

ROYAL COMMISSION ON ABORIGINAL PEOPLES

Intervenor Participation Program

ACCESS TO CAPITAL: PROBLEMS FACING ABORIGINAL PEOPLE

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## **EXECUTIVE SUMMARY**

The quest for economic self-reliance by Canada's Aboriginal community has long been elusive. The lack of an extensive capital base has impeded Aboriginal peoples from developing the equity base necessary to pursue and advance economic development initiatives. In an attempt to achieve this ends federal and provincial governments along with their Aboriginal counterparts have forged new grounds in recent years.

While there exists several programs designed to stimulate the Native economy, one facet which continues to thwart the creation of commercial ventures is the lack of equity within the Aboriginal community.

The struggle by Canada's Aboriginal people to become equal partners in the economic sphere has long been frustrated. Economic development in the Aboriginal community requires the abolishment of a number of obstacles and the implementation of processes and initiatives that will allow for the maturation of an entrepreneurial spirit within the community.

Instilling entrepreneurial values and enterprising instincts in Aboriginal people is crucial to our country's economic future. The design and implementation of economic development initiatives requires the formulation of effective strategies allowing for the development and enhancement of education, human resource development and retraining, increased employment opportunities and on-the-job training, and a more receptive and responsive investment and financing climate.

This paper is meant to provide the Commission with a background on the current conditions in B.C. and address the issues affecting and restricting Aboriginal peoples access to capital. It is the intent of this paper to articulation the concerns of the Aboriginal community and advance their opinions and recommendations which may extricate the Aboriginal community from the many restrictive conditions which are prohibiting the creation and advancement of a viable economic base.

This paper presents statistics, facts, and knowledge derived from government departments/agencies, Aboriginal organizations, Bands, Tribal Councils and businesses. While there are alternative funding sources available to the Aboriginal community, particular emphasis is placed on government programs - monies available by the federal government through CAEDS (Canadian Aboriginal Economic Development Strategy). It also includes information generated from a roundtable held in Vancouver on February 19, 1993.

While this document is a summary of the conditions in British Columbia its findings may represent an accurate reflection of the conditions facing Native communities across Canada. Contained in this report are the contributions of 32 of British Columbia's Bands and Tribal Councils, 45 Aboriginal businesses and Development Corporations, and 2 Aboriginal Capital Corporations. While these numbers do not represent a statistically significant portion of the population, this does not preclude the study from presenting legitimate concerns and

advancing strategies that may advance the position of Aboriginal businesses.

The major problem cited by the respondents was the lack of management skills closely followed by the lack of equity within the Aboriginal communities. Difficulties experienced with government programs and the reluctance of mainstream financial institutions to provide funding to Aboriginal businesses, particularly those located on reserve proved troublesome.

While more Aboriginal people are attending post-secondary institutions, financial assistance and the inadequacy of these institutions to provide relevant entrepreneurial training has seriously thwarted the creation of a sound and viable entrepreneurial base.

The need to develop a strong Aboriginal business environment has been well documented. It has been widely recognized that the First Nations represent an untapped human resource whose skills will increasingly be needed if we are to sustain our economic growth. An emerging generation of Aboriginal people are seeking entrepreneurial education when given the opportunity to do so. Unfortunately, most are not provided this opportunity and Aboriginal business development has been impeded.

Without appropriate assistance the Aboriginal people of Canada will remain in a precarious situation. The socio-economic implications of a weak or underdeveloped entrepreneurial base include poverty, health-related problems, alcoholism, deaths and a continued reliance on government for social support. A greater financial and technical contribution to Aboriginal businesses is required in order to ensure a strong business base.

## **INTRODUCTION**

The lack of a vibrant and sustaining Aboriginal economy costs the governments of Canada an exorbitant amount of money. Federal government expenditures on Aboriginal people for the 1992-93 fiscal year is estimated at around \$5.0 billion. In addition to the excessive social costs, there is the loss of potential income, and the discounted contribution to the productivity and well-being of the Canadian economy. To better understand the current conditions and the problems encountered by the Aboriginal community one must examine the historical relationship between First Nations and Canadians and the evolution of government programs.

## **METHODOLOGY**

Between November 24, 1992 and February 5, 1993, the Aboriginal Peoples Business Association contacted Aboriginal businesses, Bands, Tribal Councils, Development Corporations and Aboriginal Capital Corporations in British Columbia to evaluate economic activities and conditions. Through mail and telephone surveys, parties were asked to respond to the issues affecting economic development. Comments, concerns, and recommendations were also advanced through a roundtable discussion which was held in Vancouver.

In total, 116 participated in the project; 32 First Nations Bands/Tribal Councils, 2 Aboriginal Capital Corporations, 45 Aboriginal Businesses, and 37 people through the roundtable meeting.

## **HISTORY**

It has long been recognized that Aboriginal peoples are economically disadvantaged. Statistics bear out that they are the most disadvantaged minority group in Canada. This condition has evolved from the contact and the infusion of white capitalist philosophies and the entrenchment of the wage economy.

Prior to European contact, the Aboriginal peoples of British Columbia, like those in other regions of Canada, had a rich and well established economic system. Although this system evolved around sustenance activities, there were complex trade and market relations. These relations facilitated trade and prosperity. Equality and the assurance of certain fundamental guarantees were realized through the philosophy that man was considered to be an equal part of the circle of life. Aboriginal people lived with the understanding that the needs of one constituent never superseded that of any other.

It was not until the 1850s that any significant numbers of Europeans began to settle in British Columbia. Prior to this period there were more than thirty distinct Aboriginal groups in the Province. Within decades of initial contact, diseases would devastate the Native population. Colonial contact would also alter the traditional economies. Aboriginal communities which historically survived from the collective contributions of its constituents would soon see disruptive change.

In administering the affairs of the Native people, the provincial and federal governments ignored tribal groups. Instead, community groups became the basis of identification and on many occasions several communities were banded together.

Once economic control was firmly entrenched by Canadians, Aboriginal people became dependent upon Canadian made goods. Many tried to retain their traditional ways with little hope for survival. This had a devastating effect on Aboriginal life. Many were faced with a difficult choice and were forced to abandon their traditional ways to compete in the wage economy. While the relocation of Natives to non-Native communities presented limited employment opportunities, generally restricted to labourers' positions in the primary industries, economic conditions on reserves offered little more.

The historical developments and the creation of reserve lands in B.C. has a dramatic impact on the cooperation and cohesiveness of the Native community. Of the 601 First Nations Bands in Canada, 196 or over 32% are in British Columbia. The average land base for First Nations Bands in B.C. is 1,753 hectares while those outside of B.C. average 5,779 hectares. The impact is twofold. Firstly, the small land base has, in many cases, prohibited or restricted economic develop and has forced members to urban areas. Secondly, by creating an inordinately large number of Bands, the competition for scarce dollars is intensified and cooperation between Bands has is sometimes immeasurable. This problem was illustrated by a First Nations person who, in the past, worked in education and social services domain. They stated there was a cooperative effort in these areas which was missing in the economic development arena, the field in which they are currently employed. They alluded to "a lack of trust and sharing of economic development ideas and activities."

## **PRESENT**

In recent years there has been a resurgence and commitment among Aboriginal people to rediscover their past and to assert their rights. Consequently, more Aboriginal businesses are being founded as the belief that the destiny and welfare of First Nations people must be determined within their community. There is an aggressive self-assertion being displayed in the Native community as the struggle for economic justice is pursued.

While negotiating parties still toil in the constitutional arena, moderate strides have been made on the economic front. It has been estimated by the Canadian Council for Native business that as many as 20,000 Native-owned businesses are currently operating in Canada; the majority of these being independently operated. Despite these figures, Aboriginal people have realized only a marginal improvement in employment and income levels. Reserve communities in isolated region still experience unemployment rates as high as 90%. Simultaneously, Aboriginal people are still occupying positions of below-average incomes.

A number of Bands are pursuing self-sufficiency through resource development. It is one area that has the capability to provide employment opportunities and infuse much needed capital into the community. The federal government has recognized the Aboriginal rights and, as shown in the west coast fishing industry has created commercial opportunities. The Fraser River Action Plan and the inclusion of Aboriginal parties as partners in the management through the Aboriginal Fishing Agreement. As with all new arrangements problems will be incurred. The important thing is to work towards a sustainable environment.

ISTC is also facilitating resource development through the Resource Access Negotiation (RAN) Program which is intended to attract investment in natural resource and tourism as well as create employment and business opportunities. Where problems exists are in the jurisdictional framework and the existing structures and policies.

While one of the biggest obstacles for the resource sector is the political and economic uncertainty in the industry, Aboriginal interests could well be served by resource developments. In the forestry sector, government tenures are being sought. It was noted that if Aboriginal communities or businesses could procure a license to particular stands, joint ventures would ensue providing employment and training opportunities as well as economic rewards nationally and regionally.

Resource development is a contentious issue for Aboriginal people because of its cultural significance. However, when well developed strategies are devised and adhered to amicable arrangements can be attained. It has been suggested that Aboriginal representation and interests would best be served through an Aboriginal board or committee for each sector.

While resource development and joint ventures represent an enormous opportunity for First Nations Bands, they must be able to provide businesses with the essential services. Approximately 37% of responding Bands indicated they had inadequate infrastructure to support business opportunities.

## **Recommendations**

- A movement by the provincial government to create opportunities for First Nations people through resource development.
- Greater financial contributions to improve or expand reserve infrastructures.

In its efforts to correct these inequalities, the federal government has, for many decades, attempted to ameliorate these condition through various economic programs. Considering that the change in the underlying welfare of a particular societal group is the acid test of public policies and programs, Aboriginal people have not fared well. It was contributed by one party that federal programs fails to meet region and local needs, suggesting there was a need for greater Aboriginal control and autonomy. What is needed is to "make sure that there is the capacity to have programs respond to local initiatives and local priorities so it isn't some group of people on Ottawa" making regional decisions.

## **GOVERNMENT ECONOMIC DEVELOPMENT PROGRAMS**

The general welfare of Aboriginal people has historically rested with Indian and Northern Affairs Canada. Revenues and employment opportunities were limited to areas which provided resource exploration and harvest. Prior to 1956 the department delivered services directly to the Native community. Beginning in 1956 through 1967 there was a limited transfer of funds to Bands for the management and delivery of programs. The Hawthorn-Tremblay Report of 1966-67, and its critical assessment of Aboriginal conditions, was instrumental in initiating the first coordinated action by the federal government to address economic concerns.

As a result of the Hawthorn-Tremblay report, Indian Affairs and Northern Development implemented community development projects as well as relocation programs. These initial projects were deemed failures for two different reasons. The community development projects failed when Indian communities demanded that Indian agents abdicate their positions. Threatened by their impending loss of control, the Indian agents pressured the department to abort the project. The relocation experiment failed due to the inability of the program to assist Natives make the transition to an urban setting.

Subsequent programs included Special ARDA and NEDP (Native Economic Development Programs). Generally recognized as programs designed to assist in the stimulation of employment and enterprise development by addressing the major impediment of lack of risk capital. During the implementation of these programs problem areas were identified and modifications in program development were proposed. The suggested improvements were aimed at enhancing program performance and benefits to the Aboriginal community. Specifically, a greater emphasis was placed on non-financial needs including pre-enterprise planning, capacity development, entrepreneurial skills, training, advisory, and aftercare services.

Of significant concern was the short-term nature of the programs and the concomitant focus of clients on accessing funds rather than genuine opportunity development. While these programs were successful in addressing the core issue of capital availability, they neglected to address the ancillary requirements relating to entrepreneurial/business expertise, skill development, and training.

Through consultative processes, a new initiative was launched that would implement programs that confronted the aforementioned deficiencies.

In 1989, backed by a five year funding package of \$873.7 million, the Federal Government introduced the Canadian Aboriginal Economic Development Strategy (CAEDS). CAEDS was spawned through the realization that the challenges faced by the Aboriginal community would require adjustments in the manner in which management and administrative responsibilities were approached. The program is to provide a means for Aboriginal people to manage effectively their own business enterprises, economic institutions, skills training and development.

The goal of CAEDS is to create a harmonized and more effective program designed to facilitate Aboriginal economic self-reliance. The three government departments involved in program delivery, Industry, Science and Technology Canada (ISTC), Indian and Northern Affairs Canada (INAC), and Employment and Immigration Canada (EIC), through consultation and participation with the Aboriginal community, are striving to develop and enhance human resources, community infrastructure and institutional development as well as business development and expansion. The primary objective is to provide long-term employment and business opportunities to Canada's Aboriginal citizens.

The delivery of economic and/or training programs from DIAND and EIC have been devolved to Aboriginal parties. ISTC continues to offer their programs/services in from regional offices.

**CAEDS PROGRAM STRUCTURE**

DEPARTMENT	PROGRAM	PROJECT FOCUS
EIC	Skills Development	Direct purchase of management training through existing institutions; Establishment of Aboriginal management training and advisory services; Entrepreneurial training.
	Urban Development	Support of training and placement infrastructure for unemployed and underemployed adults.
ISTC	Business Development	Business Ventures; Loan Insurance; Business planning, training, and aftercare services; Pre-commercial and infrastructure development; Micro-enterprise development.
	Joint Ventures	Establishment; Planning; Aftercare.
	Capital Corporations	New institutions; Expanding institutions; Diversifying institutions.
INAC	Community Economic Development Organizations	Indian community human resource strategies; Community economic services; Advisory services to economic development services.
	Resource Access Negotiation	Resource access negotiations; Sectoral development corporations; federal-provincial-territorial agreements; Sectoral department initiatives; Residual role for INAC.
INAC ISTC EIC	Research and Advocacy	Dissemination of information, promulgation of ideas, and representations to those in a position to contribute to progress for the purpose of economic, commercial and business ideas.

**Table 1 - CAEDS Program Structure**

## **INDUSTRY, SCIENCE AND TECHNOLOGY CANADA**

To facilitate the development and expansion of business activities in the Aboriginal community Industry, Science and Technology Canada is responsible for delivering three components in CAEDS; Aboriginal Capital Corporation Program, Business Development Program and the Joint Ventures Program. Aboriginal Economic Program (AEP) policies are directed by the Aboriginal Economic Development Board which is primarily comprised of Aboriginal business leaders. The annual budget for AEP is approximately \$75 million.

Since the inception of AEP, ISTC has received 9,334 Statement of Intents - forms submitted by the client which provides basic information about the proposed project and initiates formal discussion between the client and ISTC concerning possible support.

	1989/90	1990/91	1991/92	1992/93	<b>TOTAL</b>
<b>Canada</b>	1182	2496	3094	2346	9334
<b>B.C.</b>	220	518	467	346	1593

**Table 2 - Number of Statements of Intents received since implementation of CAEDS.**

## **ABORIGINAL ECONOMIC PROGRAMS**

Of the three ISTC components, the Aboriginal Business Development Program (ABDP) has the greatest volume of activity. ABDP provides financial and developmental assistance to Aboriginal entrepreneurs and communities to pursue viable business ventures. When scrutinizing proposals, pre-eminence is afforded to small and medium projects; the rationality is to increase quantity thereby effectively enhancing the Aboriginal business base.

While the benefits derived from these program have arguably made valuable contributions to Aboriginal businesses in the form of financial assistance, the frustrations experienced by many recipients illustrates deficiencies and inadequacies in providing the type of support and assistance which is needed. The most common complaint expressed by respondents was the time it takes to access the funds. This problem is most serious in instances where an existing business is being sought; the delay may lead to lost opportunities.

While a large majority of aspiring entrepreneurs approach the government departments for financial assistance, they are often frustrated by delays or the bureaucrats inability to recognize the viability of their proposals. Over sixty percent (61.5%) of respondents cited delays with their application as the greatest problem with the ISTC programs. Other concerns raise by respondents is the ability of businesses to reapply to the program indefinitely. It was advanced the program could serve more parties and be more effective to limit the number of times an applicant could secure funding.

Once a business has applied to the program and has proven to be a viable operation, they should be able to secure funds from conventional sources. Without restricting the number of times that a business can secure funding, many parties are concerned that it is the same people who are accessing the AEP dollars. The observation was also forwarded that there are firms who are successfully accessing AEP funds despite the fact the company would have started without government assistance. The criticism that was raised was that the government programs were becoming success orientated.

Many First Nations people become disconcerted with the bureaucratic process and what they see as its inability to meet the needs of owner-operated businesses. It may be that they are better suited to provide assistance to larger business organizations or that some government personnel are simply not adequately trained to provide the counselling that is required for smaller businesses or to assess businesses in particular sectors. Other troublesome areas from an Aboriginal viewpoint is the criteria used to evaluate application; many respondents asserted that the process is inconsistent and it is difficult to ascertain what ISTC is looking for. There were comments made that government literature mentions 10% equity financing is required from the applicant while in many cases the figure is much higher.

Information dissemination and communications were areas where people felt improvements were necessary. There must be a more structured evaluation process and clarification regarding the weakness of the particular applications. Currently, there is much confusion on behalf of the applicants concerning the lending procedure as well as the interest rate treatment. The problem, as many Aboriginal people view it, is that programs create a certain expectation which only results in disappointment. This could be solve by providing more information to applicants in the early stages.

An area of financing which has gained much attention in the Native community is joint ventures. Joint ventures represent an excellent opportunity for Aboriginal businesses to raise capital as well as acquire business management skills. Of the 30 Bands who had responded in our survey, 10 had pursued joint ventures of which only four had materialized. In the opinion of one individual, too few joint ventures have been established through the auspices of ISTC. It was suggested that funding from this component may be utilized more effectively if placed in the hands of an Aboriginal Board.

It was advanced by several parties that what may be prove to be an effective mechanism to promote the interests of the Aboriginal community and to alert non-Native companies of the benefits of entering into joint venture projects is an Aboriginal Chamber of Commerce. Some bands as well as businesses had revealed the difficulties they experienced upon contacting a local Chamber of Commerce in their community. They felt the Chamber displayed an indifference to the needs and concerns of the Aboriginal party and consequently they were denied the representation that non-Native businesses are afforded through the Chamber of Commerce.

## **Recommendations**

- Government departments should keep an extensive and accurate data bank of unsuccessful applications recording the primary reason(s) applicants were rejected. This information would be value to Aboriginal organizations to determine what proceeding would increase the likelihood of future success whether it be to address skill shortages or educational deficiencies. If it is established that many of the applications are rejected because of inadequate management skills, as our study has indicated, then corrective action can be taken; funding can be provided to Aboriginal organizations to deliver relevant entrepreneur training programs.
- The creation of an Aboriginal Chamber of Commerce which would be responsible for promoting the interests of Aboriginal businesses. This would include the encouragement and promotion of establishing joint ventures. This would include transferring the responsibility from ISTC to the Aboriginal Chamber of Commerce.
- Establish a policy whereby parties are limited in the number of times they are eligible to secure funding from ISTC.
- More assistance from ISTC should be provided to individuals who are making their initial application.

## **ABORIGINAL CAPITAL CORPORATIONS**

While EIC and DIAND have moved forward in the devolution process, there has been little movement on behalf of ISTC. The one area in which ISTC has moved towards transferring program responsibilities to the Native community is through the Aboriginal Capital Corporations.

Aboriginal Capital Corporations are small lending institutions which were funded through ISTC. While they are administered by ISTC they are effectively directed and operated by Aboriginal interests in each particular region. ACCs provide direct loans, loan guarantees and advisory services to their clients.

Capital availability in respect to loan funds is determined by ISTC. These levels are determined on the basis of the financial statements and quarterly reports for the respective ACCs. While each ACC is capitalized to a particular level, they are restricted in the amount of money they can make to their clients in any given year.

At an Aboriginal Economic Development Strategy Workshop held in Vancouver on January 13-14, 1993, seven ACCs compared the availability of capital to the projected needs for their respective constituencies. For three fiscal years 1993-1996, the capital available to these ACCs is projected at \$50.8 million while the demonstrated market demand in these areas is \$94.0 million. The shortfall illustrate the need for greater capitalization of the ACCs in order to meet client demand. Without adequate capitalization, many projects may be refused funding through this source, even though ACCs have often been seen as a lender of last resort.

Respondents commented on the inability of the ACC's to provide enough aggregate equity to encourage economic development. It was also illustrated that because the small operating base ACC's are working with, they adopt lending criteria similar to the chartered banks. They are still in their infancy and must establish themselves as wise investors. Consequently, they are success driven and have not established themselves as lenders of last resort.

Another problem which is the direct result of the small operating budget that ACCs must deal with is a fixed interest rate. Unlike larger financial institutions, ACCs have little flexibility in the interest rate they charge. ACC's have historically held rate between 12-14%, a rate necessary to cover operating costs and the targeted loan loss (around 5%).

In order for the ACCs to have measurable impact on economic development, they must substantially increase their capital base. From the government's perspective, deposit taking has been ruled out given the collapse of financial institutions in recent years. Alternatives must be explored and pursued. One option that appeals to the ACCs is handling the CMHC (Canada Mortgage and Housing) loans on reserve. These low risk ventures would infuse desperately needed funds into ACCs.

### **Recommendations**

- Increase the capital base of the ACCs either through a direct infusion from program monies or alternative methods such as handling CMHC loans, purchasing INAC loan funds, or marketing group life insurance.

### **BANKS AND LENDING INSTITUTIONS**

While banks do keep specific records identifying Aboriginal clients, it has been generally recognized that most lending institutions have not served Native people in a lending capacity. This is particularly true for on-reserve cases. Although arrangements do exist which grants banks methods of security, some Native parties have suggested that banks are still hesitant to lend on-reserve because of the Indian Act.

Of the respondents who owned or operated businesses, 58% had secured funding from a chartered bank or credit union. Sixty-five percent of these also had government loans or grants which were instrumental in procuring the bank loan. There were concerns such as the reluctance of the banks to provide loans unless government funding was in place. Many experienced a catch 22 situation because government funding was also contingent the bank involvement.

For individuals who were unsuccessful in obtaining a bank loan, they identified things such as the Indian Act, the stereotyping of Native people, or an unproven track record as the reason for the bank's denial. The data from the survey illustrates that banks are still hesitant, in many cases, to provide loans unless government funding or loan guarantees are in place.

While many individuals are having difficulty in securing funding assistance Bands experiencing a new phenomenon. With impending land claims settlements, banks are recognizing that there is the potential for enormous wealth within the Native communities. As a result, more lending institutions have engaged in an Aboriginal strategies. The Bank of Montreal has been identified as the leader in Aboriginal banking.

