their core competencies (i.e., running businesses) and leave decisions about how to use the revenue to Chief and Council, who are best positioned to spend the dollars in a meaningful and efficient way.

In light of the success stories, it is not surprising that EDCs are being launched at a rate similar to 2013 and are also being implemented by Aboriginal communities who fall outside the traditional government funding model (e.g., those with no reserve lands; Métis communities).

There is no "one size fits all" approach to EDCs. However, there is a consistent pattern of ways to mitigate risk, including addressing governance and community engagement issues, and developing partnerships.

There continues to be a trend away from setting up EDCs as corporations and towards other structures such as limited partnerships or non-profits. Otherwise, there is variability in terms of the industries in which EDCs are involved (e.g., services, energy, construction, communications, finance) and the markets that they serve (including local, domestic and international).

A key success factor identified by EDCs is remaining separate and at arms length while maintaining political support for the EDC. Many EDCs include Chief, Council and/or community members on their Board for transparency, since their trust is ultimately what permits an EDC to conduct its business independently.

EDCs work hard to communicate with and engage community members, to ensure they have "social licence" to operate and to reduce the risk of having projects derailed by community opposition.

Partnerships are widely used by EDCs as a way to access money, to take advantage of opportunities that are beyond the current expertise of the EDC, and/or to build capacity. Two-thirds of EDCs have partnerships with other organizations, and another eight percent are actively pursuing one.

Ultimately, EDCs believe they succeed because of the people involved, drawing from the expertise and commitment of the management team, the vision and support of political leadership and the labour market in their communities. It is not surprising then, that capacity building is identified as a major challenge to growth.

EDCs identify two main types of training needs. The first involves the higher level executive skills needed to run an EDC, such as business administration, finance and Board training. The second training area is helping community members develop hard skills specific to the EDC's industry (e.g., heavy equipment, industrial training) and to achieve the necessary credentials to qualify for these jobs (e.g., driver's licence, apprenticeship hours).

The types of support that EDCs most want government to provide include being a champion for Aboriginal business, and providing stable long-term dependable funding and programs, especially those related to training and business planning costs.

Perceptions of the Ontario government's support for EDCs remains mainly positive, in large part because it is seen to be paying attention to what EDCs want and delivering long-term commitments (e.g., the New Relationship Fund).

There continues to be mixed views about the federal government's support for EDCs, although this appears complicated by the historically troubled relationship between Aboriginal Peoples and the Crown, and not necessarily specific to its economic development efforts.

Access to financing remains a concern, and neither government nor private sources are seen as the perfect solution. There is a tendency for newer EDCs to turn to government for initial financing. Then once an EDC has an established track record and becomes more sophisticated, they are better able to make the case for private financing.

Steps Forward

1. Develop an approach to governance that unites stakeholders

EDCs find it critical to their success to have the support of key stakeholders, including the Chief and Council and community members. A substantial amount of effort is put into building a common understanding of the objectives of the EDC and keeping an open line of communication at all times.

The research suggests that successful EDCs do not leave this to chance, but purposely choose a structure that allows them to make the best decisions for the business while including the community and its leadership in the process. Ultimately, this sets the stage for a respectful delineation of authority, with the EDC recognized as responsible for generating wealth and the political leadership responsible for deciding how it is used to improve community well-being.

2. Support capacity building

Governments (both federal and provincial) can play a substantial role in helping Aboriginal peoples develop the capacity to build and grow EDCs. There is a broad need for access to long-term, stable funding to support: business planning and start-up (e.g., hiring staff, finding business opportunities, engaging and building support in communities); “hard” skills training for community members to qualify for jobs; and high-level executive training and development for those leading EDCs.

3. Create certainty for industry and for communities

EDCs – and the businesses they operate – offer private sector businesses a major local source of goods and services. While they may not always be the most visible option, there is benefit in taking the time to look into EDCs and understand what they are. Joint ventures, client-supplier and employer-employee relationships all provide an opportunity to engage and build trust with Aboriginal communities. Working together, rather than at odds, reduces risk for both parties as they strive to meet their goals.

Methodology

These results are based on interviews conducted either in person or by telephone with senior executives of 24 economic development corporations across Ontario, between November 2014 and March 2015. A working definition of EDCs used for this research is provided in the Methodology chapter of the full report.

The research was undertaken as a collaboration between CCAB and Environics Research Group, one of Canada's leading public opinion research firms. Environics led the questionnaire design and reporting, with input from CCAB and a Research Advisory Board of recognized experts from the private sector (Aboriginal and non-Aboriginal) and government (see sidebar). CCAB representatives conducted all interviews.

A total of 68 EDCs were contacted by email and/or telephone to request their participation in the research. Twenty-four (24) EDCs participated in the survey during the time frame available, representing a good response rate (35%) for this type of survey with busy senior professionals. Seven EDCs had previously participated in the 2013 research; the remaining 17 EDCs were participating for the first time. Two of the participating EDCs represent Métis communities, while the remainder are owned by First Nations communities.

A questionnaire was developed specifically for this unique study population, although some of the questions from the 2013 editions of *Community and Commerce Ontario* were repeated for comparison purposes.

Financial supporters

The CCAB wishes to thank the supporters of the *Community and Commerce Ontario* report. Without their generous contribution, this initiative would not have been possible.

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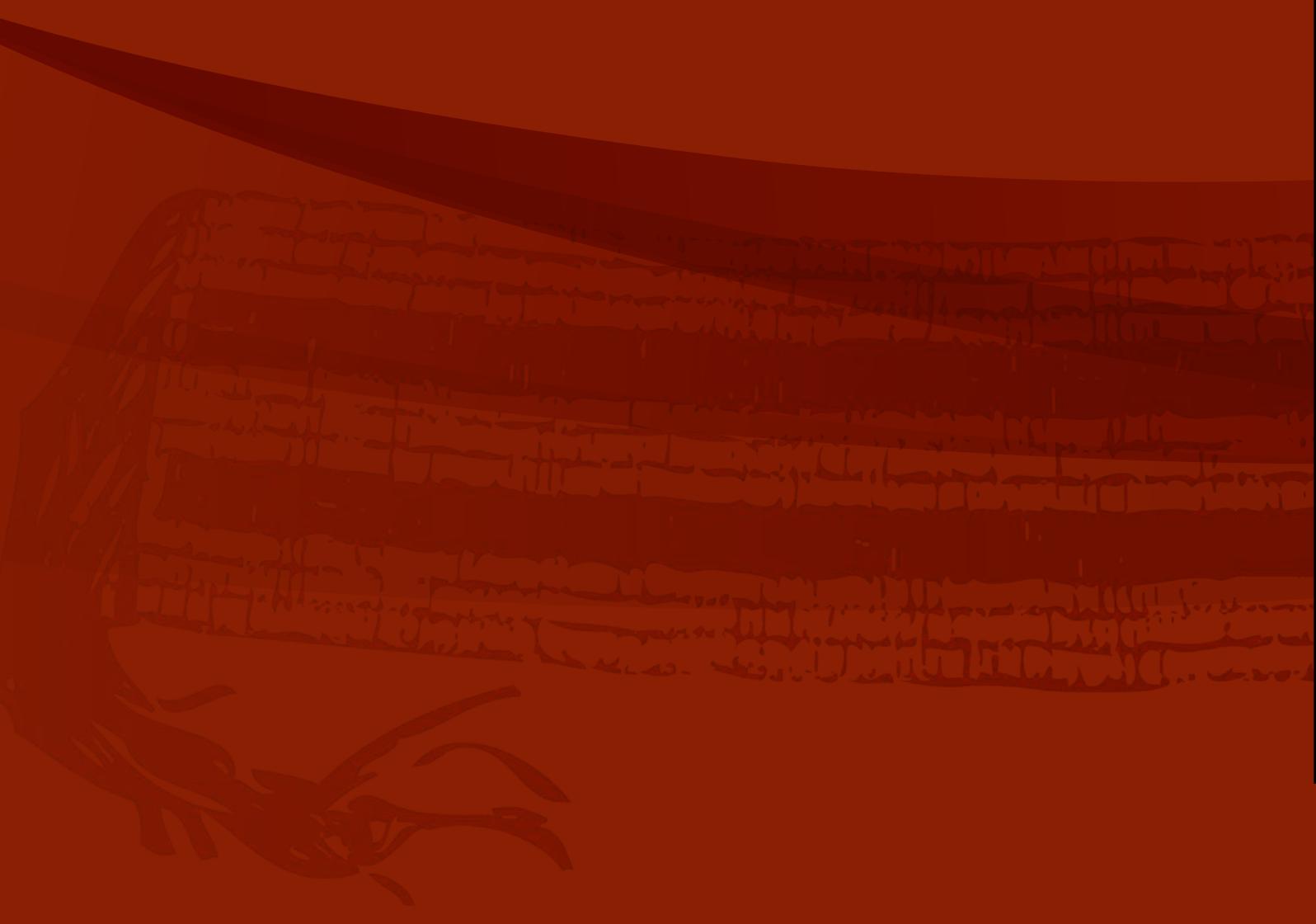
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Why an EDC?