Because these banking activities are aimed at Bands as opposed to individual Band members, entrepreneurial activities and small business opportunities are squandered. For many individuals, conventional lending sources, as well as government funding sources, are unable to capture the vision held by the Native applicant. This position was effectively communicated by one individual who stated that even though "you've done all the marketing research and you're convinced with regard to it, the person who is generally looking at this business plan, they don't necessarily have the expertise to assess that particular market. A lot of time what it is they're going to base their decision on is the person who is sitting across the desk from them." This is a problem which is common to a number of aspiring business people.

A number of Native people are advocating the creation of an Aboriginal banking mechanism. Substantiated by a perceived lack of vision and support by current lending agencies, the creation of an Aboriginal bank, sufficiently capitalized, lends itself to the notion that such an institution is the only way of ensuring there is the sensitivity and understanding afforded Aboriginal clients. As one person had communicated, the current lending sources are indifferent to many Native visions. It was forwarded that if "we don't have dreams and we don't have ambitions nothing will happen...it will happen (the creation of an independent Aboriginal financial institution) regardless of what the government says are the problems. It's the only way we will have autonomy in our community, to have our own institutions and our own economic base."

### **Recommendations**

- The establishment of policies and/or procedures aimed at increasing communication and cooperation between government funding sources and financial institutions. The aim is to facilitate more investment in Native ventures.
- The creation of an Aboriginal banking mechanism capable of meeting the financial demands of the Native community. Capitalization could come for settlements in land claims and self-government negotiations.

### **HUMAN RESOURCE DEVELOPMENT**

Education has long been recognized as the key to the long-term success for Aboriginal people; it has been identified as the key to development and self-sufficiency. One of the greatest hurdles which the Aboriginal community must overcome in order to realize economic self-determination is to develop a sufficiently skilled human resource base. This educational process must equip Aboriginal people in all sectors with adequate skills and knowledge.

Educational institutions must create a critical mass capably skilled individuals - business managers, engineers, trades people and others.

A strong collective body of educated and trained people is imperative to address the communities' needs.

Many of the respondents indicated that education was of particular concern. Technological advancements and the increased global competition make it increasingly important for Aboriginal people to have access to educational facilities which are capable of meeting the educational and cultural needs of the individuals. First Nation Bands expressed the difficulty they were experiencing in retaining the educated members on reserve, a brain drain, as alluded to by one person.

Of the responding Bands, 36% had schools on reserve while only 6% had high schools. Those who do graduate and decide to pursue post-secondary education must relocate, in most instances, to larger metropolitan areas. The business programs available to them in these institutions, whether universities or colleges, are often inappropriate for Native people. Most of these individuals will not be heads of large corporations, but rather managers and owners of smaller community based businesses or small companies. From the Bands perspective they want to see programs that will allow their members to run businesses and be part of the community. For economic development to realize its maximum potential, sound business management skills must be acquired by members of the Aboriginal communities.

The concerns from a Native perspective is that "the educational system doesn't deal with the business and the realities so the kids don't understand what the real world is about when it comes to business."

Aboriginal people must have access to educational institutions which can provide fundamental training and business knowledge which is sensitive to the needs and the realities of the Native community.

"People must be educated but it must be done in a manner that does not drive the entrepreneurial vigour out of them." Business people pointed out that they also had problems finding qualified employees.

It was stated that without the educational infrastructure, there will be more frustrations.

The managerial and technical gap may close as the skills are more widely distributed among the Aboriginal community. To expedite this process, however, will require more financial and moral as well as greater access to educational institutions. Over fifty percent (53.3%) of the First Nations governments who participated felt that the lack of a sufficiently skilled or educated work force was the greatest impediment to a flourishing Aboriginal economy. This has had a detrimental effect on entrepreneurial activities.

According to Stats Canada, eight of every ten new businesses will fail within five years. The demise of most of these enterprises is attributed to inadequate management skills. In fact, 80% of the businesses that fail do so because of poor management skills. In light of these statistics, it is not surprising to learn that most lending institutions place a primary emphasis on the management skills of the individual or team that is involved in the business venture.

Whether or not an applicant receives funding, or the amount of money they are going to be loaned or granted by a particular agency will depend upon the management skills. In a recent study conducted by New York University, lending institutions were surveyed and asked to identify the ten most essential criteria used when making lending decisions. Of those surveyed, 64% placed a primary emphasis on the ability of the management team.

The government participation in human resource development is achieved through Employment and Immigration Canada (EIC). EIC's involvement in CADES is through CJS (Canadian Job Strategies) which focuses on Skills Development and Urban Employment. As part of its mandate under the CAED Strategy, EIC has focused its energies on the attainment of the "a number of objectives: involving Aboriginal people in EIC's local planning strategy; setting participation rates of Aboriginal people in EIC programs and services; flexibility in programming; distribution of resources commensurate with the levels of Aboriginal unemployment; use of Aboriginal institutions to deliver EIC programs and services; and complementing local and provincial programs and services." The consultative process involving Aboriginal people is aimed at improving their participation in EIC programming.

EIC has begun a devolution process aimed at increasing Aboriginal participation in human resource development. Four pilot projects have been established in Canada which transfer control to Aboriginal Management Boards from EIC. Two of these boards are located in British Columbia; one in the Vancouver/Sunshine Coast area and the second in the Skeena area. The aim is to be more responsive to the needs of the Native community as expressed by the Native community. The success of these pilot programs will be evaluated after an eighteen-month trial period.

Although the devolution process has been praised by some members of the Aboriginal community there are many who maintain that few benefits will be derived since EIC guidelines must still be adhered to. The two programs which are accessed most frequently by the Native community are the Job Development and Job Entry programs which constitute 83% of all Aboriginal projects. The criteria for these programs are an excellent example of the inadequacies of these programs to meet the needs of the Native community; both are seen as short-term programs which are unable to provide the type and length of training necessary to benefit individual cases. "Often projects are adjusted to meet EIC criteria rather than labour market prospects."

## **Recommendations**

- The creation of recognized Aboriginal educational institutions (degree and diploma-granting institutions) which would provide, among other course, business and entrepreneur training courses sensitive to the Native community.
- To provide more funding to Aboriginal organizations for the delivery of entrepreneur training programs. As a proactive measure, this would ensure greater success in all business ventures.
- Grant Aboriginal Management Boards more administrative control and more authority and autonomy in program design.

## **COMMUNITY SUPPORT**

The political structure in the Native community allows for full participation and is usually lead by communal consensus. While traditional leadership does exist, the Indian Act necessitates Band Council elections every two years. Where there have been newly elected members this does, on occasion, cause delays or thwart ventures altogether. While only a few respondents indicated that such problems were incurred, it portrays a problem. The consensus process does insure that most project do remain on schedule; it is only the personnel and the capital distribution which differs.

Band councils must assure Band members the best of opportunities by separating politics and business. Bands, in cooperation with federal representatives, must do more to provide assistance and guidance to community members. This includes the provision of financial and technical assistance when possible, as well as ensuring the creation of an infrastructure that will readily support business growth and expansion. Of the responding Bands, 62% had no strategy or methods in place for informing members of the services or programs available to aspiring entrepreneurs. Sixty-five percent of the Bands did, however, provide financial or technical assistance to members who had approached the Band for support.

Many of the parties who participated in this study explained that a general lack of information, particularly in the isolated region has impeded progress. Programs and services that are available through government initiatives are not conveyed to many of the people of B.C. There were calls for an increased presence in the community by AEP program officers as well as more extensive and thorough information on programs.

To encourage economic development, particularly on reserve, there has to be more support and cooperation amongst First Nations communities. Our research has indicated that cultural factors have an adverse effect on business development. With communal values are still espoused, many aspiring entrepreneurs are deterred from pursuing economic opportunities on reserve.

Because entrepreneurship essentially advocates individualism, venturesome individuals are often discouraged from pursuing business activities. This results from perceived pressures or from the lack of community support both from Band councils as well as community members. Band councils and community members must be alerted of the benefits from entrepreneurial activities and critically assess job creation or make work project which may prove to be a drain on Band finances.

Some respondents have articulated their concerns and the difficulties they face in instances where tribal governments are comprised predominantly of one family group. In such cases, the rivalry between business people and/or families has seriously inhibited economic growth. Where they do not already exist, economic development committees should be established representing a broad cross-section across gender, age, and familial class which should promote and support business development from its initial stages. These committees, with assistance from ISTC, should be encouraged to conduct business information seminars for its members.

To become successful, Aboriginal businesses must adhere to the bottom line just as conventional business enterprises do. Problems that Band-owned businesses may encounter is the commitment to inefficient operations. Bands may have a tendency to place social issues, such as employment preservation, over economic concerns. Band Councils should dedicate themselves to creating an environment which is favourable to business, not be in business themselves. Revenues can be generated from other methods such as taxation. In British Columbia, there are currently 17 Bands which have the authority to levy property taxes and another 30 in negotiations.

The creation of more business enterprises on reserve is essential to the welfare of its citizens. According to many respondents, the greatest impediment facing First Native Bands is the constraints imposed on them by the Indian Act. It has long been held that the Indian Act is an antiquated instrument which prevents economic development on reserve. Calls for changes or elimination of the Indian Act have been voiced for a long period of time. One section of the Indian Act which is seen as an inhibitor of progress is the status of corporations situated on reserve.

Because they are not recognized as a person, Native corporations do not derive the same benefits as individuals under the Indian Act - they are not tax exemption. This has serious consequences and eliminates the pooling of resources which may allow for the creation of large businesses capable of competing with their mainstream counterparts as well as providing enormous employment opportunities.

Recognizing the complex legal and political issues involved, one respondent forwarded that temporary tax exemptions under the Financial Administration Act could provide Native corporations with a much needed infusion of cash. Each situation would be examined on an individual basis and granted tax exemption for a specific period of time.

The potential for economic development reserves is somewhat enhanced through government programs and Aboriginal support structures. For the off-reserve and non-status and Metis people, programs and services are more difficult to access. The equity and developmental assistance for this group is limited. Bill C-31 has created fears in some communities who predict increased demands for limited resources such as housing and monies for business development. It was raised that there does exist the mentality, in certain communities, that once a member leaves, they are gone.

### **Recommendations**

- Increase the awareness of government programs in all regions. This service could be provided by Aboriginal organizations through the dissemination of pamphlets, the distribution of video, business information seminars or other determined means.
- The development of a policy/guideline requiring a portion of the AEP program officer's time to be spent in the field.
- To encourage more economic activity on reserve, grant certain Aboriginal Corporation tax exempt status through legislation in the Financial Administration Act.
- The creation of business support programs catering to the Aboriginal populations in the larger metropolitan areas. This would include access to programs and services in AEP.
- The creation of Aboriginal Business Incubators to provide urban Natives with support services and access to essential provisions such as computers and research materials.

## **CONCLUSION**

The vitality of the Aboriginal community in Canada is dependent upon a healthy and vibrant society. Cultural, social and educational development is inextricably linked to the improvement and advancement of a strong economic base. Economic well-being does not necessarily insinuate a high standard of living, but rather the freedom to pursue ventures which are consistent with Aboriginal goals and lifestyles.

Finding ways of reducing the barriers for Native people so they can more easily get into business is critical. Native people who have been involved in all areas of Native affairs, who have been involved at the national level are emphatic that "nothing will be resolved if all that exists is an agreement on paper."

In the final analysis, economic development as well as other critical matters such as social issues, education and health care can be resolved only with the realization of self-government. The move to self-government must be preceded by the establishment of an economy which is self-reliant and capable of meeting the needs of a rapidly expanding population base. This is important for as one contributor so aptly stated, "The foundation of any government and of any people is economic development." As we move towards an agreement to self-government, it is essential that Aboriginal economies are capable of supporting the many demands which are levied against political and administration bodies.

Enterprising Aboriginal people and communities must have a positive climate in which to turn viable and innovative ideas into thriving realities. The nourishment of a strong economic base in the Aboriginal community will contribute to a stronger and more prosperous Canadian economy. As we move towards the twenty-first century the Canadian economy will continue to see drastic changes in an attempt to remain competitive within the global context. In an increasingly demanding world, growth and competitiveness are inextricably linked. To compete with other nations a well-planned and managed business is necessary for survival and prosperity.

**APPENDIX**

Transcripts from:

**Simon Fraser University at Harbour Centre  
515 West Hastings Street  
Vancouver, B.C.**

February 19, 1993

Rod Shaigec

Ladies and gentlemen, good morning. My name is Rod Shaigec and behalf of the Aboriginal Peoples Business Association I'd like to welcome you all here today. For those of you who aren't familiar with the association I'd just like to take a brief moment to tell you about the association and our involvement with the Royal Commission. The Aboriginal Peoples Business Association was established in 1985 and is a non-profit organization committed to assisting Aboriginal people in the pursuit of economic self-reliance. We provide a number of services including entrepreneurial training programs, we have a resource library that's available to the general public and we provide advisory services to our clients who have secured funding through the First Citizens Program.

Having an interest in economic development issues, we approached the Royal Commission and secured a contract to undertake a research study examining the issues which impede Aboriginal peoples' involvement in the business environment. We contacted a number of organizations, Bands, development corporations, to get a feel of the problems our people have and get an idea how we might alleviate some of these.

In bringing people here today, we have representatives from government, the native community as well as academia and each can have valuable input, which it is hoped, will contribute to the process here today. At this time I'd like to call upon Chief Simon Baker to thank the creator for enabling us to be here today and for opening prayer. Chief Baker.

Simon Baker

Thanks very much. Mr. Chairman, ladies and gentlemen, First Nations people. Take a good look at me because when I make a presentation or opening ceremony I have several different ceremonial dress. This time of year our Coast Salish people are still on social, spiritual, dancing....that they're still performed and I have my Coast Salish outfit that I can't use until the spring weather when they complete their ceremony of the Coast Salish people. But with the beautiful headdress that I have on, it was presented to me in 1958.

You know I went to the Calgary Stampede in 1957. I promoted the pow wow at our Hunitson Park at the Capillano Reserve and I contracted 50 Indians from Alberta; Treaty 7, Hobemma, Glesson, all of them, and they had 10 teepees for the contract. You know, when they got on the train they brought about four or five reserves. When they got to Vancouver Albert Lightening, the head guy that was coordinating, came to me. His face was long and I said, "What's the matter Albert? He said look at all the people getting off the train. There was over 89 of them when we contracted for 50 and everybody and his grandmother got on the train. So, we had to feed those 89 people for two weeks and I believe we had over 2,000 pounds of spring salmon and we had a lot of donations like bread and such. But we had a wonderful time.

Those two weeks were the hottest weeks we had in August. It was so hot we hardly ever got any audience, people. So, one day a man from the newspaper came. He happened to know me through lacrosse and he said what's the matter Si, where's all the people? I said, I don't know. We tried to advertise and everything and when he went back to his office he put out the late edition paper and right on the front page, he had "Indians Scalp the Gate". And, they had a great write-up of what a beautiful setting we had. The last four days we filled the park. But I borrowed \$2,000 from the company I was working for.

I was working for Canadian Stevedoring. I was working as a foreman and I kept saying to myself, "Oh no!" But those last four days I just made it. Otherwise, I'd still be paying the company off all those things. But, that's where I got my headdress and they made me an honorary member of the tribe on the last Sunday. (The) sun was setting and they called me Chief Sunset. That's why I wear that.

I've been to Europe six times, Japan twice, New Zealand three times, Australia, and I've done a lot of travelling for CP Air, now it's Canadian. So, I really enjoy wearing....I've got three different outfits I like to wear; they're so colourful - all of the paddles you see. When I went to France in '67 I dedicated two totem poles to two cities where the air force and army stayed in Marieville. The first place I went the French people crowded around; there was so many of them. I guess they had never seen an Indian in his full regalia and all this. When I got back to the mayor's office....I always tell people I remember when I was a boy when I used to fish in a pond. When a trout bit your line, that's just the way it felt.

When I got to the mayor's office I only had a half dozen left; all the Frenchmen were pulling the paddles for souvenirs. When I got home I still had lots. I always have lots of wood for carving.

I like to be colourful. I'm an entertainer, an actor, you name it.

I've been in a couple of movies with McGyver. I was in a commercial and that commercial seemed to be a good business. I just got another cheque the other day. They give me a cheque every so often. I don't mind. But what you have to go through is another thing when you're an actor. Four days with McGyver with "The Mask of the Wolf", it only took me about 15 minutes to do my part, 15 minutes on the last night but it was worth it.

Today I want to welcome you people here. This is the Squamish Nation area. My grandmother used to pull her canoe, just on the other side of CP Air. There used to be an old immigration building there and the Harbour Board had a wharf. My grandmother always had a place for her canoe when she used to sell her eggs and baskets. Many times I had travelled with her and helped her pull her canoe near the Capillano Reserve. So this place is very familiar to me but it has grown so much I can't believe it.

One day they built that beautiful big Waterfront Plaza over the tracks.

And now I say they have no more room, they've got to use what space (is available). That's the thing I tell Indian people, the people who are here today. I know I had quite a problem when I was the chairman of the Squamish Council for ten years. And now, I've been retired for almost 20 years. But during those days I think it was the toughest

when you had to argue with the Department of Indian Affairs and I know what I had to go through.

I got a complement the other day from a man who works for the Band. He said, "Si, if it wasn't for you and the rest of those who worked with you we wouldn't be enjoying what we are today - Park Royal, the hotel, everything, and now we get such a good revenue." We've got the beautiful gym which I'm very proud to say we finally got what I dreamed about years ago. We've got the most beautiful gym. We people can come and meet and enjoy themselves.

So, today I want to welcome you. Yesterday I had to get up early. I had to go to another meeting and it's getting to be the wife says I don't know when you're going to quit. I celebrated my 82nd birthday on January 13, and bought a nice Valentine card for Mrs. Baker. While I was buying it, there were several other men there who(m) I knew were buying for their wives. I said, "I've lived with her for 59 years so I guess she'll appreciate it", which she did. I'm hoping that both of us will still be around next year and we'll have the biggest celebration in our new building for our 60th anniversary. That's a long time to live with one woman.

I've always said to my boys, I've got four boys and one of them has had about 5 wives already, so I have to keep telling them they're like our great great grandfather. They had three, four, five wives, but they had them all at once; they didn't keep changing. You guys must take after him.

I hope I'm not taking up too much of your time. I always tell people I always look at my time and if I go over my time...We have a union us elders and we charge overtime, double time, triple time, so keep that in mind whoever is making the cheque out. I always like a lot of humour.

I wish all the success in what you're doing because we need people like you who are involved, are interested, and get some results. That's what I look forward to. I do a lot of travelling to the reserves, I know a lot of chiefs, and I know a lot of people. That's the first question, "How are you doing? How's your reserve, the economic, the social (conditions), everything?" Well, we're okay, we're still improving. So that's the part you're here for today, to help resolve and try and come up with something so our people can also share and enjoy. Especially the young people.

We're opening up our longhouse on May 26 at UBC. That building is worth almost \$5 million and that's for education. I've been a part of that since it started a year ago and now it's going to be completed and we're going to have a big celebration.

Education, that's what I keep telling. We've got to educate our people if we want self-government. We have to have our own people to do the administration and everything.

I want you all to stand up and sing the song my grandfather sang in England in 1906. He went over there with a delegation from British

Columbia to ask King Edward for what we're fighting for today and he sang this song. We want you to help us, you our father and the great spirit, to give us strength to carry on with what we came here for and not leave (without success). That's what I've been stressing.

That echo still rings in me; that was before I was born. I was born in 1911 as you can see, but he died here. He died two months before I was born, Chief Joe Capillano, that's Chief Joe Mathias' great grandfather.

My late uncle taught me a lot of songs and dance and there's one song and dance he told me to use and this is the one. I want you all to loosen yourselves up because you're going to be sitting here all day and this way you have a chance. When I say tohnee, I want you all to jump. [Native song & dance]

David Seymour

I want to thank Simon Baker, that is fantastic. We do need to learn to jump because what we're doing here today ... to deal with, is the access to capital. I'm David Seymour and I'm the Secretary Treasurer of the Aboriginal Peoples Business Association. The Aboriginal Peoples Business Association is proud to facilitate this roundtable which will be recorded and submitted to, as part of the package that we are preparing for, the Royal Commission under the Intervenor's Program.

When you entered the building you received a package both about the Aboriginal Peoples Business Association, but one that looks like this that has the agenda for today. It contains not only our various presenters and a little about the interaction between about the APBA and the Royal Commission, but also the issues raised in our various previous activities.

I want to make one correction. At 9:30 Hugh Hughson was coming to speak to us but Hugh Hughson regretfully cannot attend because his wife just had her baby and he's at the hospital. And we understand that this is really a priceless time for him. However, I'm sure that our other presenters will be sufficiently interesting and I'm hoping that you will jump in and participate. But before we introduce our first person, I do want to make the opening comments that we are here today to discuss access to capital and seek and advance strategies to improve the accessibility of capital.

We must identify areas that heretofore have not been pursued fully to secure alternative funding or complementary funding that is desperately needed. It's quite trite to tell you that you that the economy is changing. It's a rare day that you don't get up in the morning and hear the news that another company is moving south or another business dealing with the global economy.

The needs of the reserve community are not keeping pace with the growth of the rest of the country. The whole focus of the Royal Commission, clearly, is to investigate those areas necessary to change the circumstances of reserve communities, to seek out what self-government can do. What we are here today is to look at one little small component

of that, the access to capital. It's critical the we, as capital people, people dealing with capital, people in business, try and see our role in the greater scheme of things, but to share that and investigate other areas to work in.

Without taking any more of your time, I want to go through a couple of administrative matters. We will be breaking at 10:00, depending upon how active and how quick you jump in. But I should tell you, that for people who have never been in this room, like me I find it a little of a maze here, the washroom facilities are down the hall on the far side. There's restaurants down inside the other building in the lower floor. Coffee will be brought to the front area where you arrived. With that, I'd like to turn to our first presenter, Dave McDougall. I hope I pronounced that right. He's from Industry, Science and Technology (Canada), the Aboriginal Economic Programs. Do you want to come up here or are you comfortable sitting down?

David McDougall

I'm quite Comfortable here David. What would you prefer?

David Seymour

Your preference.

David McDougall

Thank you David for that introduction. Ladies and gentlemen, Chief Baker. David (Anderson), thank you for the invitation. Tough act to follow Chief Baker. I'm sure I'm not going to be anywhere as entertaining as you were and I would say this. When you feel a need to jump, don't jump on me.