CCAB has identified 68 EDCs in Ontario that represent over 100 communities and more than 210,000 Aboriginal people. What is the motivation for creating these EDCs and how successful have they been to date at achieving their objectives?

Objectives

EDCs are increasingly being seen as an effective way to create an independent and sustainable source of wealth to fund the ultimate goal of strong and healthy Aboriginal communities.

The almost universal goal of these organizations is to create revenue streams that allow them to reduce or eliminate reliance on government, and make their communities independent and autonomous.

Thus, an EDC is a tool or an avenue for solving community problems (such as health and social issues, housing, unemployment or education), although the extent to which this potential is recognized by council and community members varies.

The EDC model is also being implemented by communities with little or no access to federal government monies (e.g., those with no reserve lands; Métis communities).

“When you own your own source of revenue, you can do what you want, not what the government is telling you.”

“Our goal is...create new revenue streams for the communities, so they’re not reliant on the government, so that they can invest in their own community development, whether it be infrastructure or health and social programs.”

“The band realized we were sitting in a good location to develop...The vision of the elders in the community at the time was to get off being dependent on government funding. They knew where they wanted to be in 20 years. They pictured (community name) as a healthy tree...with a strong foundation.”

“There are plans to develop and get our feet wet with business development. We don’t know what the businesses will be, but a portion will stream back into the community for programs and services. The point is to support the community.”

“As would be the case with any EDC in a First Nation or municipality, the cause is to create sustainable wealth. Sustainability is important in a First Nation: it includes the land, the people and the economy. The three pillars. We take a holistic view but at the end of the day, our goal is to sustainably promote jobs and wealth for our community.”

Windigo Community Dev. Corp. – competitive success

Windigo Community Development Corporation represents seven communities that comprise the Windigo First Nations Council. The company has created three for-profit businesses that have expanded beyond their origins as suppliers to IBA and MOU agreements. They compete, and beat, more established companies across Northern Ontario. Showing that AEDCs can establish themselves as successful businesses in their own right, and that remote First Nations business can operate in markets well beyond their communities. This success winning procurement opportunities is creating a path towards long-term business viability, able to carry companies and support communities long after local extractive or energy projects finish.

Perceptions of success

Most EDCs believe they have achieved a good degree of success to date.

EDCs are feeling confident in their progress, with three in ten (29%) who say they have been extremely successful, almost four in ten (38%) who say they have been very successful and one-quarter (25%) who have been somewhat successful.

The question explores EDCs' subjective perceptions of success, and there appears to be more optimism than in 2013. This may be due to the mix of EDCs interviewed this time around (only seven EDCs were interviewed both years) rather than a shift in how well EDCs are doing over the past two years (which was not objectively measured).

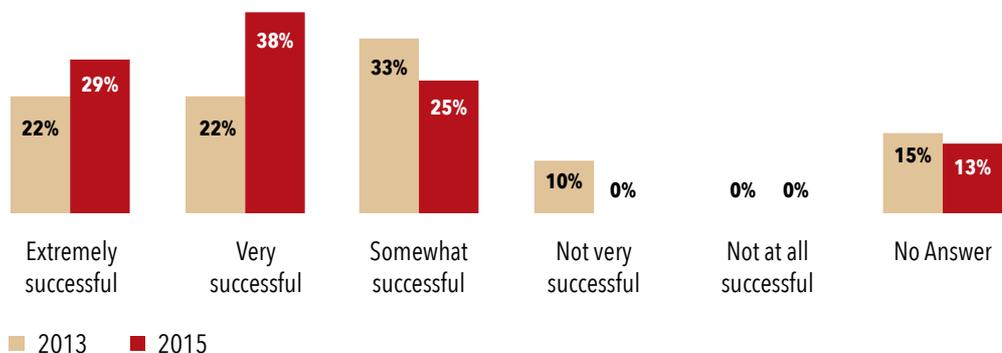
EDCs who describe themselves as "extremely" or "very" successful tend to point to financial results as proof of their achievements. Those who describe themselves as only "somewhat" successful are a varied group. Some have projects in development and are waiting for the financial evidence of success (i.e., revenue), some have built the foundation of an EDC but have yet to invest in business opportunities (e.g., because of lack of expertise, low risk tolerance), and others are still working to build support for their EDC among Council and/or community members.

"The bar doesn't get lower just because we are Aboriginal. We still have to perform at the same level as everyone else. We want to participate on equal terms. Token engagement is not enough, it's not sustainable, it doesn't build capacity."

"There's been some discussion [about the EDC] but there's also been some resistance because of the uncertainty around the [mining] projects and because of the lack of resources to engage in these discussions fully at the community level, where those discussions need to take place."

Self-rated degree of success

Q2. How would you rate the success of the EDC to date?



Revenue and growth

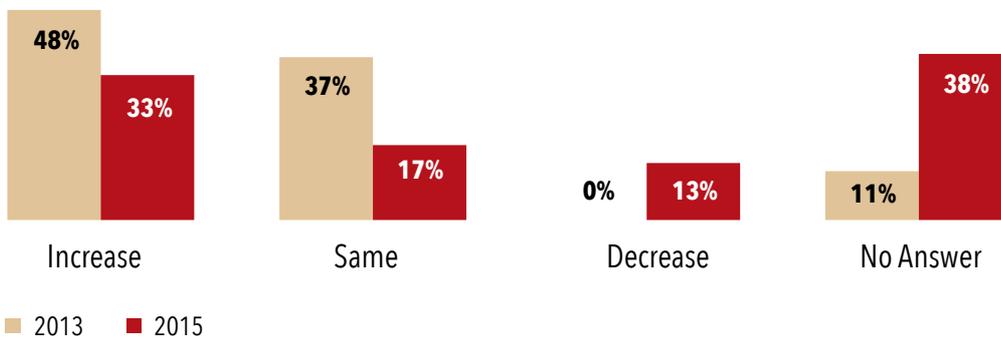
EDCs report mixed results in terms of revenue growth. One-third say their revenue has increased over the previous fiscal year, and half are optimistic about revenue growth in the next 12 months.

One method of evaluating business success is to look at revenue and growth. Of the EDCs that provided revenue estimates, a majority (69%) indicate that they earned more than \$1 million in revenue in their past fiscal year, which is consistent with the 2013 findings. However, there is considerable variation in terms of revenue achieved, ranging from less than \$100,000 to \$15 million or more.

For one-third of EDCs (33%), their current revenue level represents an increase from the previous fiscal year, compared to 17 percent for whom revenue is about the same and 13 percent for whom it declined. Comparisons with 2013 are difficult to make, since the proportion that did not answer the question has increased (to 38%).

Revenue change in past 12 months

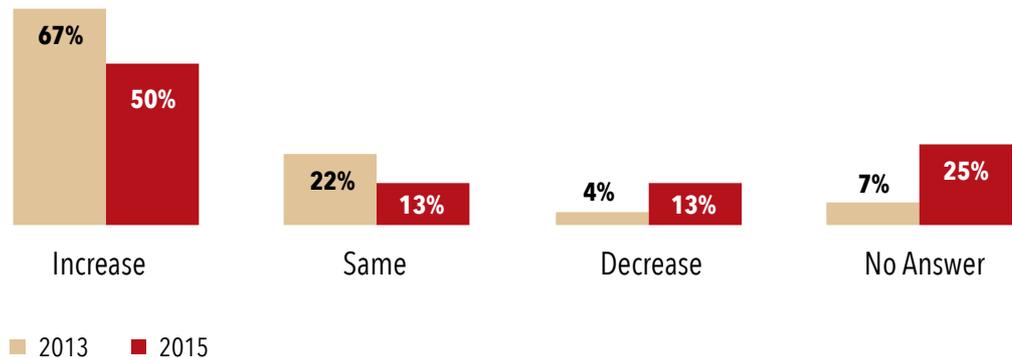
Q1i. *In the past 12 months, did the EDC's total revenues increase, decrease or stay about the same?*



The revenue outlook for the coming year varies across EDCs. Half (50%) anticipate revenue growth, compared to 13 percent who believe revenue will remain steady and another 13 percent who expect it to decline (one-quarter are unsure what to expect or did not provide an answer).