I don't have a prepared text here, I have just a few remarks about what we're doing in pursuit of providing capital for Aboriginal business. We are housed inside the federal government Industry Department and we deliver a series of business development programs.

Really three of them that are of consequence and those are Aboriginal Business Development and the Joint Venture Program, the Aboriginal Business Loan Insurance Program and we have an Aboriginal Capital Corporation Program. So, through these mechanisms we are providing capital for commercial venture, business development, and ancillary types of activities.

I think most of you know a fair bit about these programs so I will keep my comments fairly brief and just proceed to get you up to date or speak to you on some current issues we have. But first on the programs. The one that is most prominent and most active is the Aboriginal Business Development Program through which we provide equity capital, what we call a contribution to an Aboriginal person attempting to establish or expand or modernize a business. That may or may not be repayable, ordinarily it's not so it's really equity capital that's invested into the business.

Through the Loan Insurance Program, we provide a form of loan insurance

to a commercial lender. Those lenders are approved under the Small Business Loans Act and through that mechanism we can provide an additional degree of comfort or courage to a lender by providing some insurance to him in the event of a default or a loss of a loan.

The third program that I mentioned was the Aboriginal Capital Corporation Program through which we provide capital to Aboriginal Capital Corporations, the ACCs, which, they in turn in a small number of cases, they will administer some investment funds or equity funds and in most cases they're administering a Loan Program.

As I said, I think we're basically known as an organization for the Business Development Program and the way we are attempting to increase access to capital is in a number of ways. First of all, in the support we provide to business planning in the pre-commercial types of activities that ready people to go and assemble a financing proposal and to attract commercial financing and so on. You are aware of the support we provide to business planning, up to 75% of the costs of those professionals and their disbursements that need to be engaged to assemble a deal. And there are other ways that we can ready people or organizations to pursue a business venture; through pilot projects.

We've supported a number of pilot projects where essentially it's not clear through a study, through an antiseptic consulting assignment, whether there is a viable business opportunity, so we've simply provided capital to people to go and test their idea through a pilot project, marketing, training and something we call the research and advocacy support for workshops or conferences and so on. Over other of the ancillary types of activities that we would support with this program, all with the common theme of getting ready to establish or expand a commercial project. In those commercial projects we are known for providing equity, putting capital there. Roughly 30-40% of the costs of establishing a business which is about where our program is normally positioned and with that and with some pretty significant equity we normally see invested by the businessman, they are able then to access commercial lending sources and raise what has been, on average, about 50% of the capital from conventional lending sources or the Capital Corporations. The key principles, as you know, that we have tried to apply are that commercial return on investment that we are very much preoccupied by when we are examining a business proposal, the extent of the client equity.

Quite frankly there is greater demand on our program than supply of resources so we have found that one of the things we've had to do is seek greater equity from people approaching the program so we can get greater leverage on our own investment monies. Capacity in relation to the project is an important thing. It's in somewhat of an abstract that we try to come to grips with in terms of the individual's readiness, ability, and credentials, experience, whatever, to pursue and succeed with the business venture. Another key factor is advance planning that I mentioned. The support that we provide and the encouragement to go to a business planning step first and very often that is seen as adding unnecessary time to the whole process. We're very much aware of that observation that we can tend to take too much time in reaching a decision on investing

in the business and we've constantly attempting to work on that. But we do know that in the end, I suppose, that is one of the things we'll be known for. What really governs this and adds some time is the fact is we prefer to take our investment recommendations to a board, a board of business people who are very much in charge and direct the activities of our programs. That's really where the decisions are made in terms of which business projects are supported and which are not.

On that timing question we have said publicly that we would like to get back to people in terms of an initial response to their approach to one of our programs within thirty days. We know we're not meeting that. Latest numbers I have are about forty days on average what we're taking to get back to people. We're asking once a business is in front of us, 60-90 days to deal with that and we know we're not meeting that target either. At this point it's roughly 100 days that we're taking to do our analysis and provide an applicant a decision. So we've got some initiatives underway to improve that response time but it's certainly an issue.

One of the things we're trying to do in terms of a current initiative that we see some merit in is placing the delivery of the program in Aboriginal hands to improve that access, to improve the delivery. To strengthen the Aboriginal Capital Corporations who are out there and build capacity so we've entered into a number of arrangements with Aboriginal Capital Corporations in the province and other parts of the country wherein we are asking them to deliver the program for those objectives that I have mentioned improved access and delivery and responsiveness and so on. We're still finding our way in that initiative. We're involved in a number of those arrangements around the province and we're still learning how to do that properly and how to support those organizations properly. But we really see that as the future in terms of administering and delivering this equity capital to Aboriginal business. How much, I guess on average over the past few years we have been investing in British Columbia roughly about \$8-10 million annually that we would disperse and invest into Aboriginal business. That's been our track record. I don't know that that would continue. We certainly feel the pinch of demand exceeding supply and so whether that could continue is something we're looking at right now.

A lot of demand of the program and highly unlikely the government will provide, at least to our programs, additional capital to invest in Aboriginal businesses so that is causing us to look at ways to get better leverage. As I said, through business planning, through getting people a business plan they can capture the interest of a commercial lender and through seeking of stronger projects that usually involves much stronger equity from our clients. So, with that said maybe I can just close at that. As I mentioned at the outset a lot of you are quite familiar with our programs and I think we're open for discussion or jumping or questions so thank you very much.

David Seymour

Do you have a question in the back?

(Unknown)

Yes, you said that you're getting short of cash, that demand is too great. So what do you see your overall operation becoming? The reason I say that is so many times it happens with Native communities that someone in Ottawa makes up a neat little program then all of a sudden it runs out of cash because demand is too high. The reason for the program is to overcome economic disparity among Native people.

So now you're saying it's running out of money and there probably won't be any more, so we don't know what to do. What is the plan?

Look for more money or become business planning assistance only? What is the long term plan for your department?

David McDougall

In total I think our budget that we have to disperse annually is roughly in the order of \$60 million and that's \$60 million that's pretty flat year after year. We go back, according to federal budget planning cycle and seek approval, ultimately to parliament, for resources for the program annually so the level of resources for the program is governed by those types of systems. That differs from what some of you may remember as the Native Economic Development Program in which an overall fund was established of \$345 million over five years. So we are part of the A Base planning budgetary system that takes place in Ottawa. What are we doing about that? Well, I don't want to leave you with the impression that we're all tapped out and out of money. We've still got capital to invest in new ventures and we're open for business and still very much actively working with roughly 500 different business people who are at various stages of getting a business ready for financing.

I think when you look, there's a supply and demand question here. I'm simply telling you that very likely the fiscal framework and fiscal position that government is in, it's unlikely the supply is going to increase, dramatically. There may be additional capital that's provided to the program but certainly not dramatically large amounts of capital. What we're saying is we've got to work smarter and use the capital that we do have in more creative ways where we can access the real big pools of capital that are out there. Our \$60 million are certainly significant funds, but not in the whole scheme of things (it is) a large capital pool. We think by building strong businesses that demonstrate a track record and demonstrate a level of success that that will go much further in attracting the attention of larger capital pools, the chartered banks and so on who can provide finance to Aboriginal business.

(Unknown)

It sounds like you're trying to follow the Royal Bank's plan. I deal with the Royal Bank and I know they like to approve successful business plans. It sounds like you could be evolving into a program that is success only type programs. This is what we've produced because this is all the funds we've got. We can't take risks any more. We can't take high risk projects on. We'd rather have something with the

limited funds we have but obviously I don't think any government funding group has unlimited funds. But it sounds like if the demand is increasing just as people know more about the program it seems like now is the time to turn the tap off or else slow it down. If the demand is there and to direct yourself to success only projects, ones that only look good to the powers that be or other lending institutions only makes your department look like the Royal Bank.

David McDougall

What we do have is a business development program and we know what that means. It's business development we're in. It's not a risk averse lender or investor. We understand risk and we understand the reason people are talking to us and bringing business proposals by our desks is because according to a measure that a conventional lender or investor might apply it would be a high risk project. A lot of what we do are start-ups so we are dealing with people who are tempted to get into business for the first time and which would be seen in the normal conventional markets as a high risk business project so it is business development still and your right we're moving to quality. Quantity is not something we can deal with because of the ceiling that we do have to work within and so that does drive you to quality and cause you to be more selective in terms of which businesses can be supported and which can't. There are those normal business criteria that are applied: returns; strength of management; availability of markets; balance of financing package that people can pull together. But we still factor in other considerations such as jobs, such as opportunity that our participation can bring to a community or an organization or an individual. So we are not risk averse necessarily but we're quality conscious in terms of trying to build a strong network and a strong track record of Aboriginal business. We're not quite over to where the Royal Bank is yet I don't think!?

(Unknown)

So we have established that we're on a \$60 million dollar budget?

David McDougall

That's correct, in round numbers, I wouldn't be able to quote the precise number to you.

(Unknown)

And that's forthcoming for the next few years?

David McDougall

Yes, I think the horizon is not that long out in terms of the budgetary planning cycle that the government has. It's roughly two years out I think so our planning cycle or horizon would roughly be the year that we're in plus two additional years so it's a moving three year planning cycle.

(Unknown)

Do you have roughly 500 applications in your office now?

David McDougall

Roughly that yes.

(Unknown)

And what kind of money are we talking about? Have you figured that out? Do you have any figures on the 500, what kind of capital this is totalling right now?

David McDougall

No, I don't. Most of those would be individual entrepreneurs.

(Unknown)

Of course. I thought you might have had it computed you know. Roughly you have a budget of \$60 million dollars and you now have 500 applications, that's coming to roughly \$49 million dollars.

David McDougall

No, because they're at a variety of stages of development. Most of them, it's really too early to tell. There's business planning going on, there's feasibility studies going on, people are working to assemble what will work so any number I quote to you would really be a shot in the dark.

(Unknown)

It's hard for some of us because \$60 million dollars sounds like such a lot of money and 500 entrepreneurs are hoping to start this and that business. It might be plenty of money or it might be not nearly enough to get started. We don't know and that's why we're here.

David McDougall

I just want to make a clarification. I might have drawn to direct of a line between those numbers. The \$60 million dollars that I referred to is the amount of the dispersement that we would make through our programs annually across Canada. In British Columbia, the 500 I referred to are people who approached the program, the dispersement would be in the range of \$8-10 million of that \$60 million per years.

David Seymour

We have a number of other questions. I think it was Dave first and then you in the back.

David Anderson

David, we've seen the first few steps of the devolution process in your Ministry in the form of spinning off the development works to the ACC's. Can you share with us your vision of Aboriginal economic programs, the existing institution, say five years from now?

David McDougall

Well you're right, we are going down that road. We've provided capital to the ACC's, to establish credible lending programs and we have gone this next step of approaching some of those organizations to take on the delivery of our equity fund, our Aboriginal Economic Development Program. And we are examining a further step wherein we're going to provide support to something we call business services organization involving providing other kinds of business support services to Aboriginal business. I don't know that we particularly well thought-through or coherent plan in terms of devolution, which isn't really a word in our vocabulary to be honest, but we are on that track.

I think organizations who prove a record of success in first of all delivering those lending credit programs, the ACC lending programs and as well those that are successful in the Aboriginal business development equity program and again it would be driven by quality measures and excess measures that we would be interested in talking to them about the next step which obviously is taking our fund and placing it over entirely in the hands of the aboriginal organization.

How far we go with that in the next five years is, I don't think we have a clear idea ourselves yet because we are in the early stages of this but that is our intention, to move to that. I would say that five years out that there will be a small number of organizations that will have proven that they should deliver the funds front to back rather than we should and so the funds will be placed with the small number of organizations. How many organizations, I think it's too early to tell.

Dorothy Grant

I'm an entrepreneur and I've heard about your programs. My business venture was afforded by Canadians by 75% although it took me two and one half years to get that funded. I have a file about two inches thick on just correspondence proving my work as a business person.

The stress that was involved in just getting to the process of actually hiring consultants and doing the business plan was a test and I think there needs to be a program put in place concerning woman in business, native women in business. First of all, native women in business are very low minorities and I think I came into a lot of problems of lack of understanding of the direction I was taking. I knew my direction but it seemed to be a real problem communicating this and to be taken seriously. My question is, you said something about a program in place....can you explain to us further what's going to happen with this concept and will this be in place for the next year and also why does the process take so long to get in place?

David McDougall

In terms of the response to your first question, I think that's the fall out question from David Anderson's question earlier. I may just ask Wayne Gray, who's going to be speaking later today, to describe to you some of the things that he'll be doing. His organization is a recently formed Aboriginal Capital Corporation and also is undertaking to deliver the business development program in the coastal area, lower mainland and so on. I think Wayne may have a few remarks that he can add to mine. What we are asking those organizations to do is to be the front and centre in terms of delivering the program to what I think amounts to about 80-90% of the people who approach our program. Those with a business idea that would require up to \$100 000 of equity from our program. So if that translates to roughly 30% of the overall size of the investment has to be made it would be talking about people who are potentially putting \$200-300 000 into play into a business venture. That probably covers about 80-90% of the people who do approach our programs. That's quite significant.

The primary reason for doing this, beyond building the capacity of these organizations is clearly to shorten up those time frames and improve the access and responsiveness. What are we doing about it?

That's one thing we are trying to do about it. Why does it take so long? As I said, I think we are conscious that people are very much in a hurry and have an opportunity that they need to capture and we're conscious that as equity investors that we're probably a little more cautious or take a little more time than most people expect us to. There is no security that a secured lender would have so when you can trust us to be a banker who can look at the issues of security and so on. It's unsecured equity capital that's provided really the only security we have as an investor is the strength of the business plan. Most business plans that we see are prepared by the entrepreneurs themselves, that is the majority. It is only in those cases when we see that there's value that can be added by a professional or a consultant that can be engaged to help the entrepreneur go out and do the feasibility work and go out and establish the extent of the market and so on, to do their grinding of data and investigation that needs to be done before lenders can be attracted and equity investors such as ourselves.

So why does it take so long? I don't know. There is a process of discussion and sorting out that we go through initially. Often individuals are coming to us very early in their thinking in terms of assembling a business as we do ask them to but at that early stage not often very well formed. They haven't really gotten through a lot of the preliminary feasibility work or ground work that needs to be done, haven't talked to a banker. From an applicant's point of view the clock is ticking in that they have approached the program and so what is taking so long? I think part of it is just that.

People are getting their idea very, very focused so that we can make a determination whether we are interested in making an investment or not. Our statement of intent isn't particularly vigorous. The form that we use for people to present themselves isn't particularly vigorous in demanding a lot of information up front. But I think in the dialogue that goes on after that, we're usually probing for

additional information. In no way does it take two and one-half years to reach a conclusion on supporting an investment in a business plan.

There may be, and I'm sure you can all think of at least one of our files where we have kept files open as people have been back and forth testing different ideas on us. That does happen but the vast majority of our activity is much, much shorter time frame, roughly thirty-nine days to respond to a statement of intent and if information is reasonably well organized we can see the merits of someone to go ahead with business planning, say roughly 60-90 days turnaround is more normal for us.

David Seymour

We must keep this moving because our break is coming up. I did want to, by way of summary, pick-up on the comments that have been made here. You identified that there are two areas that are really of concern. One is the area of business planning and the other one is stronger project equity. Tell me, what is IST(C) doing, one to identify those, I mean you keep giving us these neat statistics, and I think that's really positive. We're looking here for solutions.

You eluded to various solutions by suggesting that Wayne Gray is going to do business development. Is there any other strategy that the corporation is doing towards these two areas, that we might encourage or respond to? You cited two problems. I want to get the focus of this discussion on solutions.

David McDougall

I'm not sure I can offer solutions David, necessarily but in terms of improving access to the capital pools that are out there, one of the other things that our program has been doing through our Aboriginal capital corporations program is looking at strategies and making contact with fund managers in places like Bay Street, to explore and see what needs to be done to access investment from those money managers or those large pools. We have been working that front. It's still a fairly cautious group that we are talking to. Their primary interest right now is, they're interested in this question but they're really asking "Show us examples of successful Aboriginal business", not only the successful, but the good, the bad and the ugly. Enlighten us as to what is going on in Aboriginal business country. Those discussions have gone on and are continuing. That's one additional non-funded type activity our organization is involved in. I'm afraid I don't have those solutions for you this morning.

David Seymour

There was a question in here...Mary?

Mary

I'm curious. I've heard two questions that kind of disturb me. Overall, the program at a national level, I heard that about 80% of the dollars were going to about 20% of the people. The problem is there is little capital and that there are times when people who started their project with assistance from the program who are able to

re-apply. That doesn't sit very well with me and the other thing is that sometimes I hear things about how the ACCs are dealing with their loans and their equity. Is there a condition on how they secure the loans and what type of interest they have to charge in order to insure it's going to the funds that they're given privy to? Is there criteria?

David McDougall

Can I just rephrase that? A condition that we would apply in terms of the amount of interest that they would charge on a loan. Is that what you're seeking?

Mary

Well if there's a 2-3% risk ... a low market, would they be able to charge the same interest under your program as the banks do? Do they have to have a higher rate of interest, is that a solution that you're planning?

David McDougall

It's not a prescribed condition as far as I know, there may be instances where that has happened in the country but for the most part when we are looking at making a contribution in a capital corporation, we are asking for normal things as in a business plan that has demonstration of a market and revenue projection and expense projections and so on that show profitability and preservation of capital. Most of those ACC's have made assumptions about interest rates and at this juncture those assumptions look a little bit off because interest rates at a bank are much lower than what you're seeing from an ACC. I think there is always going to be a large premium that an ACC is going to have to charge over what a lender might, partly because of the size of the capital under administration by the ACC and the need to be profitable and partly because of the high risk nature of the business. There really is going to be a premium that's going to be applied over and above a bank. Our national board is looking at that question right now, as to what should be the floor and what should be the premium as a matter of course. But there is nothing prescribed by our program that will compel high interest rates. I am aware that a couple of ACC's have had sales, been offered loans at 9% and stimulated a tremendous amount of demand and take up on that depleted their capital and almost closed themselves down. I think the higher interest rate also allows an ACC to spread their dollars wider as well.

(Unknown)

It seems that a few people are getting all the money. Why can't the money be distributed among more people?

David Seymour

She's asking, "How come there's a small number of people always getting

the money, as opposed to a wide distribution from your end?"

David McDougall

I think you're referring to the Aboriginal Business Development Program as opposed to the ACC's, loans.

(Unknown)

I mean overall.

David McDougall

I'm not sure of the statistics, but I do know that that is evident in our track record so far that a large number of dollars have been consumed by a small number of large projects. Typically those are community sponsored applications - bands or organizations that already have significant...it can bring good equity and have access to large opportunities. We are right now in the process of coming to grips with that, given what I said earlier of this era that we're going into of more restricted resources for new investment. We're looking at that question now, how do we get more bang for the buck with our program. Looking at questions such as taking a part of our available capital and setting it aside for the large projects and setting a ceiling on that and going no further. Our board is much more interested in widening the access so that leaves us to putting a restriction on large projects that we're getting involved in over the next couple of years. That's part of our response.

(Unknown)

And what about the second time around? It seems to me that whatever it is, whether it's band council or private business, if they establish profitable business and a track record they should be able to go to a conventional lender. They shouldn't have to go back to a program. Are they the same organizations applying for funds and getting funded twice?

David McDougall

Yes, that does happen. We don't have any restrictions on the number of times organizations or people can come to the program, other than common sense type restrictions. We have conventionally said that we will look at each business proposal to us on its own merits. When we see people coming back or an organization coming back very soon after we've made an investment already, made the seed investment, and now they're looking for the next stage, financing or the expansion, we do try to slow those applications down and ask that they go out and pursue the business plan that we've already agreed to and come back on a later date when they're ready and have proven that they can achieve the business plan and are prepared to come for an expansion.

We haven't ruled that out. I think we're just on a case-by-case basis. We try to apply common sense and look at achievement on a business plan before we go for follow-up financing or top-up financing or expansion financing.

David Seymour

We have a couple of other questions but time is running out on us.  
Can we make them short?

(Unknown)

Most of the approval process seems to be governed around the board and businessmen I guess who are on the board. I wondered how often if this board shifted? It doesn't seem like there is too much inner activity that stems from that organization. It seems to be very (slow-moving) at this point. I know you have a limited resource and it's going across all of Canada. I'd like to know the dispersement for each region as well. Do you have a regional board?

David Seymour

Can we tie this in with the other question? In articulating it this way and saying, "does the board produce an annual report that shows some of the statistics that are of some concern here?" One would be the demand and you've mentioned that 80-90% is in low areas that you're trying to push out to the ACC's but also the other concern of the distribution that would aggregate and deaggregate it by region, by band or by area. Is there any distribution? I have to see my schedule because I'd like to get a break in here and we'll take some time if you've got a slide. We can move out the machine and give these people a chance to move around. It's going to be tough this morning. You've got the one question. You've got the slide?

David McDougall

I think there's a number of questions there, maybe I can be real quick about them. No, the board does not produce an annual report. The boards are very much composed of businessmen and are reported by Order and Council, the Minister of State for Small Business and roughly fifteen members of the board and their appointment rotate so that every two years roughly half of the board would turn over. In terms of the distribution of funds what I can give you is an idea of the amount of assistance that's been authorized in our program so far.

I can just read some numbers off the slide that I have. I'm not sure what this takes us up to but roughly late last fall or December.

The authorized assistance in British Columbia has been \$20.3 million and that's the largest amount in Canada. In Alberta the amount is \$9.9 million. In Saskatchewan the amount is \$11.7 million. In Manitoba it's \$12.4 million. In the Yukon it's \$6.7 million. In Northwest Territories it's \$8.6 million. In Ontario it's \$16.2 million. In Quebec it's \$9.3 million. In all of the Atlantic provinces combined it's \$6.1 million. I think that adds up to approximately \$100 million.

David Seymour

Last question before the break.