Anticipated revenue change in next 12 months

Q1k. *And over the next 12 months, do you expect the total revenues for the EDC to increase, decrease or stay about the same?*



Community impact

EDCs are giving back to their communities in various ways, creating opportunity in the form of jobs and a sustainable economy, and funding community facilities and programs.

Just as important as revenue growth for EDCs is the impact they are having on their community. EDCs were asked about the impact they have had both from an economic standpoint and in terms of other benefits.

On the **economic** side, EDCs' main role has been creating opportunity. At a fundamental level, this means creating jobs and providing training opportunities. However, it also means supporting private Aboriginal business (e.g., through start-up loans, by sourcing Aboriginal suppliers), with the goal of building a sustainable economy where money cycles through the community instead of flowing out of it.

"Whoever wants to work is working. There is access to good jobs with benefits. People are happier overall because of this."

"We hire people, provide training, hire students – build resumes and give them experience."

"Every dollar the farm generates, the accountant pegs it as one dollar going back to the community, whether it be through wages, donations or rent paid."

"We're trying to create an economy, have those dollars circulate within our community. We use local companies wherever we can."

The list of **other community impacts** is long and generally covers the range of programs and services that most (non-Aboriginal) people would expect from a municipality. These include things like funding for sports teams and facilities, health services, community centres, youth and seniors programs, scholarships and other individual or community grants. While the EDC is the source of the funding, typically it is the Band Council that is responsible for deciding what is funded.

The revenue generated by EDCs does not appear to be widely used to fund major infrastructure programs like roads, energy or Internet service. The research did not probe reasons for this, although one explanation may be that many EDCs are located in southern parts of the province where such infrastructure already exists.

A couple of EDCs also described the community impact of an EDC in terms of intangibles such as hope, goodwill and pride, even where the economic benefits are not (yet) in evidence.

"It creates a positive sense of community where people can be proud of where there are from."

"The funds flow through the Band Council...all the programs flow through the community centre... A gym, a full kitchen that can do feasts for 300 to 400 people. A banquet room for weddings that opens up to a large area outside, events on the patio, fitness centre used by the community at no charge. A large craft room. Outdoor splash pad. Music studio. Game room. Mother's group. Resource centre. Pavilion, skateboard park..."

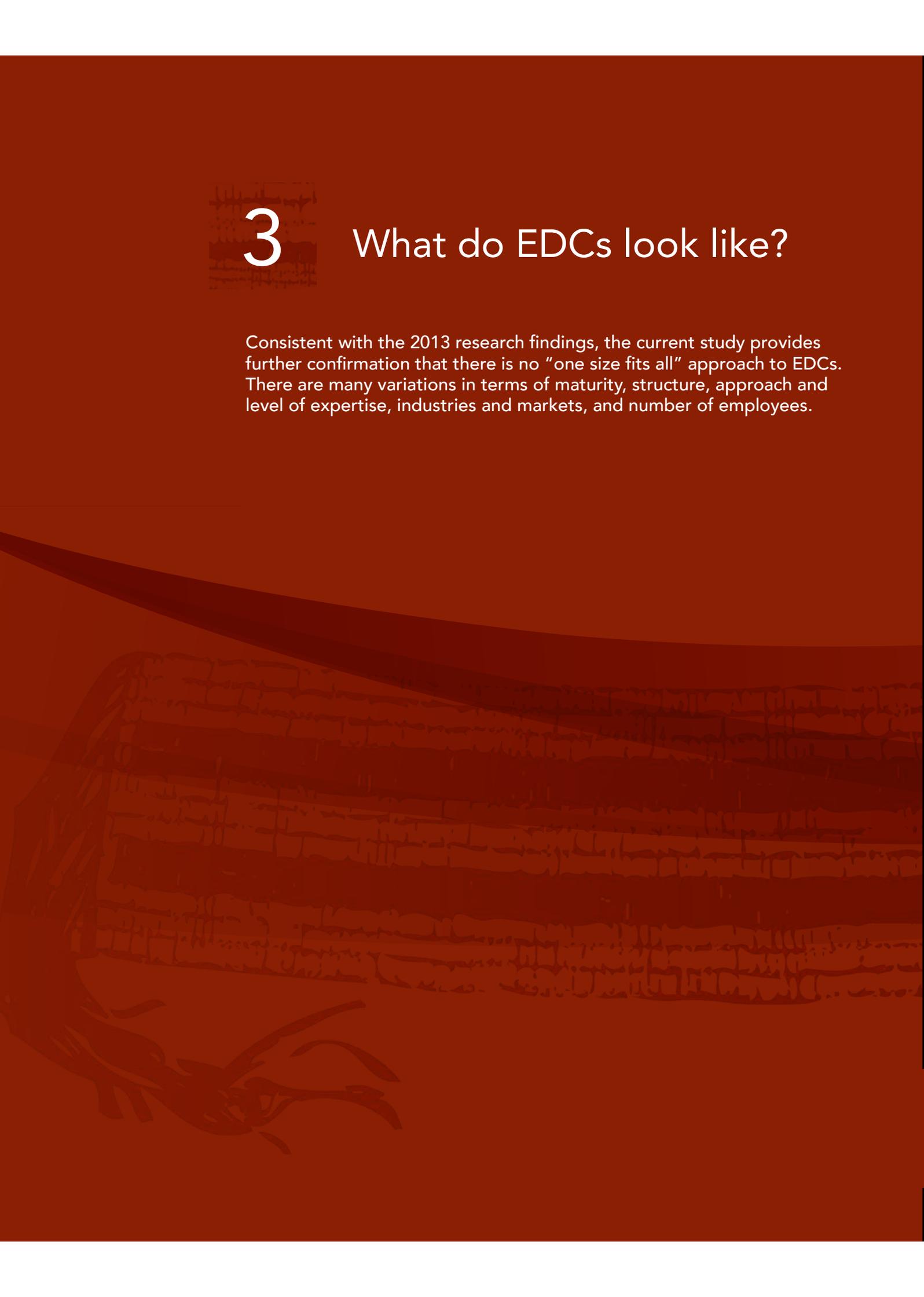
"We give money to various organizations through the year...It's a pretty cool thing to be able to do that."

"We've very conscious that anything we have goes towards the young and the old, we try to stay very lean that way...it's all for the people in the future."

Amisk Kodim – Equity in major projects

Amisk Kodim is a company that represents the Moose Cree First Nation located on the shores of James Bay. This remote community has taken a major equity position in the Lower Mattagami Dam project, partnering with OPG to develop the largest hydroelectric project in Northern Ontario in 50 years, now fully operational. The importance of this project is that it takes a First Nations community beyond consultation or engagement, and into ownership. An important step, especially given the scope of the project.

Beyond the business success of Amisk Kodim, the AEDC's ability to give back to the community is seen as one of its most important achievements. Supporting Elders, youth, local hockey teams and artists are all part of what Amisk Kodim has been able to give back to the Moose Cree community.



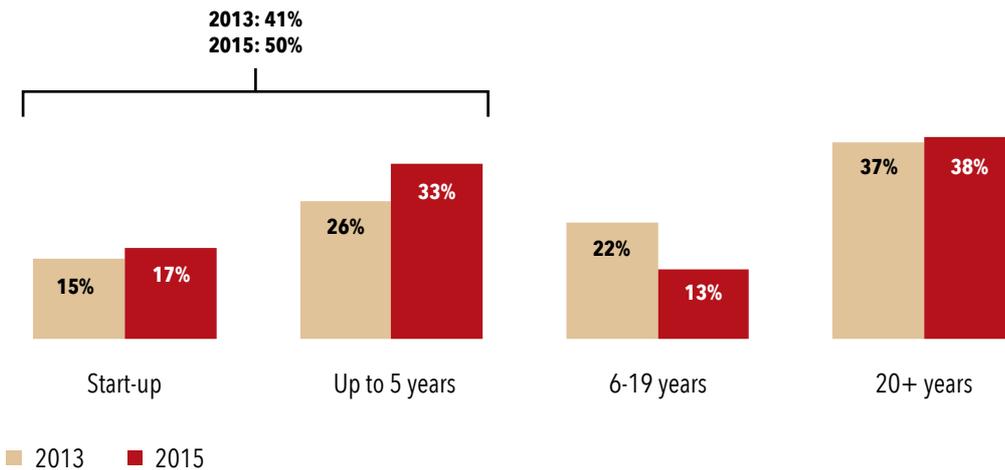
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What do EDCs look like?

Consistent with the 2013 research findings, the current study provides further confirmation that there is no "one size fits all" approach to EDCs. There are many variations in terms of maturity, structure, approach and level of expertise, industries and markets, and number of employees.

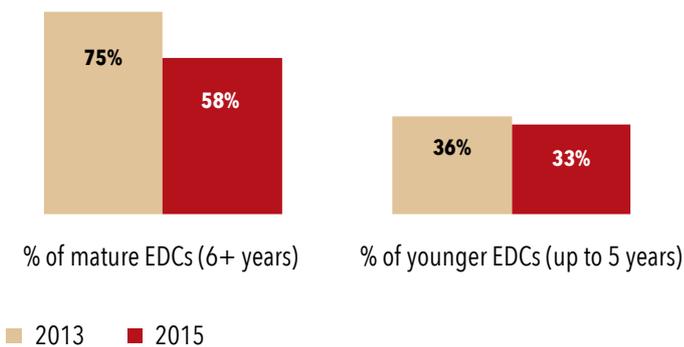
Time in existence. The EDCs interviewed divide into two similar-sized groups: half are start-ups or companies in existence for five years or less, while the other half have been in business for six years or more. This is generally comparable to the sample of EDCs interviewed in 2013.

Length of time in existence



Legal structure. There continues to be a trend away from setting up EDCs as corporations. Only one-third (33%) of newer EDCs (those in operation 5 years or less) are structured (or plan to be) as a corporation, compared to six in ten (58%) of more mature EDCs. This is consistent with the findings of the 2013 study, although the gap between younger and older EDCs is smaller. Newer EDCs are more likely to structure themselves as limited partnerships (42%).

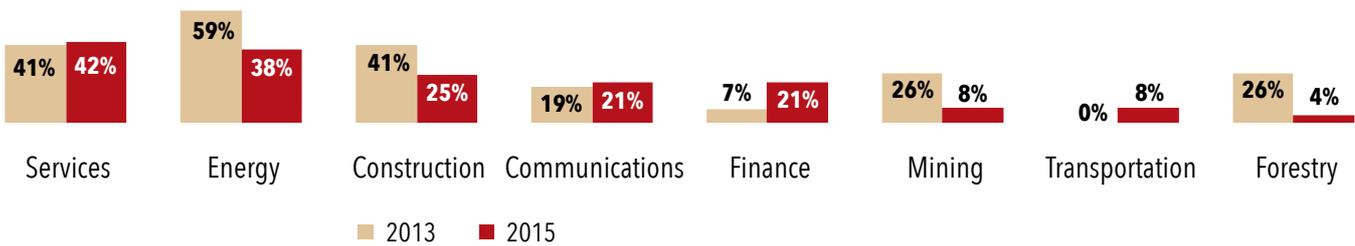
Percentage of EDCs that are legally structured as corporations



Number and types of businesses. About four in ten (38%) EDCs operate one business, while a similar proportion (42%) operate two or more (ranging as high as 10 separate businesses). The remainder (17%) currently have no businesses, either because they are in the start-up phase, are inactive or their mandate is to support other First Nations businesses.

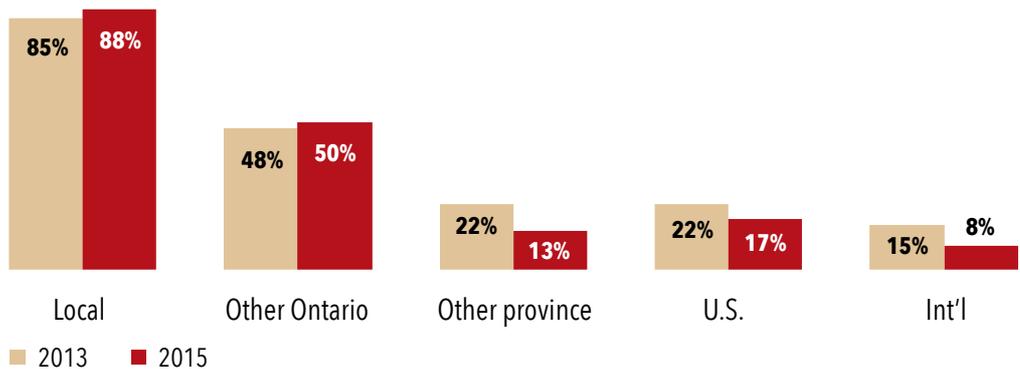
As in 2013, EDCs are involved in a range of industries. The most popular include services such as tourism and property management (42%) and energy (38%), followed by construction (25%), communications (21%) and finance (21%). A few EDCs are also involved in mining (8%), transportation (8%) or forestry (4%).

Industries in which EDC operates



Markets. As was the case in 2013, most EDCs are operating within their local communities (88%), but many also have access to other markets. This mainly includes clients in other parts of Ontario (50%), but also clients in other provinces (13%), the U.S. (17%) and internationally (8%). Access to markets in other provinces or other countries remains more slightly more common among mature EDCs.

Markets in which EDCs operate



Employees. EDCs remain relatively small in terms of the number of staff employed. Consistent with the 2013 findings, three-quarters (75%) have fewer than 50 employees, including one-quarter (25%) with only one employee. As before, there remains a small group (13%) with over 100 staff employed throughout the EDC's various businesses.

EDCs continue to make substantial efforts to hire Aboriginal employees. On average, 85 percent of the employees of these EDCs are First Nations or Métis; the remainder are non-Aboriginal.



4

Paths to success and barriers to overcome



Factors contributing to success

EDCs most commonly attribute their success to strong and committed leadership, both from the EDC's management team and the political leaders of the community.

On the business side, many EDCs say they benefit from an engaged, dedicated and collaborative management team that has the experience and skills to deliver on the organization's objectives. On the political side, it is vital to have a Chief and Council with a vision for the EDC, and who believe in and support the organization and its projects.

Other factors that EDCs say have contributed to their success include:

- Location, in terms of proximity to markets/customers (i.e., near urban centres), infrastructure such as highways, or natural resources, which creates business opportunities.
- Choosing opportunities that have a strong business case and are consistent with the EDC's goals.
- A structure and governance that works for their EDC.
- Good relationships with partners and with the community.

Governance

According to most EDCs, a key success factor is balancing independence and autonomy for the EDC with a strong connection to the community and its government.

Most EDCs work hard to remain separate and arms length, while at the same time building support from and engagement with the Chief, Council and community members. This is typically done by including the Chief, Council members and/or community members on the EDC's board. It ensures the transparency of what the Board does, and also means the Board benefits from various points-of-view.

In the division of duties, the EDC is responsible for daily business decisions, but is guided by a broader strategy or community plan that is developed by Council.

"What we've done, which may or may not work, I don't know, but it works for us, is we have the Chief sitting on the Board....So there is no fear in the community that [the EDC] is doing something behind closed doors because their political representation at the highest level is at the table."

"[The EDC has] built up trust over time...which means they have been given implicit independence to conduct their business...The structure works as it's supposed to, as long as we keep communication open, the trust will continue."

"The key was the development of the Board of Directors, which is made up of community members. We have a male, female, elder, youth and a few from the general population to break up the founding dynamics."

"You get a more well-rounded decision by sharing it, similar to a school board. If everyone is represented, then the decision will reflect everyone."