Matthew Moore

My name is Matthew Moore. I'm with the Nisga'a Tribal Council. The question I have is related to the previous question but in a different way. All the way back to your predecessor program, Native Economic Development Program, I've always seen your organization as sort of dangerous threatening organization to many people, in part because you control our development agenda. The policies you decide on, the programs you put in place, the projects you decide to fund, have a big impact on how our communities develop. I continue to argue with your directors, some of your board members that there should be some control over your policy development, your program policies. What types of projects are you going to fund? What kind of access are you going to give to different people? Are successful applicants going to be able to come back every year with a different project so it takes ten times before some little group with 90% unemployment gets a kick at the can? Those types of things. I think there are a lot of native people who are as cynical about your program as I am but it's the only thing we have. I wonder if you can tell me who develops the programs policies and how often are they reviewed? And do native people have any input into that?

David McDougall

OK, Matthew, we have as you're probably aware, three boards. We have a program project board for western Canada, a project board for eastern Canada and a national board that does a couple of things. That national board deals with the larger investments that the program provides. They provide direction to the two regional boards which pretty much deal with individual cases. It also sets the program policy for the program. That is really where all of our policies flow from. I know sometimes it appears that the policies are created by the bureaucrats. That's not so. It's very much a strong policy board and when they meet most of their discussion is on identifying policy issues or reviewing policy research or work, or approving new policies for the program. That national board consists of all native people, I think, except I think one. It's very much a native board and very much in control of the program. I think if you saw it in action you'd appreciate what I'm saying. I'm not giving lip service to a set board. It is very much in control of the program and most of those board members are very accomplished native business people. They're slow to establish policies. It's really a two-edged sword when it comes to setting up a policy. It means what you're doing is narrowing down and defining and restricting flexibility and so on. Our board has published a book of all the policies that they have approved. It may be in your office. If it isn't I can get you a copy. It's all up front. There are no hidden policies. Anything over and above that is case by case where we're trying to interpret policy and apply it fairly and in the spirit of what the board is trying to do. We don't really go to our board saying give us a lot of policy because we know what that does is narrows and restricts and confines the program. In terms of control they're definitely in control.

David Seymour

There are two questions but we need to have a break. Can I take your question right after the break? This is such an interesting area.

As was pointed out earlier, you're the only major funder in capital that we have so I don't want to let you... Yes, Robert?

Robert Hall

I'd like to pose my question now. I'm part of the First Nations group.

We've done three business proposals to date and all three of those have received money. I know how difficult it is to access capital.

Just before Christmas, there was a national evaluation done on the program. I made it clear to them that the team that we have now appreciated the fact that they actually came to our reservation and actually went to the store in Agassiz. They left me with the impression that they really wanted to improve upon the delivery of capital monies that are available to individuals and to corporations.

I thought maybe that after the break you might lead off by letting us know the results of that evaluation, David.

David Seymour

OK we'll break there and you can think of your answer and we'll convene.

I want to make it very short. It's now 10:20, so 15 minutes only. I'll be very religious about this matter. Go!

#### **COFFEE BREAK**

David Seymour

I want to get this back to order before we lose our day. We need to talk about so many things. There's Steve Watson down here that's handing out the report that we can look at over lunch as to whether or not it satisfies the kind of analysis we were talking about earlier.

At least it's the capital program. There will be an open session at the end of the day so that you can express some of your ideas. At lunchtime I'll try to get a microphone out there somewhere so we can get those ideas on record and make sure they are clearly understood and in some way heard by the Commission. Where did Steve and Dave go? Lori can you go and find them?

I want to again welcome everybody and the ones that are of late to join us. We had a question by Robert Hall about the evaluation being done. Dave was going to answer it. I managed to get the slide projector here so people can get those numbers that were announced earlier.

David McDougall

Firstly, on the numbers I should just add another clarification. What you're looking at is the activity of the Aboriginal Business Development program which is one of the three programs that we have.

That would exclude any of the loan insurance that we've provided

to lenders and would also exclude any of the investments we've made in the ACC's. That's not quite a reflection of all the activity in British Columbia. That would just be the investment in individual businesses from our equity fund. Over and above that we would have supported a number of loan insurance deals with banks and supported quite significantly a lot of the ACC's. Yes, Bob, I'm aware of the group that came to see you. What that group is is the auditor general office of Canada and the auditor general has selected the CAEDS strategy as worthy of a review and an audit check and their intending to publish their findings in the audit report to be tabled probably this summer or this fall I believe it is. They have teams going out to look at what CEIC is doing as they are as a CAEDS partner. DIA have lots of obligations under CAEDS. They're looking also at auditing and how effective they've been and us as well. What you'll see is the report from the Auditor General to be tabled in parliament that will talk about all three parts of the CAED strategy and how effective it's been and I assume, what mistakes have been made and so on, will be well covered. So nothing has been published yet. The audit continues. That's our understanding, that they'll publish.

There may be a headline or two that you may be reading about in the paper. That's the group who came to see you. In addition we have also undertaken a review of the business projects we have gotten involved in to date. We engaged a company to have a look at that.

That study we're going to publish some findings as well. That study focuses more on how successful are the businesses that have been funded to date. How profitable are they? Are they achieving whatever one had hoped would be achieved? And so on. And what kind of jobs have been created, what industries have been predominant, all those kinds of questions will be published on our own. Those are the two reviews that I am aware of.

Dan Smith

I'm Dan Smith and I'm with the United Native Nations and I'm not sure if the question is appropriate at this time, but you can tell me if it isn't. I'd like to know if the statement about NEDP and CAEDS on the discussion of policy development. My assumption here is that when NEDP was founded and then changed to CAEDS that the following policy from NEDP to CAEDS and it is difficult for any board to change the policy of CAEDS at this time. It may take something like an order-in-council. I'm not sure. It certainly should be looked at to see what kind of achievements that would make from NEDP to CAEDS today. Because one of the biggest of things with the NEDP was the time frame it took for an application. My question, Mr. Chairman, is this. Has CAEDS conducted an analysis of the distribution of its resources to the on reserve projects and to the non-profit organizations that may have made applications like Aboriginal Friendship Centre not only in British Columbia but in Canada?

David McDougall

OK, two parts to that, policies and how NEDP policies have carried over and contaminated the policies of this program. There's a lot of common ground between the board that ran the NEDP and the board that runs this program. There's certainly separate boards and I don't

believe our current board in any way feels bound by NEDP policies at all. They have their own mind about what the policies should be.

There may be precedents that NEDP has set that have carried on, but I'm not sure if you have something specific in mind but our current board would feel they're not bound by NEDP policies at all. They are bound by one principle thing and that is terms and conditions of the program. The terms and conditions being the overall perimeters and rules that were laid on by the government of Canada when it funded the program. That would be the outside perimeter that the board would have to work within. Within that they have very much a free hand to establish policy. In terms of the distribution, the study that I mentioned a minute ago Dan, where we've gone back to look at several hundred of the businesses that we've provided some funding support to, to see how they're doing. That study is not quite completed but one of the dimensions to it is looking at differences in success and performance between on reserve and off reserve. I've seen some of the early stats that have been published but it's still very much at the draft stage, which would suggest that the on reserve businesses that we've supported are quite a bit more successful than the off reserve. That's one early indication that we are getting from that review. The data is still being analyzed and we will publish some of those interesting nuggets of information and the statistics and so on and how well we've done so far. I would predict that would happen probably in the next three or four months.

David Seymour

Just one more question. Yes, can you tell us who you are?

Walter Samuels

I'm Walter Samuels, President of the B.C. Association of Friendship Centres. We have forty-one Friendship Centres around B.C. We have access....(we're) in contact with many of the off-reserve people who can't access band programs, tribal council programs, or take advantage of council who serve their membership when they have natives all across Canada. We don't have any capital for starters and maybe that's why there's a lack of support for off-reserve members. We don't have access to economic development officers. We don't have access to support service. Is there any plans for having equity for off-reserve people in accessing the economic development by means of workers, specifically working for us?

David McDougall

No, there's no initiative that we have in our plans right now to go an extra mile or establish any extra support system out there for off-reserve aboriginal people. Our support of the Tale'Awtxw Aboriginal Capital Corporation, I think the UNN is an owner of that organization. I think that's one method we're using to increase access. But directly in terms of support to an infrastructure of development, of Economic Development Officers for off-reserve, no, we are not looking at that.

Walter Samuels

It seems to me that when we talk about off-reserve, we don't have the same approach. In B.C. we have about 178 000 First Nations people who are status, non-status, treaty, whatever and only 42 000 of them actually live on reserve. B.C. has 18% of Canada's Native population.

David Seymour

We have to move along. I want to turn the floor over to Neil Sterritt. Neil has had a varied background and I'd hoped that he'd give us an introduction and comments about Native issues.

Neil Sterritt

Thank you very much David. I was asked to give a bit of a background on some of the broader political issues that effect economic development. I'll do that to a very limited extent because I think economic development is a large issue in its own right and I found it very interesting just sitting here listening to Mr. McDougall and also the questions coming from the floor and the concerns. David Seymour earlier had asked me if I'd give a little background on myself first. I'll give a bit. Basically, I started to do consulting in Ottawa about two and one half years ago, moved home to northern B.C. in Hazelton in November of 1991 and have been working out of Hazelton ever since then, very heavily involved in the National Constitutional issue last year. I was a co-chairman of one of the four committees set up to deal with them. I worked for all four of the Aboriginal organizations doing that. Then this year I have started to do several things. A lot of it is centred in Hazelton dealing with economic development.

First of all I think if I just speak from a Gitksan Wet'suwet'en perspective, I am Gitksan. I'm from the upper Skeena area. We do have a tribal council that is working pretty hard on self-government and the resolution of the treaty process in British Columbia. Everyone is working on those areas. I believe that self-government and the resolution of these issues really are keyed to all the other problems and needs in a community. They're keyed to economic development, they're keyed to social issues, resolution of a comprehensive land claim. I'm saying today and I said it fifteen years ago, that nothing will be resolved if all we have is an agreement on paper. What we have to do is deal with the problems in communities. The problems and needs of communities include social issues and economic issues. The foundation of any government and the foundation of any people is economic development.

It seems to me that self-government structures must move to where the economic base is or is going to be in a community or a group of communities or where individuals themselves can capture economic opportunities to create better things for their communities. That doesn't just apply in a community as you might be thinking in an Aboriginal community in northern B.C. or Gordon Antoine's area or anywhere else. There are aboriginal communities in Vancouver. There are Aboriginal communities in urban centres that have to have economic

opportunity as well. The problem is they're swallowed up by the environment that they are in so there has to be a way for advocacy organizations to create opportunities for people in the urban centres as well. It isn't a level playing field as Gordon said. There's not enough money to go around to everything that has to be done. The biggest thing that Aboriginal people have to do is have choices. We must have choices! And for many people in many communities there are no choices. They should have the choice to pursue any livelihood they want or if they should have the skills and the work habits, to have the choice to go and work wherever they want.

If they're in Vancouver, they've got the skills and the experience, then they should also have the choice. And there isn't a choice because there isn't a lot of economic development at home. They should have the choice to go home. So, there's a need to create an economic base everywhere. We'll benefit and Canada will benefit if that happens.

I don't know if the Gitksan Wet'suwet'en or let me say the northwestern British Columbia is unique or not to this extent. There is an economic development organization based in Prince Rupert called Tri-Corp. Really it responds to the needs to the three major tribal groups in northern B.C., the Tsimshian, the Nisga'a, and the Gitksan Wet'suwet'en. I think that there is some overlap to the Haida and perhaps to a certain degree to the Tahltan. I don't think people would be turned away. I know that this sort of economic development corporation does not exist in Prince George. I talked to Justa Munk recently and they want to know what's going on in our area because they want to get this type of service provided in their area. It's needed. It's needed everywhere in B.C. I know that there is some things done in the Central interior, some pretty good things. But certainly Tri-Corp is one of the economic development sources of equity, loans, grants in our area. CAEDS and First Citizens Fund provide the funding there.

But the Gitksan Wet'suwet'en have their own economic development corporation as well and what is unique about that economic development corporation is that it has set itself up based on what many of us know as the clan or the house system. The Gitksan Wet'suwet'en House is obviously an extended family. An extended family would be, for example, I'm from the House of Git'lu da, that's the Farawe Tribe, our clan in Kispioux. There's Farawe tribes in other villages. But the House of Git'lu da is able to access funds from the Gitksan Wet'suwet'en Economic Development Corporation if they have a viable project. If an individual in that house wants to access equity then they have to have a meeting with the House leaders, the heads of the clan and they will say yes or no, sign a paper and then that person can use that as equity to get going with their business venture. We have high unemployment situation in our area. We have social problems and we lack a lot of skills in our area. One of the functions of the Aboriginal Peoples Development program is to assist with comprehensive business plans so that First Nations Citizens can get on their way. Well in our area, if you don't have the skills to do a comprehensive business plan to kick off your project then obviously you're going to be in the situation that Dorothy found herself in where it took two years to finally get to square one.

It's important to have the skills in the community to do comprehensive business plans. It's also important to have a leap of faith in terms of equity and that's what the Gitksan Wet'suwet'en Economic Development Corporation tried to do with the House system. I can tell you there's all kinds of problems in the system but there's all kinds of benefits, advantages. One particular group in one of our communities who wanted to launch a major economic development project, a large business, the proponents of that project didn't have any money.

It was, I guess, I wasn't part of that particular process but I'm aware of it, in the neighbourhood of a \$300 000 project. The individuals all had skills but they didn't have the ability to put together a business plan and there was some question because they didn't have equity, whether this project should proceed. The project eventually did proceed because there were four Houses involved. They loaned individuals from within their Houses the money they needed to have the equity to kick off that program. There are now four people working full-time who for the past fifteen years have been on welfare.

Three other people from that reserve who had other jobs part-time maybe full-time are also working in that business enterprise. And the business is doing pretty well. I'm not saying that this would be the case for every business but I am saying that there is a need for flexibility in terms of providing equity for individual and organizations which would include Band councils and so on to get economic development going.

The three main problems that people face in our communities are:

1. The lack of financial management skills and experience to run a business and to pull together a business plan.
2. The lack of cash equity. It just isn't there for many of us.
3. Having adequate financial records so that a grant or lending agency can make a decision with request to financing, improving a business or revising a business.

Those are the three main obstacles that have been faced by Gitksan Wet'suwet'en people who want to get going. Of course the other problem has already been described here by going through questions. The problem that a person who has identified an opportunity today, it may be two years down the road before they're able to capture the opportunity or they may have gone on to do other things. So what are the opportunities? Well, I wear another hat.

I'm one of the founding directors of The Canadian Aboriginal Mining Association. Calvin Helin, who I think will be here later, is also one of the founding directors. Basically CAMA is a voluntary group who are dedicated to promoting the interests and a better understanding of the potential of better economic opportunities that may exist in mining for Aboriginal people. As you know mining activity occurs in rural areas right across Canada. We're not blind to environmental problems that mining activities present. I was in the mining industry for thirteen years, minerals exploration industry, which is really quite environmentally friendly. It's when you get to the mining stage

that you start to encounter problems. Everybody is conscious of those problems and there are economic opportunities for Aboriginal people.

Let me give you an example. A mining company is developing a gold mine in Tahltan territory. The Tahltan's have set up maybe one of the largest Native owned and operated construction companies in Canada, The Tahltan Native Development Corporation. They have ended up benefitting by building the roads to these mining cites. They have benefitted by being part of the process within the mine development. They have employed...I don't know how many people. They have bought a lot of construction equipment. They are running a pretty good business. But what's interesting about one of the projects that may develop in Tahltan area is that they do not intend to process the ore from that particular project in the Tahltan area.

There is already a processor in the Gitksan Wet'suwet'en area, south of Houston. They intend to truck the ore from area to area if they get all the approvals they need and if everything is a go. Their opportunity is for Aboriginal people to do trucking. There will also be supplies needed to go to that mining cite. All of these things need to be looked at now because that mine may start shipping in 1995.

There is a wide variety of opportunities for Aboriginal people if they can get ready, in the area of training, in the area of developing viable business plans and in the area of possibly joint venture with the mining company. I think all of those things are opportunities for Aboriginal people. CAMA, that myself and others across Canada have created in late 1992, is available to help people decide whether or not a particular mining development is a benefit or not, how Aboriginal people can play a role. We are just a group of people who have some expertise in that area. Jerry Asp the president of the Tahltan Native Development Corporation is a director, Calvin Helin is a director. We're an advocacy group. We're not there to get into mining but we have expertise.

So I've described some of the problems and the obstacles. I think that if we understand that what Aboriginal people need are choices. And you only have choices when you have the skills and the training to do certain things. You then have choices. You also have choices when the projects you put together land on the desk of someone from ISTC or a bank or if you're going to look at venture capital, if when it lands on their desk they say. "That looks like a well thought out project. I'd like to put some money in it. I don't have a problem with the risk." I think we can create all kinds of choices for Aboriginal people and that we have to be aware of those particular areas.

Economic development is the foundation of self-government. Economic development can commence now whether self-government happens now or in the next ten years. We have to restore our economic base. There are individuals who are ready to try to do that. There are band councils. There are organizations who are ready. There has to be an access to the equity. There has to be leaps of faith to make that happen. I think there are innovative ways to do it. I appreciate the criticisms of Matthew Moore from the Nisga'a has described. But I think that we have to look at different ways to make things happen.

If money is limited we have to be creative about where we go for money to make things happen in our communities. I don't have any more to say right now. If you have questions I'll be happy to try to answer them. I think your questions have been really interesting because I've been listening closely to the answers as well. Many of my questions were your questions. You may have some questions for me or you may not but I will try to answer any questions you've got. Thank you Mr. Chairman.

David Seymour

Thank you Neil. Are there any questions for Neil before we move on? Thank you. I want to ask the next panel to come up and we'll excuse these two gentlemen. While the exchange is taking place let me give you the administrative details, an update. Can we get Wayne Gray and Murray Munro and Steve Alisharan? I want you to come up now so we can excuse these two. The administrative details that we should deal with is that lunch will be served outside here. They've asked us not to bring food in here because food attracts other animals to eat inside. They're trying to keep this place clean. This is a university. I believe that we have a seating area over there near the windows. Feel free to sit over there. I hope David and Neil don't leave because the interaction we've had and particularly the connection with Wayne who we're about to hear from who is with the newly founded Capital Corporation for the lower mainland. Hopefully it will tie in some of the details of how the strategy of the IST is making access to capital available. The others are a turn on that point so we will hear from Wayne first.

Wayne Gray

Good morning. First of all I would like to thank David and Rod for the opportunity to come and talk to you about Canada's 34th Aboriginal Loan Capital Corporation. The Tale'awtxw Aboriginal Capital Corporation will be serving clients of Coast Salish ancestry and United Native Nations. Before I go on, I would like to introduce Michelle Thomas who is our co-chairman of the board and my boss.

What I'd like to do is start off and tell you what we'll be doing and an update as to where we are now. Then I would like to get into some discussion about some of the points that were raised like interest rates, availability of capital from an ACC perspective. We have approved an \$8 million loan capital base from the Aboriginal Economic Program. We will be providing our clients with capital loans, working capital, bridge financing and loan guarantees. In addition to the loan program we'll be employing two external delivery officers. We'll be opening up with two offices. One is already open and that's where my office is situated and that's at Suite 209-1999 Marine Drive, North Vancouver, which is the plaza for people that are familiar with the area. As well we'll operate an office at Chemainus on Vancouver Island. Just to touch on the Aboriginal business development and the external delivery this part of our operation is probably going to be, from my perspective anyway, is going to be the most difficult part of our operations. First of all we have to overcome the stigmatism that's attached to the ISTC program. Some of the points

that were raised here today like the applications taking four years to be dealt with. Our company is going to be client driven. I guess my answer to the "light years" question of applications is going to be that we're here because there's Native entrepreneurs out there.

We're here to serve you. I have a job because you're there. We're going to be there too to serve you. Our staff is in the process of being recruited right now and that will be their number one goal to serve the clients. We have taken over the external delivery aspect but only in the initial application and analysis stage. We do not have the final approval of the grant. But at least in the outset we'll be able to speed up that application process and a lot of the, from my experience, applications that we will be seeing will be applications for an ABD (Aboriginal Business Development) grant as well as for a loan, capital, from the Capital Corporation. You can have ongoing analysis of the two components instead of the application has to go over to the ABD program and they do their analysis and then go to your private lender and they do an analysis and then you get caught up in the "Well, we'll approve it if they approve it." type thing. Our goal is to have the application come in and be treated as one application with two components and hopefully that process can be streamlined and we can do a good enough job that it will enhance the opportunity that perhaps down the line they will be able to devolve the approval process of the Aboriginal Business Development program to an institution such as an ACC. We have to prove that we're good lenders. That's our prime function. We also have to prove that we're good administrators. I think if we can prove those types of things that that'll make the devolution process down the line, of that program possible.

One of the areas that reflects on the access of an ACC is, in my view, our relationship with the developmental process. Whether it be with employees with the tribal council, people at the UNN, anybody that's involved in helping clients develop their business plan. Ourselves we can't be proactive and reactive. It's important that we have a good working relationship with all the people that are involved in the developmental process. And one of the things that I will be doing is making sure that I liaison with those individuals. I've met quite a few already and I intend to get out and visit the communities that these people live in and develop an understanding of what our role is going to be, what their role is going to be, what the external deliveries officers' roles are. This whole process of business development can take a lot less time and be a lot less painful. As I indicated before we're operating a loan capital fund of \$8 million.

In terms of interest rates, a rate of 12-14% is required in order to get enough gross income to pay the bills and absorb a target of 5% loan loss. A few years ago when ACC's first started and bank rates were 17, 18% and ACC's were charging 12%, we looked pretty good. Now that it's reversed everybody saying ACC's rates are very poor and look at the bank's rates. The reality is that the bank won't make the loan anyway so how can you compare them?

In order for us to deal with the interest rate question and the whole aspect of long term liability, if you look at an \$8 million dollar commercial loan fund over the long term, it's certainly isn't large enough to sustain 5% loan losses and expect to be viable past five

or six years. It's just a numbers game. In order for us to survive and get into a position where we can offer rates that are competitive in the market place I believe that what we have to do is diversify and get into doing other things. Just for example, some of the things that have been talked about and are being done in other parts of the country is the purchase of the Indian Affairs INAC Loan fund, marketing group life insurance and disability plans within the Indian community.

It's something that is certainly needed and another aspect that I would love to see us get into is the whole issue of CMHC (Canadian Mortgage and Housing Corporation) loans. Banks are making millions off of on-reserve housing loans that are all government guaranteed and just raking in the gravy. If we could diversify our loan portfolio and get into those types of lower risk type lending it would give us the opportunity to diversify.