"The arm's length is relative: we need them [Chief and Council], and we hope they feel they need us [EDC Board]...The Council has too many pressing issues to devote much time to the Ec Dev. Our structure is working so far, but we are struggling with how to make the boundary clear."

"We try to do that [separate business and politics] but they [Council] still stick their nose in where it doesn't belong."

Most important skills for effective EDC leadership

EDCs itemize a large laundry list of skills or competencies that are important for effective leadership, and come down to two main categories: hard business skills and soft people skills.

Key business skills include: knowledge and expertise related to the businesses/sectors in which the EDC is investing, financial expertise, negotiating skills, human resources, public relations and marketing. Ideally, leaders demonstrate good judgment and use due diligence in selecting the best business opportunities.

On the people side, EDCs acknowledge the importance of open communication, whether it comes to managing employees, working with the Chief and Council and the community, and building partnerships. They recommend keeping an open mind, surrounding yourself with knowledgeable people, asking for advice, listening to others and being willing to adapt to change.

"As a baseline, the same skills you need to manage any organization. Education, ability to work with people, organization ability...You also need to add the importance of understanding the community. It's different, not better or worse, just different."

"External factors are important: what the community needs, what the government wants locally, what jobs are in demand, what industries are prevalent in the region."

"You have to be transparent. It's the community's money."

Tahgahoning Enterprises – Business fundamentals

Tahgahoning is an AEDC owned by the Walpole First Nation. The company has been operating since the 1980s due to its solid business fundamentals. Tahgahoning focuses on agriculture, but also runs a ferry connecting the community and wider area with the United States. The importance of running a company that supports the community is not lost on the Tahgahoning management team, a point of pride is that every dollar generated is one dollar going back to the community, whether it be through wages, donations, or rent.

Although supporting the community is important, running a solid business is the primary focus of Tahgahoning. This has led the company to look to future generations for succession planning, training and preparing local youth to take the lead in the next generation of business success in agriculture and beyond.

Challenge: Capacity building

EDCs continue to identify capacity as a major challenge to their ability to achieve their objectives.

There are two main aspects to this: ensuring management has the set of business skills necessary to effectively lead the organization, and ensuring community members have the credentials to benefit from the jobs created by the EDC.

Obstacles include a lack of formal/higher education, a “brain drain” to the cities by community members who do achieve a degree, and in some cases, the need to pay a premium to attract or keep employees who have the necessary credentials.

To address their staffing and capacity building challenges, EDCs would like to see the government or industry partners provide support in the form of training programs and/or funding that EDCs can access to help community members develop hard skills specific to the industry in their area (e.g., heavy equipment, industrial training) and to achieve the necessary credentials (e.g., driver’s licences, apprenticeship hours). The caveat is that the funding needs to be consistent and sustainable.

“Keeping human capital is easy, finding people is harder.”

“We are not in the business of training, we are in the business of business.”

“Government is very good at training people in trades related to resources...they just need to continue that support.”

“People don’t actually understand what a job involves. This exposure is very important to First Nations people because few people have experience.”

Challenge: Community engagement

Another common challenge is to build the buy-in, or social licence to operate, from community members.

Considerable effort is put into communicating with and educating the community, so that they understand what the EDC is trying to achieve and hopefully support the EDC's projects. Methods include everything from regular newsletters and meetings, website and social media postings, social gatherings like barbeques, to workshops, working groups and speaking engagements. The risk of not properly engaging the community is high, since even a small group of individuals can prevent a project from going forward.

"Regular and timely communications on what you are doing and when."

"There will be mistakes, some beyond your control. It's important to keep communications open and manage risk."

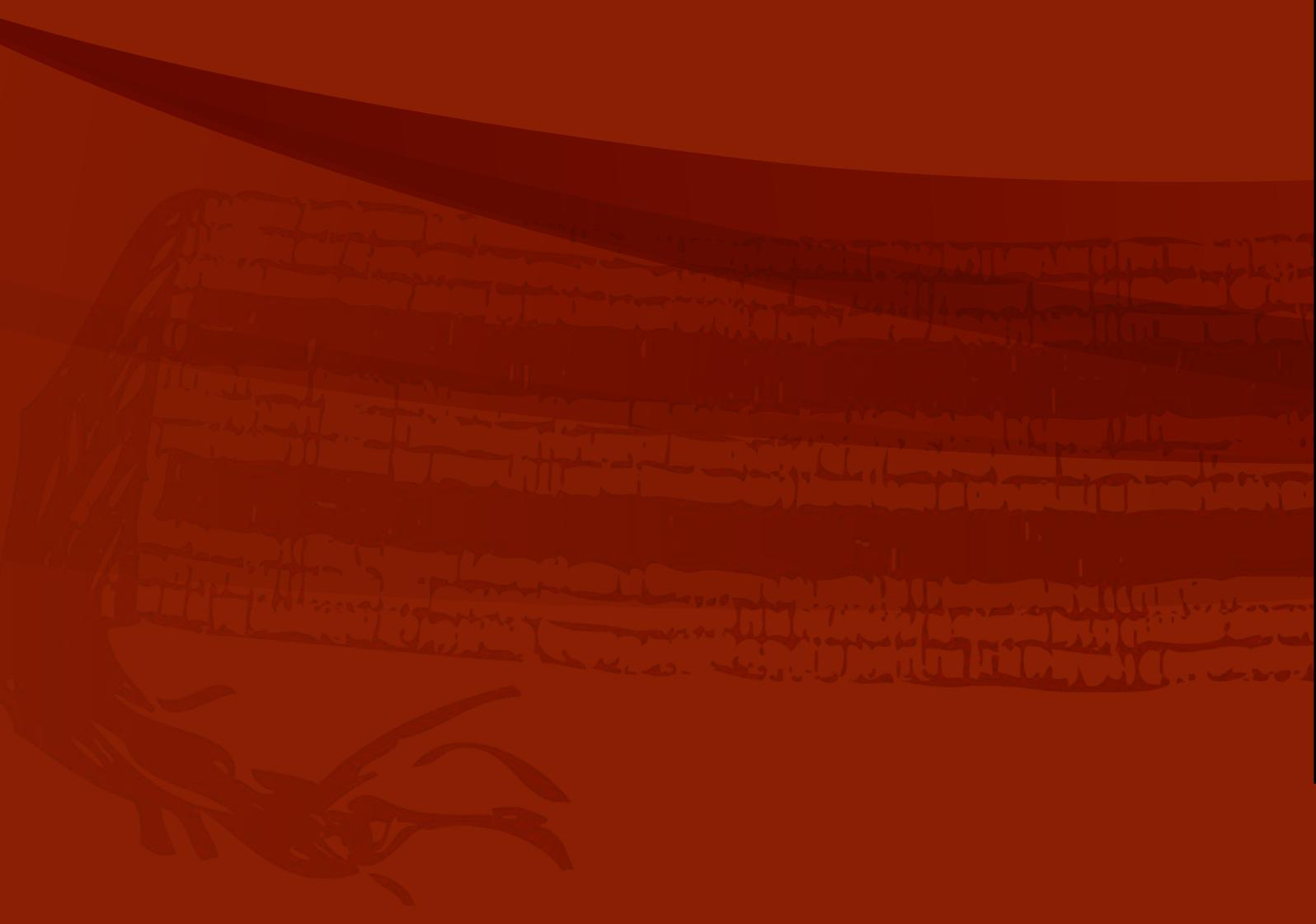
"We had to bring a vote to the people, and the vote demonstrated that the community supported the corporate direction. Social media had allowed a vocal minority to derail the project. There is a small, slim minority that causes 90% of the problems."

Wikwemikong Development Commission – Local success

Wikwemikong Development Commission has shown what local success means for AEDCs in Ontario. The company hires 100% First Nations people and has doubled in size in the past two years. As Wikwemikong is an unceded territory, it faces unique challenges to business development not experienced by the majority of First Nations peoples in Ontario. Despite this, the AEDC developed a business complex in the community, which quickly reached full capacity. The community corporation itself has opened retail stores and art galleries in the community, offering goods and services that would otherwise not be available. The mall and its stores provide an opportunity for members to grow businesses without leaving the community – a fantastic accomplishment that is paving the way for further business success in green energy and industry.

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Role of government and industry



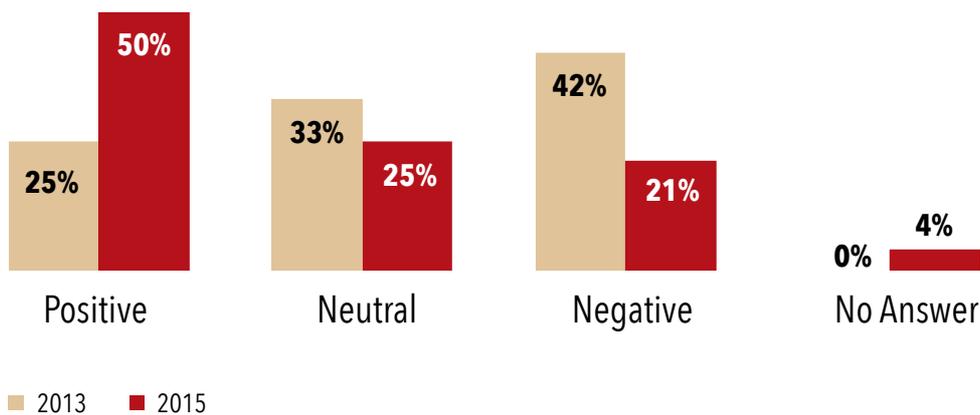
Perceptions of federal government support for EDCs

There continues to be mixed opinions about the federal government's support for EDCs to date, undoubtedly influenced by the historically strained relationship between Aboriginal Peoples and the Crown.

Half (50%) hold a positive view, while one-quarter (25%) are neutral and one in five (21%) have a negative view. Caution should be used in interpreting the change in positive views from 2013 due to the small sample size: the shift may reflect the different mix of EDCs interviewed year-over-year rather than a change in federal government support for EDCs.

Perceptions of federal government support for EDCs

Q. In general terms, what is your view of the federal government's involvement in supporting EDCs to date? Why do you say that?



Opinions of the federal government's contributions to EDCs are coloured by the troubled history between Aboriginal Peoples and the Canadian government. Concerns are raised that the federal government is constantly scaling back First Nations funding, cutting long-term programs and sees itself as a "manager" rather than a partner in its relationships with First Nations (e.g., not listening, developing things they think are in First Nations' best interest).

"[Why positive?] We deal with one department at AANDC, and they are good. We do need to find a way to stand on our own eventually."

"[Why negative?] They have a paternal relationship, believing they are there to manage First Nations peoples. It's inherently hard to deal with an organization that doesn't understand the nature of what the relationship should be."

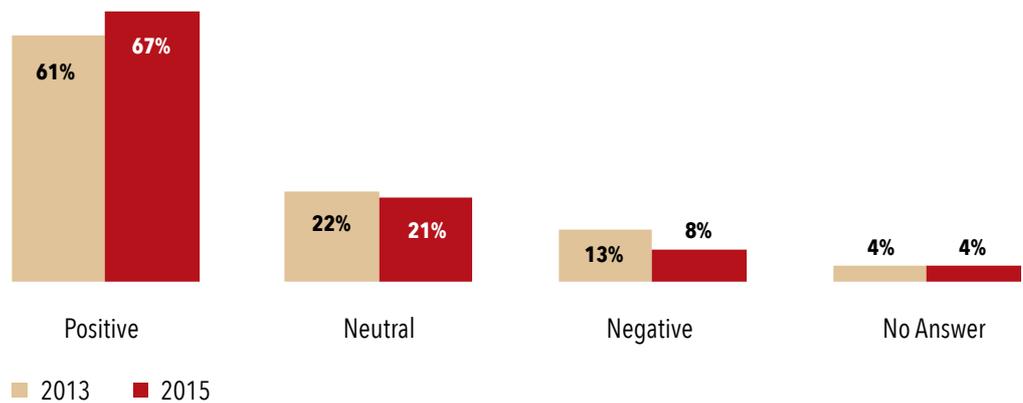
Perceptions of Ontario government support for EDCs

Perceptions of the Ontario government's support for EDCs remains largely positive, in large part because it is seen to reflect a long-term commitment.

Consistent with 2013, two-thirds (67%) of EDCs have a positive view of the support they received from the Ontario government, while one in five (21%) are neutral and eight percent have a negative opinion.

Perceptions of Ontario government support for EDCs

Q. *In general terms, what is your view of the Government of Ontario's involvement in supporting EDCs to date? Why do you say that?*



These largely positive views are based on the consistent, long-term and ongoing support that the Ontario government is seen to be providing (e.g., the New Relationship Fund, FIT program).

"[Why positive?] Year after year, we have been able to get new and continued support."

"[Why negative?] I haven't been able to secure anything for capacity building. I've always been re-directed, that's the issue."

Financing sources

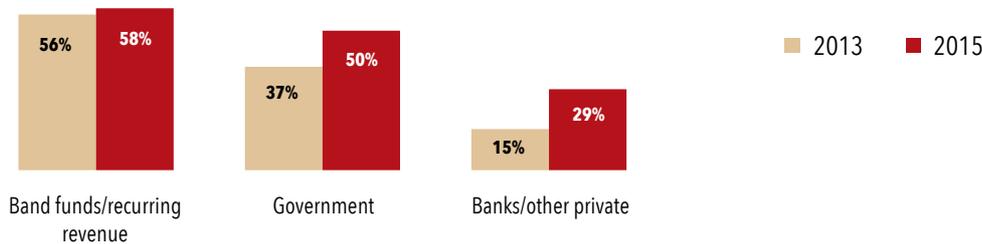
While start-up EDCs typically use a mix of bond funds, government and private financing, most are currently relying on recurring revenue to fund operations. Both government and private sources are seen to have advantages and disadvantages, although lack of timeliness is a key detractor on the government side.

Access to capital remains an ongoing issue (*"A corporation without funding is like a canoe without paddles"*). EDCs mention two main financing priorities: (1) how to access large sums for major infrastructure projects (e.g., energy), and (2) how to fund the soft costs related to business start-up (e.g., identifying and pursuing opportunities, writing business plans, paying consultants, salaries for experienced staff).

Start-up financing usually comes from more than one source: a combination of bond funds or existing revenue streams (58%) plus government (50%) and/or financial institution (29%) support (comparisons to 2013 data should be made with caution, since EDCs are more inclined than before to mention multiple sources).

Main source of financing used for start-up

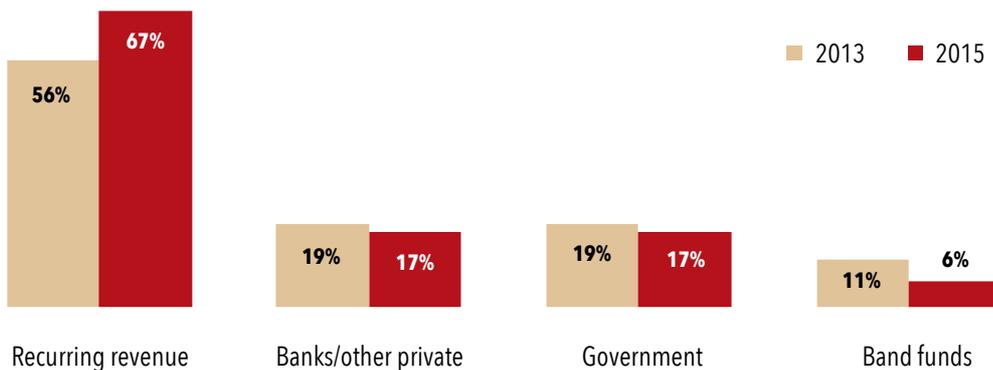
Q. What was the main source of financing used to start up the EDC?



As was the case in 2013, most EDCs (67%) now rely entirely on recurring revenue, well ahead of financial institutions (17%), government (17%) or bond (6%) funding.

Most important *current* source of financing

Q. And what sources of financing are most important to the EDC at the present time?



Government vs. private financing. The primary distinction made between private and government sources of financing is speed: for government, the slow decision-making time is a major detractor. Otherwise, EDCs identify advantages and disadvantages to both sources of financing.

On the plus side, **government financing** is considered particularly important at start-up when an EDC does not yet have a financial track record. There is also an obvious (financial) advantage to receiving grant money or loans available at below-market rates. Disadvantages include a lack of autonomy, since projects must fit policy objectives to be funded, and stringent and ever-changing reporting requirements.