A lot of the ACC's in Canada that were started under the old NEDP program are having trouble surviving mainly because they are undercapitalized. A lot of them are in the \$4 million range. I think the thrust of the ACC program is going to be to solidify the existing ones and not really the creation of newer ones, from what I understand, by way of top-ups and additional loan capital and assisting in diversification. It has to be done or a lot of these smaller ones won't survive.

My observation about the banking community in what we do is that banks are starting to take notice in the Native community mainly because they're eyeing all of the deposits of the impending land claims and a lot of this type of thing. Really if they're going to make any impact at all, we're going to have to overcome the limitations of lending on reserve because of the Indian Act which is an issue that has to be dealt with over the next time. That would lessen the excuses that banks have for why they can't make loans. They certainly hide under that one. I'll conclude with that and I'll be glad to answer any questions that you might have. Thank you.

David Seymour

I have a bunch! We'll take questions from the floor first. David?

David Anderson

At the beginning of your discussion you had mentioned some bands that are the owners of your ACC. Who will be eligible to borrow from you?

Wayne Gray

Any person of Coast Salish ancestry who resides within the geographic area that that covers and members of the United Native Nations. That is a general response to that question.

(Unknown)

Is that a priority? Coast Salish ancestry and then UNN?

Wayne Gray

No, not a priority whatsoever, it's first come, first serve.

Tony Solomon

My name is Tony Solomon. I'm from the First Canadian Training Institute. I'm going to get into mortgage funding. I don't understand what your purpose is there. If you've got \$8 million and you end up with \$100 000 mortgages to build houses, you've got 80 houses and that's it. That's the end of your fund, unless your purpose is different.

Wayne Gray

The CMHC, Tony, wouldn't be lent out of the \$8 million commercial loan fund. That would be something that would have to be negotiated and in additional capital dollars, as an alternative.

David Seymour

Yes, I understand the comments that he's making is that it would seem that when they calculated the survival rate of the capital corporations, it's based on the capital corporation lending out its money at a given rate which is then returned. The difference between its cost, it has to recover in order to survive. This obviously, with the dropping with the interest rate, means that the gap between the lending and the cost—because the cost is relatively fixed. If the interest rate is falling you would naturally expect it would be more and more difficult with a smaller and smaller capital base to get sufficient funds to survive. Is that the way we understand your comment?

Wayne Gray

Yes.

David Seymour

One of the questions that was given to you by David Anderson, let me go back in my notes here, was referred to business development. You've just explained to us that you're not going to undertake the development process other than the, as you said, the initial evaluation stage?

Wayne Gray

In the initial stages no because as I had indicated before, one of the things you have to be very careful of when you get into operating a loan fund is, you can't be proactive and you can't be reactive. In other words you can't go out and be proactive and help with the business plan and then bring it in and then another person within your same organization say yes or no. It's too much of a conflict. I think what has to happen is the development part of the whole process has to be community based. It has to be out at the community level

in order for us to reach out. We're going to be situated in two places but that still means a bit of travelling for our clients to be accessible to us. That's why I feel the developmental process has to be community based and be supported in liaison with us. It can't be institutionalized under us.

David Seymour

Is there any other questions that arise? First Joanne.

Joanne Charles

I apologize for being late. I heard you mention two locations. I know you're in North Vancouver. What is your other location?

Wayne Gray

Chemainus, on the island.

David Seymour

There was another question. Can you give us your name?

Christine Baker

Christine Baker, Vancouver/Sunshine Coast. I just want to know if you have a Board of Directors? How do you process your business plan?

Wayne Gray

Yes we have a board of directors. First of all Michelle, who I introduced to you as the co-chairman, and there are six other directors. How we will be dealing with applications is within house? As the Manager, I will have the discretionary limit of so much and then we'll have a management committee that'll have a discretionary limit to a certain level, then the full board will have the largest discretionary limit. Those limits haven't been set yet. I've only been here since the 6th of January and we've been busy getting things underway and those limits are small things that we have to deal with yet. I will be able to approve the loan up to a certain pre-authorized limit.

Christine Baker

So, have you started yet?

Wayne Gray

No. If all goes well and the government tells us that our check is in the mail and we're in the process of recruiting staff, we're hoping April 1st.

Cecil Wing

My name is Cecil Wing and I'm with the Carrier-Sekani Tribal Council.

Wayne, you mentioned you have a capital of \$8 million. The way ACC's work, what is your initial capitalization before you start drawing down to the full amount.

Wayne Gray

Our initial advance is \$1.8 million of that \$8 million and it basically decentralizes based on cash flow and availability of cash.

(Unknown)

I was involved with the formation of Tri-Corp ACC. Subsequent to their offices starting I moved back to my tribal group. One of the things that I've found is that the Tri-Corp started off saying basically that their financing is subordinate to other traditional loans and so on, and that access to loans from Tri-Corp would be a lot easier than normal banks. I found in practice that it's not true. Instead of taking subordinate assistance on loans they want First Citizens. And also because I guess the restriction on security on reserve they've tended to force the law to put small business people into incorporating. They won't deal with our people as private proprietors on reserve. I know that ACCs have an association. Have they tried to deal with these particular issues? Are they committed to taking assistance on loans? Is the idea of ACC's going to the wayside? Have they tried to explore a creative voice of taking care of the security problems?

Wayne Gray

As far as taking the first charge on the assets, you have to remember one thing that as part of the mandate of getting the funding and setting up, ACC's have to be viable. They have to look at, they're caught in the aspect of being conscientious developmental type lenders and the bottom line. In a lot of cases your thinking in your philosophies of lending is dictated by your bottom line and that answers that part of the question.

The national organization really doesn't exist. It's there but it really hasn't had much in the way of a mandate or tried to deal with a lot of these questions. Before dealing with the access question, before coming to British Columbia, I was general manager of the Saskatchewan Indian Equity Foundation in Saskatoon and it was one of the first Aboriginal Capital Corporations to go to the well and get funding. It's probably in the same vintage as Tri-Corp as far as age and that type of thing. We never encourage our clients to incorporate if they're on the reserve. The question of access comes down to the Chief in Council are the total authority on a reserve.

You have the aspect of Indian government on reserves. Now if they'll sign it and the onus is on the client to ask his Chief in Council to sign a BCR (Band Council Resolution) of access to allow us to go on the reserve and secure the assets and conduct business on the reserve. OK? In 1500 loans that I was responsible for making in Saskatchewan, we had one client who tried to hide behind the access question and a few that tried but the Chief in Council wouldn't let them. That's the type of community support that ACC's need if they're going to flourish.

Cecil Wing

Wayne, if we take that one step further, what happens if the Band Council can't give a BCR authorizing the procedure or any assets on land that's CP? What are you going to do about CP land?

Wayne Gray

That one, unfortunately, Cecil is a new one to me. In Saskatchewan they didn't have that CP land. Again it's a matter of discussing the problem or the situation and developing a policy that will help us deal with that.

David Seymour

Did you here that answer? That was an answer to your comment. For those people who don't understand about the discussion on CP, under the Indian Act, Band Councils can allocate land to individuals in which case the individual receives a certificate of possession. That provision exists in the Indian Act but various regions have taken advantage of that. As I understand the statistics in Saskatchewan has about 92 CP's (Certificate of Possession). In B.C. we have about 15 000 CP'ed lands by comparison. It may reflect a difference, kind of like an entrepreneurialship ground, oriented or land oriented, more than collective oriented. I don't know what the differences are. We see even the differences across the region from one band to the next. Some bands have no CP's, other bands have a lot of CP's.

What Gordon was suggesting to deal with was to evolve trust agreements that would invoke a trustee at a certain point in time. Now that's most intriguing, an interesting solution to that particular problem.

I know that capital corporation problem that was mentioned by Matthew there was challenged by some of the Penticton group. Those people because of their circumstances involving the leasing of land to their own corporations in order to secure loan funds, in order to run businesses, particularly their trailer parks, they have found a way to utilize the structure of a trustee to eliminate the property tax that got stuck on people like Norman Johnson up in the Nisga'a country.

No it wasn't it was in Gitwangak, yes. He got tagged with property tax because he created a corporation and the corporation had to pay the property tax because he had a lease of his own land and he tried to argue that this is my CP land and this is my corporation and we're all one. The court didn't buy that because he never really had a trust agreement in place like Gordon is suggesting. The people in Penticton have worked hard to find out what that would be and they have a solution there. If anyone wants more information on that particular element it's available. We want to continue here. Is there any other questions for Wayne?

Harold Harvey

My name is Harold Harvey. I have some questions about how the capital corporation of any description, whether it's from here, Aboriginal, or anything. How could it possibly expect to succeed on borrowing

\$4 million or \$8 million from the government. Is the time not here that some of these groups are not going to start taking deposits from Native peoples' so that like any real bank does generate income from the differential between depositing and the use of that deposit. Are we always going to be in this, waiting for the government to give us dollars or are we going to eventually, at least, become a Credit Union type of organization that works very well. I think we're playing with peanuts really when we talk about looking for government dollars here and there when there's every Native person preferring to put dollars in a bank on reserve.

Wayne Gray

I think that when they first started ACC's back in the late 80's, that was kind of the goal of the federal government. It was to get these capital corporations going and eventually get into becoming credit unions, trust companies, all of those financial institutions.

Then there was the collapse of the Principle Trust in Edmonton and everything. For any institution that is as small as an ACC, it's a dream to get a trust company license or get into the main street financial industry. But I think with the settlement of some of these land claims, and bands are going to be getting large amounts of capital that they will be able to use those capital pools to be able to jump through a lot of the hoops that are needed to become a trust company.

There is one Indian owned trust company in Canada and that's Peace Hills Trust in Edmonton which is owned by the Samson Band which is the oil rich band. It's very, very difficult to get into that. At least ACC's are a start on that direction.

David Seymour

I think for the record All Nations Trust is a trust company, is it not? Gordon? All Nations Trust Company is a trust capital corporation. We might of asked that of IST whether or not there was a thought given to the two different possible structures. I can understand your historical comment. Dave, can you help us out here?

Was there an intention here to create capital corporations versus trust companies because of the Principle Trust or was that a decision by the group?

David McDougall

I can shed some light on it but not a whole lot, David. My recollection is when our department went about its business to set up the Salish Capital Corporation's program, it was pretty extensive discussions with the financial institutions, the Minister of Finance, and the CDIC (Canadian Deposit and Insurance Corporation). Our program was vigorously discouraged from thinking about encouraging a deposit taking component to the ACC in its early stages. I think things like Principle Trust and Northland Bank and all those things put a lot of pressure on the CDIC up here. It was certainly a part of the strategy initially but it was set aside. It didn't seem it would get the support of the regulatory institutions.

David Seymour

I want to lead into the venture capital but I'm looking at the time here. Let me ask you one little question that would facilitate the ending of discussion on that point. Is it possible for the capital corporations to eventually get to venture capital infusion or are they barred because of their current structure? Could they create, for example, a trust fund off the side kind of thing and find a diversification, a separate fund, like Wayne pointed out, that would facilitate the deposit by bands that made settlements or bands that have excess cash?

David McDougall

As far as I know there is nothing that would restrict it. In fact we've been working with All Nations where we've had to attract the interest of PEN Fund, a very large pension fund. No, that's not a restriction our program imposes. I see it the same way Wayne. It's right that an \$8 million capital from the government isn't going to set the world on fire. In the scheme of things it isn't a great deal of money. I think All Nation ACC has been exploring those kinds of things as have other organizations.

Gordon Antoine

I was going to say at the risk of offending or annoying the rest of the board, Harold come see us in about one and one half years and we'll take your deposits. All Nations Trust is a share-holder driven corporation. It's our intent to, the board's intent to respond to the share holders' needs and that's pure and simple.

David Seymour

Thank you Gordon. That's extremely helpful because where we were focusing on in terms of solutions here that they make a tactical mistake in not becoming a trust company and maybe I should ask him the ACC or...

Gordon Antoine

The ACC is a government word and I don't attend ACC things because I have my own job as a Director to me and that's it. The words "mature corporation" I think offends people because I'm 58 years old and I own that company and he just looks like a young whippersnapper.

Mary

I would just like to make a comment. It bothers me when, and I'm sorry Wayne but when I hear it's a dream. Everything's a dream. The thing is to make it happen. If we don't dream and we don't have ambitions, nothing will happen. And Gord, I'm looking forward to putting my money in the All Nations Trust Company and it will happen regardless of what the government says are the problems. It's the only way we will have autonomy in our community, to have our own institutions and our own economic base.

David Seymour

Thank you. I have a few minutes to twelve. Is there food outside yet? It's not here yet. I'm scared to get one of these others started because it's going to take the turn into venture capital which I want to take at this point because we're talking about taking on deposits and taking on placements of various kinds. Is there any other question for Wayne before the break?

(Unknown)

I have a question on low risk lending. We're talking about maybe setting up another company like lending for Aboriginal business. The area that you're talking about doesn't guarantee like social housing where individual assessments are given. How will you go about securing the funds?

Wayne Gray

Well, in order to get into being approved to a CMHC lender, one of the criteria that you have to have is to have \$5 million of unencumbered capital. First of all is going to be in overcoming the legislation to allow an ACC become an approved lender and then the negotiations with CMHC for a capital pool. It's basically at this point a thought and something that's going to have to be pursued. Exactly who's going to be responsible for pursuing it, I don't know. At this point it seems like there's going to have to be policies almost at national level that would have to be overcome and our job is to make this a good financial institution with a strong accountable base so that we can be in a position to start discussions on that particular area.

(Unknown)

For access to capital, basically the application for the funds would be directed from one organization to the other. Essentially you're just the lender after it's approved. I understand you're basically going to become just a lender once the project has been approved.

Wayne Gray

We don't have the authority of the Aboriginal Business Development grants. All we'll do is the processing and make a recommendation to the AEP management on approval or rejection. We don't have authority yet but that's something that I think that has to come.

Joanne Charles

In giving what you just said my understanding then is that you'll be processing the claims and then AEP down the road is actually going to process the cheque and then get it out. How long is this estimated time going to take? We've already heard the scenario of what their office is doing. Are you going to have that turnaround time increased or is this going to now take another six months?

Wayne Gray

Well, I sure hope so or I'll be spending as much time up here as David did, next time I'm here. That's something that we have to work on very hard and it's a danger if we don't.

Tony Solomon

Following on that comment, earlier this morning we heard some comments about the time from the beginning of the applications to the time the funds were released and the reaction I heard from now to this morning seemed to put the load back on the applicant which is fair and responsible but I didn't hear that there was any intention to facilitate a process. You said this morning that you can't be proactive and reactive. I realize that. But where is the support system supposed to come from for the individuals who need help with their business plan? Where is that system going to come from? I don't see any system for that?

Wayne Gray

That's part of what I was mentioning about the liaising with the developmental process whether it be individuals at the band level, or Tribal Council level. That's where I feel the support has got to come from.

(Unknown)

So you're looking for a developmental process but at this time you don't know what it will look like. It's just that there is a need for it to be there.

Wayne Gray

Well, coming from Saskatchewan I can tell you that there is a good developmental process in place there. The Tribal Councils have a good economic business development core of individuals that work with the clients and do that type of thing. That's what I mean about strengthening and working on those types of things.

(Unknown)

Also this morning we heard a big discrepancy between on-reserve and off-reserve support systems. If one component is being handled by the bands, what kind of facility can support the off-reserve for the developmental process?

Wayne Gray

There is the program that David Anderson heads up, the Aboriginal People Business Association. That's a developmental arm right there. That's the type of thing that has to be put in place and strengthened.

David Seymour

The discussion to this point, you've properly summarized it, is well placed for the break. The process has shown that the weak point right now seems to be the developmental process and that has to be strengthened. Another weak point that seems to have come out of the discussion is while IST is creating the Capital Corporations for the purposes of taking on the developmental processes, the Capital Corporations aren't ready to take that. I understand All Nations Trust is starting to take some of that work as well. The two areas of concern that needed to be strengthened are business planning and the strength of project equity. Clearly the Capital Corporations might be able to do that but Matthew point out to us that there is the need to survive by the Capital Corporations and they may be caught in that interest squeeze that results in their survival being a higher priority than their need to get the capital, hence like in Tri-Corp the move toward first position funding and that becomes a problem too. We've identified that in this process. I'm hoping some of the solutions will come out later at least, because those are the areas that need to be focused on. It's now twelve o'clock. Is there someone who can tell me whether there is lunch outside? It's on its way? Anymore questions before the five minutes?

(Unknown)

What are you forecasting on an annual basis?

Wayne Gray

That is difficult for me to answer at this point because we're new. When the Board of Directors and technical committee put together the application they more or less just proved that there was a market there. It's really difficult for me to anticipate what the demand will be on a yearly basis. Theoretically I would like to have \$8 million worth of viable loans out in one year.

Matthew Moore

There's one other area that I think we've been concerned about, larger projects. Most ACC's are restricted to a maximum of a quarter million dollars. Have there been any discussions between the ACC's on possible syndication of larger projects. We've had some projects that require half-to three quarters of a million dollars financing but there aren't any ACC's around that can handle that kind of financing.

Wayne Gray

Not that I'm aware of.

Matthew Moore

Is there anything within the ISTC's program that will restrict us from doing that?

Wayne Gray

Not that I'm aware of.

(Unknown)

It may have something to do with territories.

David Seymour

Yes there would be that problem. He just mentioned that you have to be Coast Salish to get a loan or a member of UNN. Do you know what Tri-Corp is bounded by?

Matthew Moore

They are bound geographically. Their internal lending policies, they loan first of all on priority basis, to members of their tribal groups, basically the Haida, Nisga'a, and I think the Gitksan have just recently joined that group. The basic bottom line is that the company has to be able to lend its money so to loan money to a status or non-status people within a geographic area. They try to move towards making loans to their people anywhere in B.C. but I think it's restricted by ISTC to a geographic region.

David Seymour

Gordie, do you have a loan policy that restricts your loans at all? So you've already loaned across the line so there is no boundary for you at all so that solution is open? It's just you guys now.

Gordon Antoine

What there is though from my understanding, is it's been interpreted by a lot of the ACC's as policy is that there is a video put out by Industry... whatever it is, that clearly sets out the province in regions. People are assuming that they are "trade boundaries" as it were.

Dorothy Grant

I'm still trying to get the process clear of how your offices are connected with approvals office. My business plan is now sitting at the Federal Business Development Bank, and what will happen to my original business plan? How does that work?

Wayne Gray

I'm not sure why the Federal Business Development Bank would be involved. Are they the ones doing your business plan?

Dorothy Grant

No, my business plan is complete.

Wayne Gray

OK, let's start with the assumption that it's complete but you know that there's a process earlier than that with a letter of intent. Instead of a client going downtown and meeting with a project officer from David's shop, they will come to our shop and we will have a project officer that will play the rules exactly like David's do; talk to you about if your project is going to qualify, help you prepare the statement of intent, and if it does then the whole issue of consulting and then once the business plan is done then we will do the analysis and we will make a recommendation to the management of ISTC on the project.

Dorothy Grant

But Wayne you also have your own fund that you deal with.

Wayne Gray

Exactly. If your business plan calls for a loan component as well as a grant component then we have a loans person as well that will be dealing with the loan component and they will be working together right in the same office as opposed to being downtown and up here. They are extending their office into our office.

David McDougall

I see mixed messages going out here. It's our practice, I wear a number of other hats in different capacities, one of them is as a customer to ISTC, as a direct customer. Because of the size of the project, All Nations was not involved, simple. Industry, Trade and Science, it was all their project. It was just too big for All Nations to handle given its perimeters. My view is that we better watch how we're telling our customers where to go.

Joanne Charles

I clearly understood where Dorothy's question was coming from but you didn't directly answer it or if you did I didn't understand it. She's asking, she's already going through AEP's (Aboriginal Economic Programs) office right now. Is she going to be subject to going through you or will they still get money from Dave's office. Effective April 1st any new customer will only deal with those new clients that walk through the door at that time? Is that correct?

Wayne Gray

There's going to be a transition period and I think how fast or how that transition works is going to be directly related to the experience of staff that we're able to recruit. If we recruit staff that don't have a lot of experience with the program then there's going to have to be a training part of it. That might not happen quite as fast but if we happen to get people that know the program inside out then there will be a very quick transition period and we will take over files that are there now and work that out. It still hasn't been

worked out how that transition is going to happen.

David Seymour

OK, it's now 12:10pm. I want to break for lunch. Let's be back here, what there's no food out there? Let's be back at quarter past one?

### **LUNCH**

David Seymour

Please take your seats. I have been informed that some of our guests this afternoon have to leave and they have to be back to their various Ministers' offices by two o'clock so we're going to have to move right along.

The next two speakers are Murray, who's going to go first and then Steven followed. Can you introduce yourself please?

Murray Munro

Certainly. My name is Murray Munro. I am the manager of Equity Capital programs for the Ministry of Economic Development at the provincial level. I'm responsible for three government programs. The first one is the Equity Capital program and I brought along the guidelines of how the program works. The second one is the employee investment program which is relatively new. It provides opportunities for employees to buy shares in the companies where they work and receive tax credits and the other thing it does is, it's the legal structure for the recently announced Working Opportunity Fund (WOF) and some of you here may have seen advertisements recently either on T.V. or radio or in print. That's a labour sponsored venture capital fund based on a very successful model in the province of Quebec.

It is designed to channel the savings of British Columbians into equity shares in small and medium sized B.C. businesses. I'll talk briefly about the WOF and how you can go about talking to that organization about funding. The last program that the ministry is responsible for that may be of some interest to you is the Investment Matching Program which provides a matching service of opportunities.

The opportunities are listed both here in B.C. throughout North America through the trade offices and overseas, Southeast Asia and in Europe. Basically what the matching program tries to do is put people with money together with those who need it. There's a certain level of due diligence that's done in the market place but all you're required to provide to the ministry is a business plan. It's not necessarily a full-blown sophisticated business plan. Obviously the better it's prepared the better the chance of securing the interest of an investor. Again because I have to get back to the ministry in a relatively short period of time, I've left my business card. My direct line is 844-1822 and there's a 1-800 number up here as well.

I'd be more than happy to talk to anybody on the phone or meet with you in person or have one of my staff come out and meet with you and explain any or all of our equity programs. The equity capital markets

in Canada is a subject you may or may not be familiar with. It's considerably a different market from debt financing.

Most people are used to dealing with traditional lenders and there's a whole set of criteria that you're evaluated or your business opportunity is evaluated by. In many respects equity investors also have investment criteria that they look at. Without getting into a huge area for discussion which I'm going to leave for Steve to cover in about ten minutes, I'll just talk to you briefly about the Equity Capital Program that the provincial government runs, how you might use it as a tool to attract potential investors, and some of the problems with the programs because I'll be very honest with you. The program is not an Aboriginal Economic Development Program it's simply a tax incentive program to put investors together with business opportunities. You may qualify, you may not. Over the next year, with new government in place at the provincial level, we're already seeing an expression of interest to have a look at the existing set of rules and see whether or not we might be more flexible or bring forward some changes to it in the next year or two that might make more sense for different business needs. Essentially the way it works is that an investor gets a 30% tax credit from the province of B.C. to form a holding company called a venture capital corporation. Then in turn it has a limited period of time to invest 80% of the money it's raised into an eligible small business. That business has to be incorporated. I've heard here this morning that that may pose a problem. That's one of the areas that ministry may be asked to look at over the next year in terms of the form of business ownership.

Should partnerships or proprietorships be eligible for investment by venture capital corporations under the provincial program. A second potential problem and because I've only got a few minutes I'll alert you to the down side rather than the up side, is the activity that the business has to be involved in. Right now it's really looking at incremental economic growth and is excluding the resource sector which for the most parts have no difficulty raising venture capital, equity capital, investment capital on public markets. There's no difficulty for Fletcher Challenge to float another issue on the TSE and raise \$30, \$40 or \$100 million. Where the gap exists in the capital markets on the equity side is for small and medium size businesses.

I've talked about the Working Opportunity Fund and how it's designed to channel funds into small and medium sized businesses but already we're seeing their management say we're really not interested in looking at businesses that have small capital requirements. Because the due diligence that an investor must do will cost the same whether they're putting \$50,000 in or \$5,000,000 in. That's the reality of the market place. So how do we get savings of British Columbians channelled into small and medium sized businesses? Well one of the ways is to use tax incentives as a carrot to induce investors to have a look at your business proposition. That 30% tax credit acts to both reduce the risk to the investor and provide an immediate return to the investor.

Because venture capital, and Steve will talk about that, is inherently risky, it must be long term and it must be patient. However, unlike debt financing, it is also concerned, well like debt financing, it's concerned with a return, but because most of investors are looking

at a portfolio they've got to average about 20% per annum return from each project in order to balance off the winners against the losers because in any investors portfolio there's generally what's known as a 2:6:2 ratio. You hope to get two winners, or two stars. You have six that are walking wounded, really aren't providing any return to the investors. And then generally two that are absolutely gone, you've lost money on. That's the reality of the marketplace. You're asking people to look at a business proposition on a non-secured basis. Your assets aren't required here. What's required is an evaluation of the opportunity, the homework that you've done and the management skills that you bring to the business deal.

Investors are primarily concerned with first-rate management. You can have a second-rate business opportunity if you've got first-rate management. If you have a first-rate business opportunity and second-rate management you will not close a deal. That's been my experience. The first and the biggest problem for people seeking capital is presenting their opportunity in a package that gets the attention of the investor. You're competing with many people out there in the marketplace for a very scarce resource. That's investment capital. I would encourage you to look at the guidelines.

Don't be so concerned up front if you think you'll qualify or not because whether or not you can use the program we'd be willing to sit down with you and talk to you about how you can approach investors, in terms of doing some homework with you. What you might want to do to refine your business plan to make it more attractive to potential investors and there may be those of you here today who do have a business proposition that would be eligible for investment under the equity capital program. If that is the case we can provide a letter up front which says that your business opportunity is eligible for an investor.

You can use that to market the opportunity and because it is eligible you're immediately providing us 30% up front return to that B.C. investor.

Since the program started back in 1985 there have been over \$255,000,000 raised for investment in B.C. businesses of which 170 have found its way into about 235 projects. It's not, as I said earlier, specifically designed for Aboriginal Economic Development nor does it preclude it. If you comply with the regulations you can access it now. What about the future? This could be a very attractive model, if it's proven that it's not working the way it is now. And if pressure can be brought to bear upon those people who make the decisions that the structure of the program is right but it's not right for this community than it is entirely conceivable through changing regulations and, I'm not sure I want to be quoted on this, I certainly don't speak for the Cabinet, but it's entirely possible that modifications could be made to address the needs of this community. There may be an opportunity for individuals to get together and form a venture capital corporations themselves, invest on an individual basis, \$5 000, \$2 000, \$10 000, pool their capital in a community and then use that community venture capital corporation as a source of equity for local projects. I could go on at great length about this concept but I know we're short of time and if you do require any additional information by all means, get in touch with me. I'd be happy to meet with you myself or have one of my staff

come out and talk to you and we'll do anything we can to help you as an entrepreneur improve your chances of attracting an investor.

David Seymour

Thank you. I think we should have Steven present and then we will have any questions.

Steve Alisharan

Since Murray has to go, I don't mind if you've got questions for Murray. Specifically because he has to go.

(Unknown)

Can investors get a cash rebate?

Murray Munro

There was provision under the original legislation to provide grants to non-taxable entities such as pension funds. For the past four years there have been no grants issued under this program. Under the current fiscal climate our small business loan programs and loan guarantee programs and grant programs were all shut down over two years ago. The answer to that is no. It is a tax credit. If you have tax liabilities or if you have a tax liability it effectively is cash in your pocket.

(Unknown)

But that's the problem with finding the initial investor to cooperate with.

Murray Munro

Yes, the model could be tweaked on the incentive side to provide a grant rather than a tax credit. And on the eligibility side of the project you might look at broadening some of the sectors for investment to include the service sector and you might look at...

(Unknown)

On reserve?

Murray Munro

That's an issue that I'm not familiar with and I'm not knowledgeable in that area but it's certainly something that if the government wants to consider it, it has every opportunity to do that.

(Unknown)

Is the tax credit only good for the year of the VCC contribution?

Murray Munro

No, the tax credit is carry forwardable up to five years.

David Seymour

OK, hearing no questions let's...thank you Murray.

Steven Alisharan

OK first of all I'd like to say thanks to Rod Shaigec and to Dave Anderson for asking me to appear here today to talk a little bit about venture capital; more or less some of the criteria that venture capitalists look for before they would invest in a particular project.

Now I should let you know that I am from the Faculty of Commerce at U.B.C. and at the Faculty of Commerce, one of the courses I teach is a course in new venture creation and entrepreneurship. Basically what we do in that course is I have my students develop a business plan. Now these are students that are graduating in their Bachelor of Commerce or they're M.B.A. students. I have them come up with an idea and throughout the course there are no exams. At the end of the course they have to come up with a very comprehensive business plan and there's been a lot of talk this morning with regard to business plans, the development of business plans, how to make them more effective so essentially what I'm going to try to tell you in about ten minutes is what I do in three months at U.B.C. All I'm going to do here is try to hit some of the highlights.

Now first of all with regard to venture capital firms and what they provide. They provide capital, they share in the risk of your particular venture. In a lot of cases they're going to provide some management expertise. In certain areas to the extent that they have contacts obviously since they're taking an equity position in the project they will also be able to provide you with contacts and certainly reputation in the business community in that particular industry. Now in return for this, what are they looking for? And I refer to these they're looking for three M's. They're looking at management, markets and money. The fact that money is listed last is probably not relevant. I think a lot of us know intuitively they are primarily looking at the money and what sort of return they get.

Murray mentioned in his talk with regard to venture capitalists because the types of returns that they expect it is really to compensate for a number of losses because they know that out of so many projects that they are going to get involved in only a very small percentage, I think Murray was alluding to about 33 1/3% are going to be successful but my research indicates that that's closer to 20-25% of projects that venture capitalists become involved in will become successful.

The returns they expect to derive from the successful ones obviously have to compensate for the investment in the unsuccessful ones. Now my talk is very general and it's not dealing with any specific project or any specific fund that's given by the government or by any banking institution.

I should also let you know, as we go through these, I just have about

three more slides here that I want to go through is that I do act as a consultant to a number of financial institutions helping them with their commercial loans. This is some of the things I notice from practical experience and also some of the things that we're trying to accomplish in these financial institutions. Murray mentioned probably the most important one is looking at the management team.

Rather than repeat what's up there, to summarize what it is that I have is that I think a lot of people here who are involved in granting credit or making grants to applicants, no matter what, you go up to a lending institution with a particular project, you've done all the marketing research and you're convinced with regard to it, the person who is generally looking at this business plan, they don't necessarily have the expertise to really assess that particular market. A lot of time what it is that they're going to base their decision on is the person who is sitting across the desk from them. No matter how we say it is, whether it's a chartered bank or whatever, they're going to take certain collateral and you know different granting agencies they're going to ask for specific projections and so on, have you done particular market research share. But it really boils down to, in my opinion, the person who is sitting across the table from them.

So the management ability, or team, is probably the most decisive factor in whether or not, and how much money is going to be loaned or granted by a particular agency. Now some of the things here that we have looked at that we think are really key to selling the management team is obviously the experience. What type of success record do they have? And I guess a good example of that is that if we think in terms of, if we can get someone like Lee Iacocca to run a particular enterprise, well that by itself, we probably don't even want to look at any business plans. If we can get a Jimmy Pattison, locally, or Larry Bell for instance, that lends itself to a certain credibility because of their successful track record and their management expertise. Personal integrity is another key factor that we have noticed in how it is that lenders look at a management team and I don't have to stress that too much in terms of what the personal integrity is. Obviously lenders are going to feel a lot more comfortable about people that they can trust and people they know who are going to pay a lot of attention to the business and concentrate their efforts there. People skills of the management team. The day of the single proprietor, the loan entrepreneur, I'm not sure it ever existed but more and more today we know we have to have a team to compliment the skills that certain members of the team may be lacking.

And those are areas that they pay specific attention to. Obviously they're going to look for expertise in the team in the areas of finance, marketing, and management. Those are the three crucial areas that I see that they would be looking at. Essentially again, what the lender is looking at, when they come up with the assessment, can the founder, the person who is applying for this, do they really believe that they can grow this opportunity, that they can take it and make it run. Now a lot of people think that just simply coming up with the idea makes them an entrepreneur and that is what by itself is going to enable them to get the funds. We know that a lot of people who are very successful inventors or idea generators are not necessarily good managers and remember here that any banking agency, any credit granting agency primarily they are looking at management.

With regard to the markets, what type of markets do venture

capitalists prefer? Now these are certain code names that we give to different types of markets. I'm sure you've probably seen a lot of these. First of all we talk in terms of revolutionary markets or revolutionary products. What we mean by that are industries that are completely new or industries that are in flux, or some state of chaos. A lot of opportunities are derived from that. We know that.

One of the things that I tell my students is, that I will not accept a business plan or I will not accept an idea if you tell me you're going to open up a restaurant or open up a bar. You obviously have to be doing something new. All the research, Peter Drucker, the great management Guru, all of these people show that in order for any venture to be successful it must be doing something new and revolutionary.

It can't simply be a copy-cat of what is already in existence. We also speak in terms of innovative markets. Here we are talking about particular industry that is already there going pretty well but now we are looking at adding something new. I think it was in last week's Saturday Sun there was an interview either in the Sun or The Globe and Mail, I can't remember which, with Robert Gates about what he sees. He says in ten or twenty years we will be carrying around wallet size cards that will contain all credit cards, all passports, money cards, etc. This is where we are talking about something being innovative. That's the next generation in that particular series.

I won't deal with the revolutionary products. I think what I have up there is pretty self-explanatory; venture capitalists, not necessarily credit agencies or granting agencies. Venture capitalists are primarily looking to recoup their investment. They're not going to be interested in staying on forever in the particular enterprise. At some point in time they want to get back what they have invested plus, obviously, considerable return on that.

They want to have some idea as to when it is that they may be able to take out that money. In a lot of times here we are looking at a period of, for venture capitalists, three or four years, when it is that they want to get their money back out plus a sufficient return.

Venture capitalists, generally speaking, they're looking for high growth rate and margins and 20% is really a minimum that a venture capitalist would be looking at. They are not, remember, they are trying to compensate the risk that they are taking when it is that they are losing money in other ventures. Finally, I have here the study that was done by McMillan, Segal and Narasimta from New York University. What they did was survey a number of venture capitalists, a number of lenders, to look at them to identify the ten criteria that they rate as essential. As you can see from the slide, 64% of those surveyed are looking in the business plan to see if this idea, opportunity, is that management team capable of sustaining an intensive effort. That's a primary thing. So here we come back in this study where the management expertise comes first, at least in the minds of the venture capitalists. Then secondly comes the market, familiarity with the market. Sixty-two per cent of them believe that being thoroughly familiar with your particular market, being knowledgeable obviously in that industry is very important. Something else here, the one thing here that I want to stress is that venture capitalists as such they're looking for a return of about ten times the investment in the space of five years. Again here, I keep emphasizing for venture capitalists, they're looking for very high rates of return. Also, investment can be made liquid. Again

here I talked in terms of that, where a guy said that they want to get their money back out, significant market growth. The fact is that the ability, the market research indicates, that this particular idea, this project, that it is going to be able to grow and prosper.

Now on these slides I have here, what I can do, I see a number of people trying to copy them down. I certainly don't mind lending copies of it to David and he can run them off for people that are interested.

Again here in the interest of time and remember this is something I cover in a course that is of a three month duration at the senior level in our faculty, I just wanted to come up with some highlights of what I think are the crucial points and not just simply from venture capitalists, because this morning since I've been here I've heard a lot of references with regard to business plans and the ability of the Native community, or anyone for that matter, any entrepreneur, to be able to come up with a business plan. Let me just anticipate a couple of questions and try to answer them. A lot of people ask me who should write the business plan. You should not get a consultant. You shouldn't hire me to write your business plan. You should hire a consultant to give you advice about how to go about doing your business plan, what specific areas to pay attention to, how to go about accomplishing the objectives in those specific areas.

You are the one that's got to be writing it. You are the one that knows better than the consultant or anyone else. You are the one with the vision. You are the one who should be writing it. How long does a comprehensive, well thought out business plan take? What I have found is, obviously you're not working on it 10-12 hours a day but it generally takes about four to six months to come up with a good sound comprehensive business plan. Another thing that is asked is how long should a business plan be. Now, different people are going to tell you different things. For instance, ISTC, I don't know if you give guidelines with regards to business plans. Some people might say ten pages, anything over ten pages I'm not going to read.

I think an effective business plan should not be more than forty type-written pages and that does not necessarily include the appendices to the business plan. But short, precise executive summary for those people who want something to cover the highlights, that goes a long way. Anything in excess of fifty pages, you're not going to get too many people who are either going to be interested in reading it or whatever it is that you have to see in there. I'm generally speaking if you're going over fifty pages you're repeating yourself a lot of the time. What I would like to do again here, I know I've rushed this a bit, but you know this is under the constraints of the time that we have here, I would certainly stick around and answer any questions that you might have with regard to business plans. Any questions?

(Unknown)

If that's the criteria the investors require, how often do you achieve these goals?

Steve Alisharan

OK. What we're saying is that that's what they're looking for when we ask them, "If you had your (way) what would you like to see?"

(Unknown)

OK, let me rephrase my question. How often are those attained?

Steve Alisharan

That I don't know. What I'm trying to do here is by pointing out these things to you that hopefully gives you an idea of when you start thinking about your business plan, about different areas you might concentrate on. You see your business plan, a very important part of it is the market research that you do and you're going to go out and do that. You think that you hand it to someone in an agency whether it's a government agency, whether it's private lending agency, do you think that they can realistically assess the market research that you have done? Yes they can go a long way in doing that. They can say OK, look we have an idea here that you are really overstating your projections, and we don't think that this is realistic. But the number of different industries and businesses that they are getting, I don't think that it is realistic that they are able to assess accurately that. Again here what I'm stressing is the importance I think they are placing as the single most important criteria is the ability of the management team. Please contradict me if, feel free to disagree with me.

David Seymour

It's interesting because we have people in the room who are involved in the capital corporations. Does this sit well with you?

Gordon Antoine

I'm a member of All Nations Loans Corp. and essentially there are two things that I look for. One is the person, the cogency to make it happen and second, do I have good security.

Steve Alisharan

But one of the things we realize is that when you are in a start-up venture, there is no security to offer.

David Seymour

It's interesting because you're in that top category there and you know, when you say the cogency to make it happen, it's the capability of sustaining the effort right.

(Unknown)

I've got to make a remark about that statement. He's not a venture capitalist. They are pawn brokers. He wants security, that's all he wants. This gentleman here is talking about essential investment capital to make entrepreneurial projects earn money and call them venture capital. It's entirely different than what All Nations is running. There has to be a recognition by the people here who are

looking to Aboriginal Development project and to the capital corporations that, in fact, what they are looking for is a venture capital. It's somewhat modified from what we have here because these things aren't in the realm. I think one of the biggest problems with Native entrepreneurs is high anticipation of what they can get from the agencies and the frustrations arise. It's partly fault of the agencies. We need a realistic picture.

Steve Alisharan

On that topic I would like to ask some of the people from the government funding agencies is to offer your opinion because there was a lot of talk this morning about business plans and effective business plans. What are you looking for?

David Seymour

Dave, you are the one who suggested that the missing link in the process is business planning. This is the point.

David McDougall

There really isn't much point for us in our program. It is venture equity. We are investing in businesses. We say "no" about seven times out of ten. It might be a good idea, if you think it's a good idea but we're not going to get involved. Management, I find, I agree with the speaker is most important. It's also the most lucid to reach a conclusion on. We spend a lot of time pouring over rejections. Not in terms of if they are really right, what we're really checking for is some thought process, has there been any put in. As he said, we're not experts in any particular industry so what we're often testing for is if there is logical assumptions and we can see a conclusion that seems to make sense. An available market is important for us. If we see that it's going to be difficult to grab market share, to be competitive in that market or, and this is probably unique to our program, if we see that you're going to knock out another established businessman out by bringing in your newly capitalized business, then it would be very messy to get involved. We're looking for a quick balance of financing. Our client has lots of money at risk. We looked back at our portfolio to see what happened. The average equity that a client in our program has is 21% of the cost of the deal. Then there's the sort of thing that runs through all of that. Where there is a deficiency in management because we're a business development program there isn't necessarily a great track record or some of those things. We're not afraid of unproven management but we have to (work on improving) that. The final thing for us is what advantages in terms of jobs, in terms of opportunity, in terms of capturing a major resource development in the community. We look for some things that venture capitals might not.

Steve Alisharan

OK, I don't think we are disagreeing at all. According to Stats Canada, eight out of every ten new businesses starting out will go under within five years. I'm sure you're aware of that. Of those

eight that go under more than 80% of them, the reason that they failed is because of inadequate management. The single most important, the biggest criteria and the biggest reason that has been identified, is lack of management skills, not lack of financing.

David Seymour

Which only begs the question that we ended up with during or just before lunch, that is the question regarding the development process and where does that come? You teach at the university. Are there other places where this kind of skill can be acquired?

Steve Alisharan

With regard to the business planning? I think there is not a shortage. I know for instance B.C.I.T. offers programs with regard to that. What I would suggest to you, and of course to give the Faculty of Commerce a plug though and to give the venture capital and research centre we have out there, is that when there was the talk here this morning, about how do you get the Aboriginal peoples to become, well not necessarily experts but to be better at developing business plans. What I would suggest is some sort of organization such as this, undertake to appoint someone. Say like U.B.C., I know a good guy out there by the way. Anyway, the thing is someone like that to run your people through the same sort of program. That could take a number of different forms. But what I would suggest, is getting someone to develop a specific program for the Aboriginal peoples and because you face somewhat different issues, and to be able to identify those and develop a program and a course for business plans for the Aboriginal peoples. That's what I would recommend David.

(Unknown)

The problem isn't that you don't have the expertise to develop a business plan. I think that most people that are interested in getting into business use intense effort, like this lady here says she's been at it for 2 1/2 years, if that doesn't mean that you're committed to doing something then I don't know what is. The funding sources that we have to go to, they have expectations and if you don't clearly define those expectations than you go through this question and answer paper shuffle all the time. In my mind, what we need isn't so much resources to help with the development of the business plan but to be able to interpret the expectations of the lenders we're going to.

Steve Alisharan

I think that's a very valid point but in this sort of course that you talk about is that that would be an integral part of it. It is for the person that you hire to develop this course for you and to present this course that part of the mandate would be that they would have to go through some of the more prominent agencies to see what criteria and so on so that they can incorporate that. I think your point is very well taken.

Dorothy Grant

My name is Dorothy Grant. First of all, I'm responsible for a company and I have (33) employees. I cannot take four to six months to write a business plan. I don't see how they can take part of your business when they're actually producing your product. I guess my question to you, and I'd really like to understand and to hear you, the reason that I am taking a business course now is because of this 80% failure rate. How do you get good management? I mean, I'll have a vision for my company, and believe me I've tried but I've also got to be in that process of management. I need someone to do the management of the systems.

Steve Alisharan

Well again, I guess one of the methods is through the recruitment process that you do, but one of the more effective ways to get employees involved especially in small businesses, is to share the vision and be as committed as you are, (the person) who founded the business. What research shows is if you offer them an equity position, it doesn't have to be the same amount as you do, it doesn't have to be 50/50. This is a very simplistic answer to a very important and complex question. It's not something that I would like to try to answer in the space of five minutes. I just want to mention that to you. One of the ways you motivate people, especially in a small business, is by making them part owners in the business.

Matthew Moore

Venture capital is nothing new. The problem we have is that a lot of the time our projects won't qualify because of the requirement of the high return on investment. Sometimes they're restricted in the type of businesses they can invest in. Our operations are along the lines of forestry operation, fish, but in order to qualify we seem to have to find some type of niche areas with some new innovations and that. It's not a financing vehicle that's available to us for some of the general things.

Steve Alisharan

Right now Matthew in British Columbia, venture capital financing is almost non-existent for everyone. There are very few. There is... Hig-Farris runs one of them, but that's just in the high-tech field, software product technology, etc. Really the biggest venture capitalists if you want to call it, that I'm aware of right now in British Columbia is Western Economic Diversification and that's a federal government institution. But there is very little out there today. I know that didn't really answer your question. When Rod wrote to me and asked me to speak and when I was speaking to him on the phone and again here, there was a suggestion that I would offer, and I think it underlies what recommendations I have made before, an attempt to look at the existing agencies that are available to you. Getting a better idea of what they require from you and targeting them first. And then going after and trying to strike new initiatives with government as to how it is. But venture capital from the private

sector is almost non-existent, even for non-Native entrepreneurs. That's my opinion, obviously but how I would go about it is in terms of what I talked about, some sort of course or plan that you get someone to develop but a very important part of that course is to look at the requirements of the existing granting agencies that are available to you and incorporating that.