Advantages of **private financing** include the perception that private investment in the EDC is a vote of confidence in its potential for success, and the opportunity to build relationships that can be useful should financing or other obstacles arise in the future. A key disadvantage is access, particularly without collateral. There is also seen to be a high cost to borrowing from private sources, not only in terms of interest rates, but in giving up equity and/or a degree of control (e.g., the lender requests a Board seat).

“The responsiveness of government, sometimes their programs have elements within that make it frustrating to deal with. They are slow, meaning the moment can pass... They do not move at the speed of business.”

“I try to use what we have made instead of relying on the government for money. We use profits to generate growth and business.”

“That’s the issue we have with government funding, it’s always contingent and conditional on the ways that they want to do things. That’s why we fight for our communities, to get projects that work for them and are tailored to work for them, not that are driven by somebody else.”

“When you get [private] financing, it proves the merit of the project. They won’t invest in a project that they don’t think will succeed.”

“A bank is going to punch holes in your business plan before they give you money. It’s something of a professional service, free consulting of sorts. That’s in contrast to government funding, where you have to use the right ‘buzz’ words to get the money.”

Partnerships

Partnerships are widely used by EDCs as a way to access money, to take advantage of an opportunity that is beyond the current scope of the EDC, or to build capacity. Two-thirds (67%) of EDCs have partnerships with other organizations, and another eight percent are actively pursuing a partnership. The main goal on the part of the EDC is to leverage the strengths of the other partner, whether it be to create employment, transfer skills and knowledge, provide a revenue source, access business contacts or leverage their experience in specific industries/markets.

Barriers affecting EDCs' ability to build partnerships include: lack of projects on which to partner; lack of capital to invest in projects; reluctance on the part of potential partners; and previous negative partnership experiences.

"First Nations lack the capacity to go it alone, partnerships are really important."

"The biggest thing is that most potential joint venture partners have no experience with First Nations, so they are tentative about engaging with us...The biggest problem is the uncertainty of regulations and how long it takes to get things done. Establishing management authority gives communities better control of their destinies."

"We've learnt from bad partnerships, that's always at the back of our minds. Fraudsters coming in has been a problem. So we created a due diligence procedure. Me, the board and the Chief and Council are very wary."

Suggestions for future support from governments

The main suggestions for what (more) governments can do to support EDCs include:

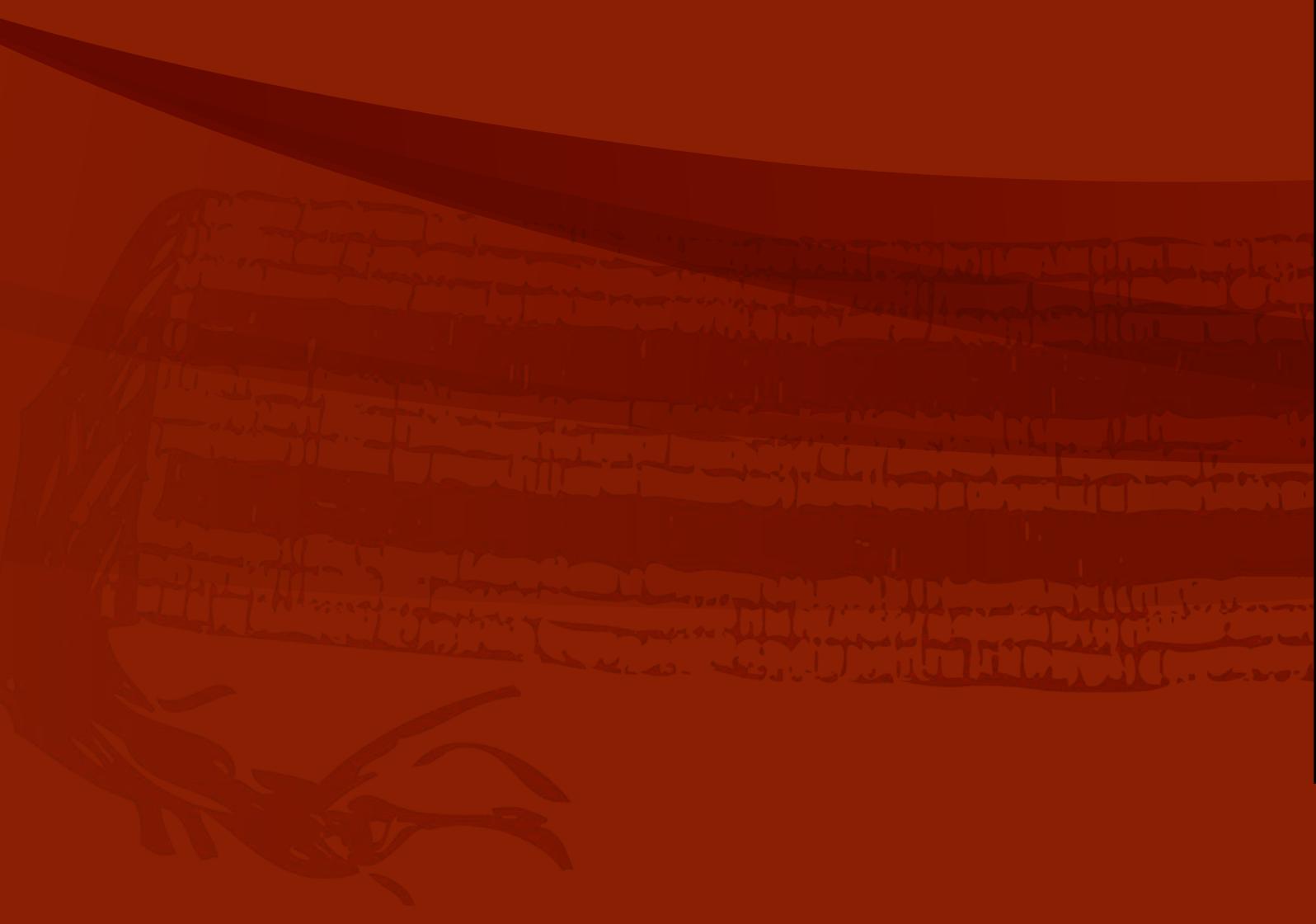
- Recognize the inherent value in the EDC model
- Address the perceived risk of working with Aboriginal businesses (become a "champion"); create an incentive for companies to partner with First Nations and Métis
- Provide stable, long-term dependable funding
- Further support for training, job placement or job shadowing initiatives
- Support for business planning and "soft" costs related to start-up, finding opportunities, and engaging and building support in communities. In the latter case, a lack of education and financial literacy is a barrier to understanding the benefits of EDCs and the hurdles that major projects undergo (e.g., legal and financial issues, environmental assessments)

"Fund the training, the governance. You need to build a good foundation or it's not going to work...Management, governance and mentorship, business fundamentals. Give me the tools I need [to succeed]."

"[Governments] should pay a little closer attention to our economic structure because we generate more income for the treasury, federally and provincially, than we generate for ourselves. Because we employ a lot of people who have to pay income tax...We pay more in HST than the government provides for economic development for the Band...That's what we always remind them of when they give us grant money, it's that ripple effect because they get it back."



Methodology



The results of *Community and Commerce 2015* are based on interviews conducted either in person or by telephone with senior executives of 24 Aboriginal economic development corporations across Ontario.

For the purpose of this research, an Aboriginal economic development corporation was defined as:

- The economic and business development arm of a First Nation, Métis, or Inuit government that pursues economic opportunities that will benefit the Aboriginal citizens that the economic development corporation represents. Economic development corporations invest in, own and/or manage subsidiary businesses. All Aboriginal economic development corporations are owned by the respective Aboriginal government or governments. These corporations have a governance structure that consists of a Board of Directors and voting/non-voting members.
- This research builds on a 2013 survey of Ontario EDCs conducted by the CCAB. The questionnaire was designed from scratch to further develop our understanding of EDCs in Ontario, although a few questions from the 2013 survey were repeated to allow comparisons over time.

A total of 68 EDCs were contacted by email and/or telephone to request their participation in the research. Twenty-four (24) EDCs participated in the survey during the timeframe available, representing a good response rate (35%) for this type of survey with busy senior professionals. Seven EDCs had previously participated in the 2013 research; the remaining 17 EDCs were participating for the first time. Two of the participating EDCs represent Métis communities, while the remainder are owned by First Nations communities.