David Seymour

We actually had Calvin scheduled to come and talk to us about venture capital but he had to leave. He's got a law practice to maintain and it's difficult for him to be here. We were hoping that part of the agenda would include that as being developing our own venture capital corporations. He's left us with a couple of papers that we may copy and circulate. Gordie.

Gordon Antoine

Two things essentially. Seeing as we're doing commercials... economic development programs at mainstream universities and colleges can be (too long for our purposes) so I'd like to suggest doing an economic development program and business administration programs as well. The second thing is in terms of...we seem to lose sight of the actual venture, the actual project itself when we wind up looking at all of these things like on the screen there, and yet some of the most successful entrepreneurs that I know, both on-reserve and off-reserve, have never done those things, at least technically.

Steve Alisharan

They might not have done it consciously and again I'm not saying that formal education is the answer to everything, especially in the area of entrepreneurship, but they might have done it intuitively. Probably the answer is getting the entrepreneurs who have got all these innate skills, these intuitive skills that they didn't go to school to learn or whatever, but they have them and I know a lot of successful people who have these things and they never went to school or don't have any types of formal education, but just showing them how they can channel that in a way that is acceptable to the people who are controlling the purse strings.

Matthew Moore

Following with that and what you had said earlier, I was looking for some financing for a couple of projects a few years ago. I prepared my package to go to Venture Capital Corporation and it didn't quite fit the calibre. I even went to Alberta to see if I could get it accepted there. What I found out was that, having prepared it to the exact criteria, I was then able to find private sources and they were really pleased with it. The guidelines are good but they don't just apply to the venture capital corporation either. They work so smoothly and simply when you start bringing them out to private investors. I'd like to give you something to keep in mind, don't put yourself into the box that the VCC (Venture Capital Corporation) has made.

David Seymour

In other words the test that we've just seen here is obviously a very high test.

Steve Alisharan

The reason I had venture capital, but I also said this could be applicable to any type of agency, is that what Rod had asked me to do was concentrate on, well he didn't say concentrate on that but that's what he suggested I do so I put venture capital up there. I can change that around very easily to any type of business plan that you might be doing. Yes sir.

(Unknown)

Did I hear you clearly that the venture capital industry or the source of venture capital is drying up?

Steve Alisharan

What I'm saying is that it is almost non-existent in B.C.

(Unknown)

The immigrant investor fund, is that not a source of venture capital?

Steve Alisharan

I don't know about that. We'd have to defer that one to Murray, no wait just a minute, Brian is here from the, Brian please identify yourself and you can answer the question and take me off the hook. He'll answer the question in a few minutes.

David Seymour

The whole exercise of the day is to again end up at the end of the day with a bit of discussion time where we can start to put some of these pieces together. I'd like to move on right now and pick up the discussion at the end where these pieces will come.

Steve Alisharan

OK. If anyone wants to talk with me Rod has my phone number. I'm not a very good salesman as Rolly is. I didn't bring cards and stuff. Thank you.

David Seymour

Our next speaker is Doug Kerley.

Doug Kerley

I'm the Commissioner of the Job Protection Commission. It was an

agency that was established in 1991 by the provincial government. It's a successor to the Critical Industries Commission (CIC) that operated in the province between 85 and 87. Art Phillips, the former mayor of Vancouver, was the Commissioner for the CIC. Then the government of the day created it because the economy of the province was suffering both the forest industry and the mining industry were having troubles at the time. The Premier of the day had heard Lee Iacocca talk about an example he had seen in one of the States where one individual was commissioned to attempt to find solutions to business problems by marshalling the resources of the State and bringing them to bear on the particular problem. That commission lasted for two years. The recession was over. This one was created in 1991. Its sun sets in April of this year. There is some talk of extending it but I don't know if they will or not. Basically the commission itself is aimed at trying to stabilize the existing condition of businesses.

Most of the comments we've been hearing so far today is talking about organizing and creating new businesses and so I won't take a lot of your time in the context of the commission and what it does. One of the things that was talked about was solutions and I've just been jotting down some notes of some things that, in my view, I can address some of the issues that you've been talking about. The objects of the commission are to minimize job loss particularly in one industry towns and to preserve and enhance the competitive position of businesses in B.C. I have three tools I use to achieve that. One is counselling where I share in the cost of having a business counsellor go into the business and help to deal with the problems that they're facing. The second is mediation where I become involved in trying to sort out problems within the business and its financing and its creditors. The third is economic plans and that involves developing a program and bringing as many as the stake holders to make a contribution to solve the problem. The mediation and the economic plans are virtually the same thing. They operate under different parts of the legislation but it's built around the override that the Job Protection Act has on 19 pieces of provincial legislation, the Forest Act, the Municipal Act, the B.C. Hydro Act. There's a whole scream of them. So I can empower people to do things within those pieces of legislation that they may not otherwise do under their own regulations. Reduce municipal taxes for a period of time or hydro rates or B.C. Rail or B.C. Gas or rearrange the repayment of stumpage.

Attached to the Job Protection Act were two consequential amendments.

One to the Employment Standards Act which said that if people were down-sizing or laying off people they had to give employees notice.

Depending on the number of people involved that notice varies from 8-16 weeks. There was also an amendment to the forest act that said that if a company was down-sizing an operation or closing it, the Minister of Forestry could calculate how much timber had gone through that facility and take that amount away from the license holder, without compensation. And under the Job Protection Act, if I was helping a business reactivate that business, I could allocate that timber to that operation without competition. There's an arsenal of abilities to bring to bear on a business problem to try to straighten out the situation and re-establish the long term viability of the business and that's the key, a word, long term viability. I don't

arrange a program to save jobs for the sake of saving jobs. I try to arrange a program to save a business that can be viable in the long term.

What I'd like to do is just make a few comments on some of the things I've heard about today. I've been in and around business for longer than I'd like to remember. I grew up in a small business. My dad and my uncle had one and I've been involved in financing them one way or another over the last forty years. I'll just share with you some of the ideas that I've acquired over those times. One of the issues we heard from almost all the speakers, referred to management and how do people that are trying to get into business for the first time or who have had limited experience convince agencies, bankers, venture capitalists, that they can address the issues of management.

One of the clearest ways I think is through joint ventures. Another way is through franchising where a lot of support is brought by the franchise or to help the people organize, manage, control, and bring a whole bunch of skills that may not be there within the ownership group. The most important thing I think is to take advantage of the expertise and the successful entrepreneurs that exist in the surrounding community. In this province, there are groups of Aboriginal business people that are very successful, in the Nicola Valley, on Vancouver Island. Those people are role models. They are people that you have to draw strategic alliances with. It seems to me that they have to become coaches and mentors and role models and assist people in developing their business and helping them run it.

The most powerful thing that I've ever seen happen in the context of helping business people is not government programs or business consultants or bankers or venture capitalist. It's other business people sitting down and comparing their experiences and sharing the problems that they've had to deal with, sharing with them the solutions that they've found to be successful. We've seen some of the criteria that people use and entrepreneurship is a pretty nebulous thing. I don't think it's something that is a scarce commodity in many ways.

I think most people have it. I think our educational system grinds it out of most people. I think that a lot of the programs in our education don't deal with the business and the realities so our kids don't understand what the real world is about when it comes to business and the Chief this morning talked about education and clearly that's got to be fundamental to everything that we're talking about here today. We have to have a pool of people that are well educated and trained and then can take advantage of the opportunities that present themselves and know how to think for themselves and how to make value judgements. It's critical that we educate people but we have to educate them in a way that doesn't drive that entrepreneurial vigour out of them. We don't want them all to be executive vice-presidents of IBM and Ford, etc. We want people to be able to run businesses and be part of the community that they live in. That's very important.

Equity is a critical ingredient and where do you get it?

Most of the financing and equity that comes into businesses, the businesses that most of us have to deal with don't come from government programs. They don't come from venture capitalists, they don't come from banks, they don't come from ACC's. They come from family and

friends and the buzz word these days is the "angels". These are peoples' family, friends, private sources of bucks that you lean on, like Aunt Ellie and the money she got when Uncle Fred died and you lean on her for ten grand and your dad. That's where most of the venture capital comes from. That's just the reality of the situation.

Steve was saying that venture capital programs in B.C. are almost non-existent. There are some special ones that you'll hear about later but my experience, and I've lived in Nova Scotia and I've worked right across the provinces of this country with the exception of Quebec. It's very difficult to find private sector venture capital.

They're looking for Gods. Most of us are just mortals trying to find a buck. It's hard to meet their criteria. The main thing that I've found about entrepreneurs that are successful is that they're stubborn and persistent. They just won't quit and they won't accept failure. They drive bankers and bureaucrats crazy but they just hang in there and get the job done. I'm expressing what people talked about being prepared to make an intensive effort. I think I would put that down as being stubborn and persistent and just being absolutely convinced that you're right and being unwilling to be deterred by nay sayers and you just can't afford to be easily discouraged.

My experience with small business being it is a process of being ready, shoot, aim. Most people think they are ready for business, get into it and then start to learn about what the hell it is that they are doing. Again that's just how the real world works. A person talked about 2 1/2 years of getting financing put together, a business plan put together. From the time it's a gleam in your eye to the time it's actually in business, 2 1/2 years may not be a bad, you know to do your planning, to take your business plan and to research it and to go out and watch what's happening in other market places and what other people are doing to be successful. The main thing is that whatever amount of preparation that you make, it's best to do most of it yourself, in my view. You can get people to help you put the fancy words together but you've got to give them a clear signal about what it is and you have to have a very clear mission of what it is you want to do. As long as you have the focus then you can make your value judgements on those premises and you don't caught up in, well should I do this or shouldn't I. As long as it's consistent with what you're trying to achieve, you do it. If it isn't you don't. Keep it really simple and straight forward. Then when people see that you have that kind of focus and you understand what it is you're doing then you don't usually have too much trouble explaining it to someone else. A couple of other things.

If it were a perfect world and I was God or something or King for a day, I'd abolish the Indian Act. I don't think it was intended, it was written at a time when I don't think anybody intended that there would be economic activity on the lands that they control. In my view it's sort of a sick whale and they keep sticking bandaids on the thing. I've seen people go crazy trying to make commercial deals around head leased and all that kind of stuff that are associated with that kind of legislation. It's a personal observation and I'm a retired person, an old age pensioner so I have nobody to be accountable for. I just think that that's a difficult thing from

a business stand-point. I don't know what else it does for people but from a stand-point of trying to do business on lands covered by the Indian Act it's a complication. I've talked to Mannie Jules and people like that who have tried to make arrangements and I know there are ways of surrender and trustees and all that kind of stuff. It makes difficult things complicated in my view. The other thing that I think you need to keep in, if you're trying to influence things to try to make them real for what you're trying to do, I would make sure that national programs have the capacity of having a regional and local focus. My experience has been that in many cases, and I worked for a federal program at one time, and it was very difficult to make it sensitive to regional issues. They have a global national vision and sometimes it's hard to make it real in a particular part of the country. I think if you're going to try to influence what they try to do in the way of bringing assistance to Aboriginal business, then you should make sure that there is the capacity to have programs respond to local initiatives and local priorities so that it isn't some group of people in Ottawa or Victoria or Vancouver or anywhere else who are creating the vision for what your community should be. I think that in that sense, when you are creating that vision, locally owned independent business can play a very important role and I hope that some of the things that you've heard here today will help you in developing your businesses.

David Seymour

Thank you. That was a pleasant surprise. Are there any questions? Then we should call the next panel group up. That's Brian Krieger, Dr. Gerald Hodge and Geri Collins. I think we should take a quick coffee and then get back together. Let's take ten minutes for coffee.

#### **COFFEE**

David Seymour

Well, we'll move right along here. Our next speaker is Brian Krieger.

Brian Krieger

Good afternoon. My name is Brian Krieger. I don't have the business experience that Doug has. For about fourteen years I have been involved in my own businesses and I've started a number and I've helped people start a number and the point that I just wanted to try to impress on though as we're going through the process is that whether you're trying to put together a good business plan or you're looking for money, management is very important. In order to get those skills, I offer two suggestions. Whether you can do them or not will depend on your circumstances. Find someone who is in that industry, get a job in the industry and learn about it. That'll help you with your business plan and that'll help you with your credibility when it comes to starting a business. And secondly, try to start your business very small as a microcosm and get some experience. Know what the right things to do are and build it up that way. That's all I have to say about that. Let me talk about business immigration. It is actually a federal program designed to encourage experienced business

people with strong financial resources, to move to Canada and put their money and their skill to work to employ Canadians.

The Business Immigration Branch of the B.C. government, who I work for, works directly with business immigrants. We encourage them to come to British Columbia and make our province their first choice for investment. We also work directly with local business people around the province to try to find good partnership opportunities for business immigrants who are coming here. Last year 1463 business immigrants came to B.C. That represented a potential capital pool of over \$2 billion. We expect under the terms of the program that the total direct investment in businesses will be at least \$153 million dollars and will create at least 6 000 jobs. Those are the people who came last year. Our branch works with immigrants in two categories.

There are two very distinct ways for business immigrants to come into the province. One is the investor category. One is the entrepreneur category. I'll talk about the investor category first. Immigrants who come to B.C. in the investor category invest an exact amount of \$350 000 each. They're not normally involved of the day-to-day management of the businesses that they invest in. Their Visas are issued after they make their investment in an eligible business. They must invest in funds that are approved by both the B.C. government and the federal government. The funds are set up by companies or organizations in B.C. who are looking for growth capital, usually in the amount between \$1-10 million dollars. These tend not to be small programs. Since it started the investor program has raised capital for more than 90 firms in industries like manufacturing, hospitality and entertainment.

Something that might be a possibility is having your business or your group create its own fund to try and get some of this immigrant money. If you're looking for a significant amount of money for a specific project or possibly for a pool of projects, you may be able to put a fund together. Some effort is required in terms of legal requirements including the development of an offering memorandum. You must put together an offering memorandum which needs to be registered with the province and needs to be registered with the federal government. The province charges a percentage of the value of the money you're trying to raise, a minimum of \$200. The federal government wants \$4 500 to register it. That fee is going up later this year.

We put together a little publication called, Investor Guidelines for British Columbia. In the back of this is a sample, plain language offering memorandum. If you need to put your own offering memorandum together you don't need to spend \$20 000 on a lawyer if you don't have it. You can write your own using this guide and just run it past a lawyer just to make sure it's legally correct before you go ahead and do it. I just have one copy. If anyone wants a copy you're welcome to it. We have investor packages back at the office. They don't cost anything. A possible alternative to creating your own investor fund is to approaching some of the syndicates.

Syndicates are funds set up to raise money for a variety of projects.

We publish a list of funds that have raised money to be pooled into projects and their phone numbers are here and anyone can contact them if they want to talk to them about investing in their business. Maybe it's considered a possible source of venture capital. I think these people are looking for returns that are somewhat less than what venture capitalists are looking for. Probably a few points above the bank rate. That's available from us as well.

The second category that I want to talk about is the entrepreneur category. Immigrants who are coming to B.C. in the entrepreneur category are granted what's called a conditional Visa. That means that they have two years from the day they land here to do a few things for us. The first thing they need to do is start, buy or join a business. They need to invest at least \$90 000 in that business. If they're going to locate in Greater Vancouver or Greater Victoria they need to invest \$150 000. We say it's less if they're going outside these areas because we're trying to encourage these outside areas.

We don't want them to come to Greater Vancouver and start new businesses. We do want them to go elsewhere. They also must be active in the day-to-day management of that business. They have to create at least one new job for a Canadian resident, not themselves, not their families, not their business partners. Finally, the business has to be something that provides a significant economic benefit to the province. That can be manufacturing, tourism, exporting, a lot of different things. In fact what we're trying to do with this condition is keep people from doing things like importing products into Canada and opening little grocery stores where there are already lots of grocery stores. We want some economic benefit. In areas where there is high unemployment the creation of one or two jobs is significant and that satisfies that requirement. What we do to try and help business people link up with entrepreneurs who are looking for opportunities is publish something that I've forgotten to bring but it's a little document that we call a Business Opportunities Bulletin. It's divided up into regions of the province and every business who fits our criteria who's looking for a partner, looking for some capital, can put an ad in that bulletin. That ad goes to every Canadian Visa office around the world. It goes to the ten B.C. regional offices around the world. It goes to every business immigrant that we see that comes to our seminars every Tuesday. We often rent this room in fact for Condition Removal Seminars and fill it up with business immigrants about once a quarter.

There's potential for matching your project with a partner. Now the Charter of Rights gives all immigrants the freedom to settle anywhere they wish in the country. We do try to encourage them to move outside of the larger metropolitan areas. We want them to go into smaller areas where there is a stronger sense of community, a better family lifestyle often. To a large degree the kinds of immigrants that are attracted to the regions outside Greater Vancouver and Victoria are from areas like Northern Europe and they're often interested in tourism opportunities, lodges, resorts, camp grounds, hunting, packaging tours for other people who are coming into the province. The people who tend to settle in the busier communities are usually interested in manufacturing opportunities exporting opportunities. Of course

many other types of businesses hold the interest of these people. In fact the matching process is really a matter of putting the right opportunity in front of the right person at the right time.

There is no guarantee that you're going to find somebody by putting an ad in our bulletin but there's always a possibility. We've had a number of successful matches come up. The listings are free. They're arranged by calling me. I put some business cards down in the front here. I've also earlier on put a publication out that outlines what I've just talked about called, "How can Business Immigration Provide Capital for your Business?" I hope you pick one up and find it interesting. This brochure was also out there. It's more of an overview and it's geared toward the business immigrants but it will tell you what we want from them. Can I answer any questions about the program?

David Seymour

Well the one that was deferred to you was the question about whether or not this kind of money or capital can be put into a venture capital corporations.

Brian Krieger

I'm not sure what your definition of Venture Capital Corporation is. I'm used to dealing with the provincial VCC's which provide a tax credit.

David Seymour

No, we didn't have a definition here today I don't think. One of the problems identified earlier, Wayne Gray had pointed out to us, is the problem with the ACC's is going to be that they're going to have this need for survival and as a result of that they're either going to have high interest rates driving away their real clients that they need to serve or two, they're going to go as they first right or that top position all the time to protect them and one of the solutions that he proposed was to diversify. Then we had this discussion about venture capital and we obviously started to click in my head, that maybe we could use your money, this kind of immigrant money particularly the investment money. Could such an ACC develop a fund as you referred to it that would then take in those couple of investors that would then be used as increasing their capital accepting deposit so to speak?

Brian Krieger

I see no reason why a group couldn't put together its own investor fund. Each investor would have to invest \$350 000 so you want to raise some multiple of \$350 000. It's not that difficult to put an offering together. We have an investor group in our office who can work with you to make sure that everything is in line before it goes off to the federal government to be approved. You can get a copy of our investor guidelines and put a fund together around a project or perhaps around a syndicate which would invest in a number of

projects. It shouldn't be that hard to get a fund listed. The hard part for funds is attracting business immigrants because you have to compete with other business immigrations funds that are allowed by the federal government, not just in B.C. but across the country.

Everyone's out there trying to get \$350 000 or in the case of Manitoba they only need to raise \$250 000. You need to compete against their funds. So you need to put a solid fund together that investors are going to believe in. It's money that you have to pay back five years down the road. The returns are usually small, around the order of 4 or 5%, sometimes less. But people are going to invest based on how they feel about the strength of the investment. Are they going to get their money back five years down the road and how does it stack up against the other investors? There are some large companies that are building hotel projects that are using immigrant investment funds.

Investors feel comfortable investing in them because there is a big name behind it.

(Unknown)

Do you have an inventory of potential investors or investors that are trying to find projects to invest in?

Brian Krieger

If we had a list of names of investors who were looking for good projects, they would probably get giant sacks of mail everyday from people who are trying to get their money. The answer to that is no but what we do is publish. Once a fund is listed with us and with the federal government we publish them in a listing with a little bit of information and an address where they can get an offering memorandum. These go to all the Visa offices and people usually come to us and say I'm interested in coming to B.C. as an investor, what funds can I chose from?, we give them the list and they go through them and say, here's one that's trying to raise money for a gold mine and here's one that's trying to raise money for a hotel and here's a private school, which one am I most interested in and they make copies and then make a decision from that point. They come to us. They come to the funds.

(Unknown)

Once they've qualified for a category, does that automatically buy or qualify them for a Visa?

Brian Krieger

First of all, in order to qualify for immigration in either category, they must be an experience business person. They must have owned or operated a business. They are here based on their experience and they must have a reasonable net worth. They must have at least \$250 000 of world-wide assets personally so they can get here, make an investment and get settled in the community where they're going to live. Then they go through a background check, a security check and they go through a medical check. Once they get through all of those things then they are likely to get a Visa.

David Seymour

Tell me the difference between the funds that you were talking about. The straight fund verses the syndicate fund. Do I understand that a straight fund is one that is somebody is trying to put a number of investors together to get money for one project, verses somebody who is trying to get a number of investors for a number of projects?

Brian Krieger

Almost. There are two types of funds. The number of investors that you want in your fund can be anywhere from \$1 to 30,000,000 that you can raise. So any fund, whether it's a syndicate or a business can have just one investor or they can have lots of investors. The difference between business ventures and syndicates is that a business venture would be a company, say it's a mill, they're raising \$2,000,000 to buy new equipment and open new markets and that's what they're about. Whereas a syndicate might say OK, we're in the business of economic development in this particular area we want to raise \$2,000,000 to invest in smaller businesses which are as yet undefined. They could be anything. So you could set up a fund to do either. It's getting more difficult I understand to do syndicates. It's also harder to attract investors to do syndicate because they're not sure where their money's going to go therefore they're less certain about the return.

David Seymour

Are there any other questions? Thank you very much Brian. That was very helpful. Gerald.