Number of interviews by region within Ontario

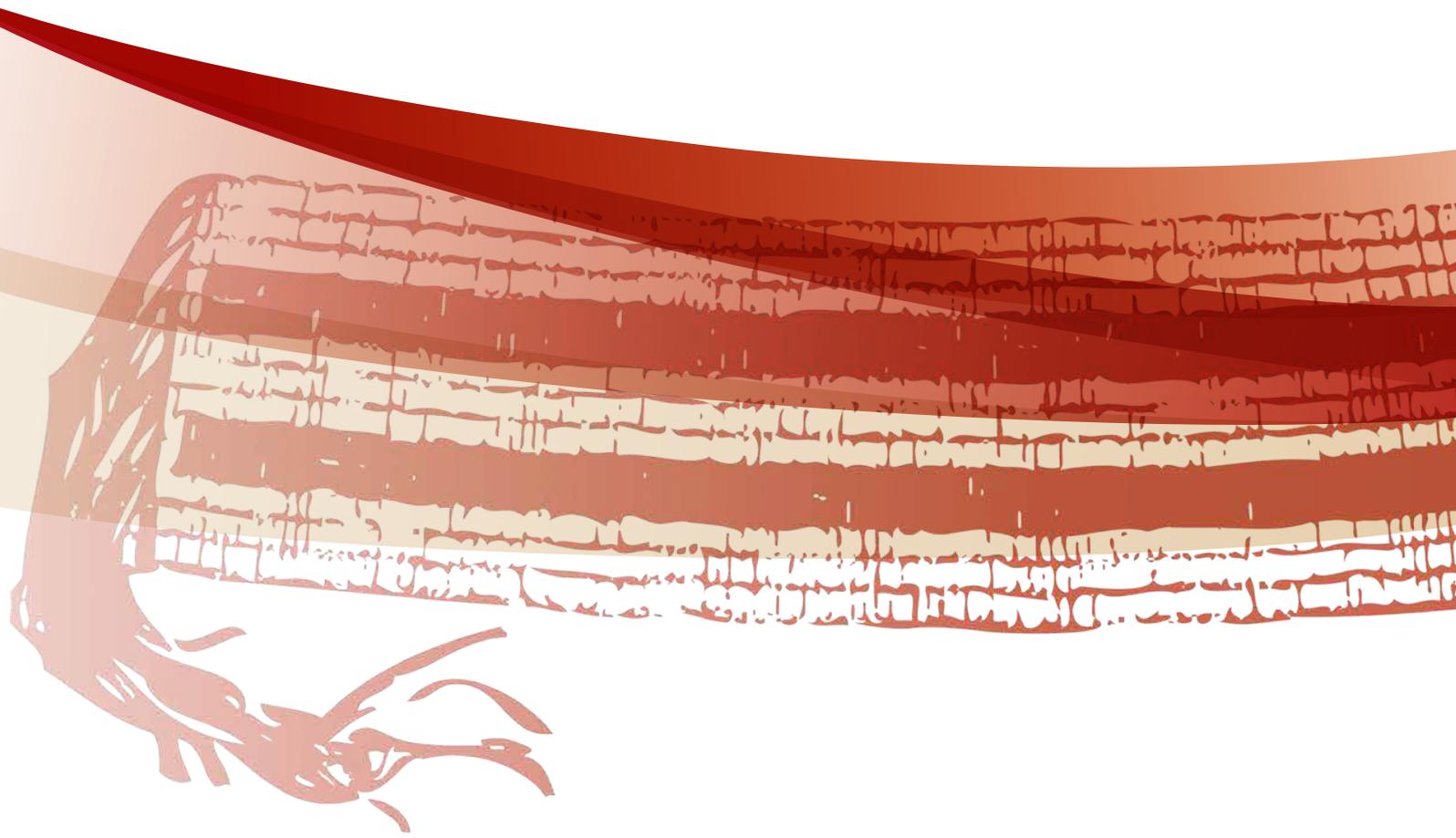
| | # |
|------------------|----|
| Northern Ontario | 9 |
| Southern Ontario | 11 |
| Remote | 4 |

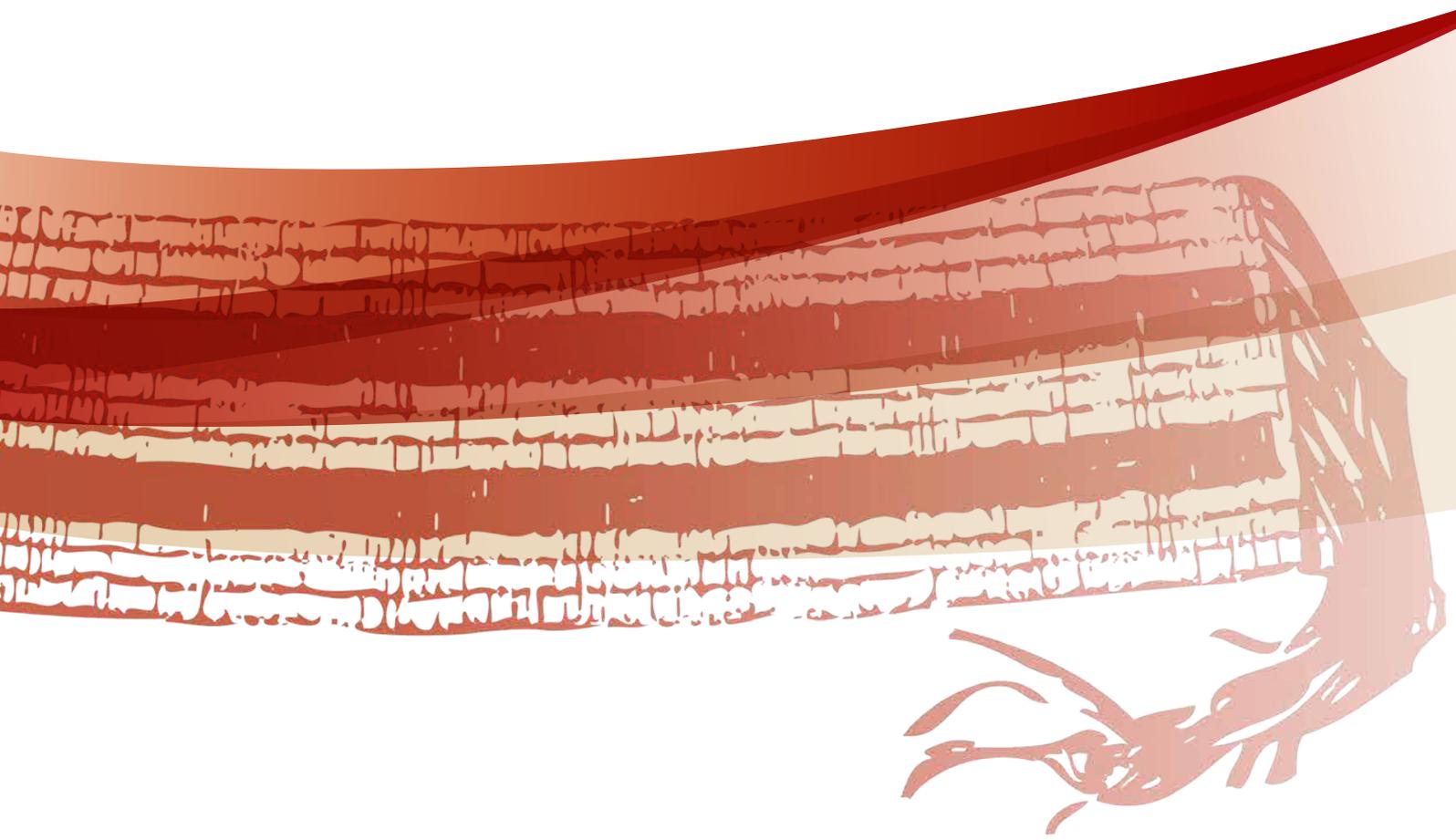
The survey was conducted with the President, CEO, General Manager or Chair of the EDC. Each EDC initially received a letter from the CEO of CCAB inviting them to participate in the survey. Interviews were conducted by CCAB representatives either in-person (n=15) or by telephone (n=9).



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