Gerald Hodge

Thank you David. For several hours now, I've been wondering whether I'm in the right place today. I know on the one hand the work I do in SFU (Simon Fraser University) in Community Economic Development Centre, we are indeed interested in economic development. I know from my own background working with Aboriginal communities, long before many of you were, back in 1970, in Moose Factory Ontario. I know with some of you I could share war stories that go back that far and I know the frustrations of getting simple financing for very simple projects and so forth. I also run a couple of, what are known now a days as micro enterprises out of my basement office. I run a research and consulting firm, because SFU doesn't hire me full-time. I don't know if anyone hires anyone full-time anymore. Indeed we've started a film development company. I like the remarks that Doug Kerley was saying about getting financing and where do you do it. My mind is whirling with all this stuff I'm hearing about the immigrant funds and the Aboriginal Capital Corporations and Venture Capital Corporations. That's part of why I'm wondering if I'm in the right world or as a friend of mine once said, "It's just another real world" and so the real world that I tend to operate in a good deal is right down at the grass roots level.

What I want to talk about fairly briefly is why we talk about community in economic development. It's about communities getting on with the job. I want to just put my remarks into two perspectives. The first is something you might call a social-philosophical view and the second is a more economic-analytical view. The first perspective is one that has been reiterated in a report that has just emerged and I know Cecil Wing has retained his copy. The report of the provincial consultation and follow-up meeting on community economic development.

In case you didn't know this was happening, there were 100 people here last June and at the request of the government and some funding from the government they looked at the question of community economic development. It tends to have a different kind of perspective and having been involved in one that didn't go anywhere and having received the barbs and stings of the local Chamber of Commerce in Kingston, Ontario, I want to assure you community economic development is not something that is not profit oriented. But what it is different in is how the aims of the corporation to at least break even, if not to make a profit, come from the notion of community control and community participation. These reflect a despair that I'm sure a lot of you have had from a lot of top down efforts. Throwing money at problems and when that didn't work pulling the support systems away. So what you have out there across this country and across this province because the provincial consultation, and I'm sure Cecil would agree, was in many ways a surprise at the diversity of enterprises and individuals and organizations that were represented there with a genuine interest to try to deal with economic development from the bottom up rather than from the top down. That's why Doug Kerley's remarks are rather apt that when so much of the funding for small enterprises does not come from the top down but rather comes from sideways somewhere out there in your community, you can understand a bit about what he's saying. It's not a matter of favouring individual or collective entrepreneurs, but it's really tied into the whole notion of getting community self-reliance.

I came this morning with a view from at least two Aboriginal communities that I know of quite well. One is Moose Factory that I've talked about and the other is the Gwa'Sala-Nakwaxda'xw at Port Hardy and they are prototypical of so many Aboriginal communities and other small communities across the country. They have few human resources, technical resources and organizational resources. Yet that's where people are and that's where people who live in those communities want to stay and yet so much of what we do in the view of people like me and others in the B.C. working group is what we don't do right now.

This is not to say that I haven't learned a lot this morning, and have seen some possibilities for linking up these smaller community based enterprises with some of the infrastructure that's been talked about, it's just to bring to your attention that that is a world out there that exists and has its own needs. The overall aim is really to build up a cooperative approach to economic development. When we say community control, this doesn't mean having a municipality or say a Band Council impose control on everything that's being done by no means. But it is the matter of making the linkages of developing the local networks and the local partnerships because there is an interdependence in small communities, much more obviously so than in the cities. This is an interdependence of community members of

whom are maybe family members, certainly friends, neighbours. So that is one perspective of the importance of community.

When enterprises get going in small communities, they have an impact on the members of the community. Other people would say they have a responsibility to the community. But let's just say that they have an impact. That impact can be beneficial if those local community networks and partnerships are built up. Let's take a more hard-edged view of this which is starting to come out in literature that is supporting economic development and also anti-free trade of whatever stripe that free trade is. It goes like this. The essence of local economic development is captured in classic community economic based model which I first encountered as a student some 35 years ago, the work of Charles Thibeault who was a professor at the University of Washington just south of us. That model is about how in local economic development you achieve the greatest multiplier affect. How do you do that? Well typically, and I would be critical here because it is my view that in most of the top down efforts that we've seen we have striven for increasing exports. In communities that have to import nearly everything else that they do. What happens is that you may increase the export jobs, but if you have to import everything else that you need for the sustenance of that community, there's an extremely high degree of leakage. You get these marvellous multipliers of 1.1. By the way, don't I get stark-raving mad when I hear that the forest industry generates a multiplier of two and the agriculture industry does this. I have never seen multipliers that exceed two. Let me just warn you. That's just an aside. That's a Hodge-law. If you see them, they're wrong and somebody's just inflating figures. Having said that, if you know that model, what it essentially says that if you increase the number of dollars that are generated by export sales, when that dollar comes into the community it stays if, the people spend the money in the community, which is not too bad if you're in Port Simpson and not too good if you live in North Vancouver. There's two propensities here. One is to spend locally and that when you spend locally that you don't have to import all the things that people are spending on. It's one thing if people don't take the money and run out of town, but if they stay in town and spend it, but if still everything is imported. It's the propensity for the money that spent locally to earn local dollars.

So the lesson which is now being taught very strongly in the literature of economic development is that there is an awful lot to be said for the general notion of import substitution. Now where this ties into what I'm talking about is that these local propensities, both to spend your money in the community and for it to earn a buck, that is instead of just spending it and it turns around and goes out again, but rather circulates in the community, it increases the multiplier affect. These are the employees, the consumers, and the investors in the community. You may be setting out to develop an enterprise which is an export enterprise, but what are the possibilities in the community that you can increase the multiplier affect by the human resources and the local economic resources and indeed the physical resources that you have in your community to substitute from importing everything else except the product that you're making. That's one of the things which is being run out now. Again, it seems to me to suggest that there is an importance in community. There's an

importance in making your efforts at business enterprise be part of a broader picture of community economic development because indeed you not only impact local people but they may in fact, the things that they can do, the market niches so-called that they may see in a very local market may in fact be very good for the community and may end up having a much better long-term impact on the community.

One of the things that came out of the provincial consultation was the importance of trying to link together the various enterprises that there are, we knew when we were here last June that, that lets say the 75 different enterprises that were represented amongst the 100 or so people that were here, represented only a very small proportion of the total of enterprises that are going on in this province, and in a very kind of disbursed way, in my more cynical moments it almost seems like divide and conquer, but what the CED people are saying is, let's find a way to pull this together, let's find a way to share our expertise, to share our information, to share our resources, and our skills with one another because we're all in the same boat and were usually doing this for the same kind of purposes. And if you picked up one of our newsletters which I put another copy of down there, you will notice that, this is a different kind of plug from Simon Fraser, we don't sell quite as well as UBC does. We are interested in our centre in seeing what the potential is for developing an electronic network for CED. And so you find a questionnaire in there, and an indication of where we were trying to go to try to help this community knit together for the betterment we think of a lot of the smaller communities of the province. Thank you.

DAVID SEYMOUR

Wow, that's a nice term actually for the day. Is there any questions?  
Yes.

Unknown

What are you referring to when you mention 1.1 or 1.2?

GERALD HODGE

I am talking about an Economic Multiplier, see if you generated a dollar of export income in your community by selling say logs, or as the young woman was talking about I believe that she probably sold sweaters because I saw this nice sweater she was wearing. If you generated a dollar of income and it came into the community, but nobody spent that dollar in the community all you would get is a dollars effect, but if it were spent in the community in the locals' stores, then you would have some economic multiplier effect of that dollar coming in. And what I was saying was that, the model basically says that the more money that is spent in the community and the more times it circulates because it does not have to go out to buy imported goods or people travelling to Vancouver which they will inevitably will do, to...you know...for vacations and so forth. Then the higher multiplier effect. But those multiplier effects seldom reach 2, that is twice the value of the export dollar.

DAVID SEYMOUR

I was trying to show what he is doing, but I don't have a decent pen.

I have put...as you can see the little circle up there. If a community can be represented by a circle, than a dollar that has come in and than rotates by that person buying something in the community, and that subsequent person buying again something in the community. Before going around, after time, this circle here would become much more greater than that one if they were both equal. This is true or in isolated communities, where the dollar that is put in say...band council employment, if the employee is all he wants to do is buy a colour t.v. set that comes from Japan, or deep dish so that he can get t.v. at home, that helps him, yes that does, but somebody who goes and gets that same dollar and buys something local than it would be different. I think that's the concept that he is trying to convey. And...oh you've got something.

GERALD HODGE

No Jerry has.

DAVID SEYMOUR

This is an economic multiplier that he is talking about that is opposed to other kinds of multipliers or percentage gains. Is there any other questions? Thank you Gerald. Geri would you like to carry on then?

GERI COLLINS

Yes I am Geri Collins, I am the coordinator for the Central Interior First Nations Community Futures. Before I totally introduce myself I would like to introduce Larry Casper, Larry is one of our committee members he is the economic development officer for the Lillooet Tribal Council and he has been on our committee since November 1991, he came in to the organization at the time when we were taking all the research that was all completed and doing our strategic planning. I am Shuswap, I always say non-status by choice because since 1986 I've had a choice according to the Federal Government. I don't feel that going through that process for me is important, my community recognizes me and accepts me and that to me is what is important. Prior to coming to work for the community Futures, I worked for the Native Outreach Program for almost 6 years as an Employment Career counsellor and I wear a number of hats. But I have been asked today to explain Community Futures a little bit and I will do that then I will explain a little what our Community Futures is doing in our area. To start with I am going to read a few things here.

Over the past six years Employment and Immigration Canada has managed the Community Futures Program as part of the Canadian Job Strategy.

This program was designed on communities or sets of communities that constitutes a small labour market area. The CF (Community Futures) definition of community is defined as small labour market area usually limited by commuting distance but including common features or identity. A shared set of problems and administrative structures

and boundaries. Its objectives is to support designated communities facing sever labour market problems as shown through chronic unemployment, economic stagnation or decline a lack of development or major restructuring challenges. Most of the Aboriginal communities saw this program as been well suited to their economic human resource development needs. It appeared to be a mechanism which could address them in an effective way. Unfortunately restrictions in the selection criteria created barriers that prevented many of us from accessing the program. The most prominent of these were population levels and diverse geographic locations; for selection the ideal was the population base of 20,000. There is some leniency on that. For economic redevelopment potential in other words, they saw our communities not having the resources and the infrastructure that would...community futures could have an impact for a positive change. One problem with the program is the lack of recognition for off-reserve in urban areas. Further complicating Aboriginal involvement were the activities of other Federal department in the field, Indian and Northern Affairs, a variety of Economic Community and or Human Resource development program.

In October 1990 an evaluation of the Community Futures program was completed at EIC (Employment and Immigration Canada). This resulted in some specific problem identification, and among them were the difficulties of native communities within existing CF territories to obtain access to the program and its benefits. As a result, the CF program management proposed that EIC define its role in the community development area rationalizing its efforts with those of other departments while attempting to improve Native access to the CF program. With the endorsement of the National Aboriginal Management Board, the Aboriginal community access to development task force was put in place and the results of their task group was actually approved and signed off by the Minister just this past year. They came up with 12 recommendations. I didn't bring that information up here with me because I am not really an expert in this and I had planned ... I had thought that Roy Mussel from the BCAMB (British Columbia Aboriginal Management Board) would be here. After if anyone has any questions I will try and explain a little bit of what they have done, but I prefer the information to come from somewhere else.

One of the major things that occurred around that was of the 12 recommendations that were made the Minister in his wisdom decided that there would be no access for business development centres to the urban population. And by urban in my mind he means metropolitan areas, the larger cities where there is a larger Aboriginal population. At the present time there are a total of 216 Communities futures designations throughout Canada. Sixteen of these were designated through the efforts of native people and 13 are native specific... the central interior Community Futures is the only one that is superimposed on 5 other Community Futures designations. Since the inception of the program there has been some changes when they originally had the Community Futures program, they had the Relocation Exploratory Assistance option, and that option was to assist people in moving from a location of lesser employment opportunity to greater employment opportunity are to move for purposes of work. The direct

purchase of training option was to assist in the human resource development. The self-employment incentive program and that program initially provided \$180.00 per week and it went up to \$230.00 per week for the first 52 weeks of business operation. If people were accepted into the program than they could do their start up and use that money so that it would assist with their expenses in the first year. That program was changed to the Self-employment Assistance Program and it is now tied in with U.I.C. recipients and Social assistance recipients. U.I.C. they can maintain their U.I.C. weekly, up to their weekly maximum, whatever they are receiving. Or a training allowance whichever is greater, and Social assistance recipients receiving training allowance, that change has created quite a diverse amount in the money that some individuals get in comparison to what other individuals get and I believe now they are examining that. And the other option was a business development centre with an investment fund with a business development centre... you can get the operating expenses and an investment fund with the operating expenses that is to put in place staff, some business development advisory capacity, technical and counselling skills, and the investment fund in the first two years of operation can go to a maximum of two hundred and fifty thousand, and then it starts to decrease the total amount of the investment fund over a five year period is 1.5 million.

It was interesting because in June of 1991 I had the opportunity to attend a meeting in Winnipeg Manitoba, it was called by the task group I mentioned earlier, and of the other native Community Futures that were there, and who put in a presentation to them. I did not see very much difference from any community across Canada. I think I could have taken anyone of them and just thrown them and their problems in our area... they would have been very much the same. One of the problems with Community Futures is that we are not supposed to be looking at duplicating any existing service. We are supposed to be looking at enhancing...providing some new initiatives or innovative type of programs. I don't see that there should be any problem for duplication. When the Central Interior Community Futures first received our designation I think there were a few people going around marking out their territory and kind of wondering what we were doing and we do that. But that sort of thing is I think everyone has accepted us and realized that if we cooperate and use all of our resources to the maximum the whole community will benefit.

In B.C. we have three native specific Community Futures designation. The Nu'chah'nulth Tribal Council... there's is here. Sto:lo First Nations has a Community Futures designation, up in the Prince Rupert area is the North Coast Community Futures, and it is interesting they're not native specific, although they were initiated by the native community; but they have a mandate to provide service to both native and non-native. So that is their uniqueness. And the Central Interior, we are these guys here. We've got this whole area in here. We have 67 bands and tribal councils in the area. We go down through the Lillooet community, Lytton, Clinton, down through like all through the Fraser Canyon, Ashcroft, Kamloops, Merritt, Chase, Salmon Arm, Armstrong, Enderby. And up to North Thompson to the North Thompson Indian Band. It's the same area as the local Aboriginal Management

Board. Community Futures, I guess, is a rather difficult program to explain.

When we first started...set up, we sort of had the idea well, give us the money and we will get down to business. It does not quite work that way, because what has to be done is you have to look at the whole community. You have to look at what resources there are in a community and how you are going to work with that. These are the kinds of things that we had to do, because of the size of the area we had an awful lot of research that had to be done, we could have gone the route of hiring a consultant and having them do our demographics and our research forest, but the committee that we should have someone of Aboriginal ancestry that worked in the community that could get a real good prospective. So I started work for them in September 1990, and first thing that I had to do was to go out into the communities and introduce myself to them and tell them I wanted the information from them. That was the first time that I realized that there seems to be a lack of trust and sharing Economic Development ideas and activities, education and employment. Where I have been working prior to that and a lot of the social problems and there seemed to be a cooperative effort in those areas. So I was quite surprised to learn that there seemed to be a bit of reluctance in sharing that with me. We overcame that and I started compiling the information they were looking for. It was very interesting we came up with an awful lot of information. We learned that there were a number of good initiatives going on. And from that we took and developed a strategic plan, had it agreed to by the branch and introduced it back to the community members and from there started developing our Business Development Centre. I am getting ahead of myself a little bit.

One of the problems with the 31 Community Futures in B.C. is that, to a large degree, native people are not participating in their programs and their program delivery. That to me is unfortunate and I know that it is difficult to go in sit with a group of people who have absolutely no idea of your background, the types of problems you have to deal with, the kind of things you would like to have happen and convince them to buy into that. The fact of the matter is if individuals don't choose to participate at that level then we are losing out, communities are losing out. There have been community futures where they work well with the Native communities. We have one in our area that has done some very very positive things and they are interesting because they haven't had a native person sitting on their committee for quite a while and yet they have assisted in funding a number of things and have done some self-employment assistance program things. We heard earlier about the problem of lending on reserve. A lot of the Community Futures see this as a problem. They have had legal advice when they're setting up their Business Development Centres and looking at distribution of their investment fund. They are being told that no you cannot access and you can't take collateral on reserve, so they see that as a barrier and these things can be overcome but it's going to take people getting involved and letting them know that they can be overcome.

The Community Initiative Fund (CIF) is one I missed when I was talking about the options. These are the three that are left in the program.

With the CIF, that is matched funding. Individuals can receive up to \$50,000 of matched funding for business start-up or for some initiative that will create employment or make a positive change in the community. Bands, organizations, educational institutions, hospitals etc. they can receive up to a maximum of \$500,000. That's a limited fund, it comes out of inter-ministerial monies. In this region there's only 1.2 million for the next fiscal year. Community Futures Committee is quite fortunate if they are able to get 2 or 3 of those a year put through. We had an experience we're working on right now, where our committee has endorsed a community initiative fund proposal. There are a number of things around this, the funder of Lost Resort is one of them and the competitive business is another. I think that one of the messages that we reached, that we strongly need to give government and other people and around this whole thing of creating an economy in our communities is competitive with who. If you've got a band that's located ... Kamloops Indian Band for example is on one side of the river and on the other side of the river there is every amenity and every type of service delivery industry you can think of. If we don't begin doing something to create our own economy, what Gerald said earlier about economic leakages can continue and we are going to get further and further behind.

This is an example of what he was talking about. This is a result of a study that was done by the Shuswap Nation Tribal Council on economic leakage. And as you can see for every dollar that comes into that community, only 15.5% is spent in that community. Eventually I would imagine that the 15.5% ends up in one of the other communities too. There are no retail outlets, no banks, no store, entertainment, those kinds of things. Those are the types of things we have to look at.

In view of some of this information and some of the information around some of the other funding sources, when our committee which consists of representatives from the whole central interior meets we have someone from Lytton, two people from Lillooet, two people from the Merritt area, a gentleman from the Shuswap Nation Tribal Council, a Native Counselling and Courtworkers Association and the Friendship Centre, a private sector person. We decided that there were a lot of dollars for the larger projects that with the \$250,000 investment fund and the size of our geographic area we couldn't fund big projects.

So what we did was look at the void in the system which is \$0 - \$15,000, and with that how can you make a difference. The way you can do it is through the micro small business, the little guy, the home based business. So we have taken and we have targeted a portion of our investment fund toward the start-up of micro lending circles. The circles will set their own criteria, and their own priorities. This is a difficult concept to get across to some of them currently we have some trainees working with us who are assisting us in trying to get some interest in developing the circles. The only reporting they have to do is they have to financial control policies in place, they have to be able to account for their monies. They have to have regular meetings, take minutes of those meetings, they have to establish themselves with a bank, and those kinds of things. Put a structured lending policies, contracts and agreements, but they have to develop those. We are not going to do that for them. The

idea is to work with them and empower those people to set some of those goals for themselves. They also have to come up with 20% and because of the large size of our area we will only put in \$4000, so if they come up with \$1000 they will have \$5000. It doesn't sound like very much; circulated 5 times in that circle and they have \$25,000 in a year. The \$0 - \$15,000 with that we have entered into a trust agreement with All Nations Trust Company for the administration of the investment fund and they are administrators on our behalf. They will be doing the financial reporting, they will not be making any decision on who receives the loans. That total decision making remains within the Business Development Centre. The reason for that is that we're looking at probably riskier things than All Nations Trust Company will.

We'll be looking at a lot of character lending, the credibility of the individual and the capacity of what they are doing to repay what they borrowed. The committee will be charging interest, according the hopes to have a 2% growth of the investment fund. They wish to leave that as a legacy after there is no more such thing as Community Futures, have the ability to do that. One of the things that we are also looking at is probably the average loan of about 36 months, we don't want to have the payments too high, nor do we want to turn it over too quickly because if we do we won't maximize the 1.5 million that is available to us, but I did not say that.

The other thing, with Community Futures that the committee is looking at is getting the Self-employment Assistance Program in place but there is also some other things that can be done and that is part of the visions that came out of the strategic planning. One of them is to ask for the funds, to get a really good information resource library related to businesses in different sectors, the science and technical things, the joint venturing, real estate development and so we will be looking for some funds to get that. There is no dollars attached into the Community Futures program for it. The recognition of success participating in the role model process and ensuring that our young people hear about successful native businesses. The other area we are looking at is training. We're fortunate today because we have had cooperation from the local Aboriginal Management board.

When we were doing the developmental process we had two co-op students. When we got to the development of how we are going to implement our lending circles we had another co-op student. The second one we had actually left, and got a job with one of the communities as an economic development officer. Our business development advisor is a young person who has had some work experience, but mainly his qualifications in coming to work with us will be academic but we feel that there is a lot of young native people turning out at the education facilities that have the education but have a hard time getting the related job experience. Take a look at some of the Aboriginal Capital Corporations, I don't know I think there is 36-37 of them, and I believe I could be corrected but only 3 of them have native managers.

We have to start looking at developing our human resources. We have to look at recognizing the skills that we have, we have to look at giving opportunity to let young people to learn them doing some

entering. So with our agreement with All Nations Trust Company and the current expertise they have there with some of the other resources available to myself and my committee members, we feel that we can have our business development advisor work into a fully-fledged business development advisor within a year, and if he moves on that's fine, we will find ourselves another one. I think for us that's where it's at.

Just some other information that I brought along with me before I quit, but you might be interested in... I got some graphs on... the relationship between education and employment. I think it is very important that we all start looking at education as a need, among other things that we found out when we were doing our research, that there were many many areas that we did not have the skilled for, that we don't have the human resources in our community and regardless as what comes out of this, I think one of the recommendations that we would like to have go to the Royal Commission and be included is the development of our human resources. The dark black line is the employment, and the middle line are those classified as unemployed, and the one closest to me, the lighter line, is that those aren't looking for employment. I thought I had something here to explain that... but anyway, "A" is no education, "B" is an education level of less than grade 9, "C" has some High School, "D" High School to diploma, "E" some trade or college, "F" college diploma, "G" some university, and "H" university degree. And I think if you look at the recent studies that the employment and immigration did recognized there is a real need even what used to be considered entry level jobs, a few years ago are requiring grade 12 and a lot of that has to do with technology. Gas station attendants for example, they have some level of expectation of education now, where they didn't really in the past too much, and that has a lot to do with just the use of credit cards.

In our community when I did the research, they were looking for a chamber maid, they wanted grade 12. If we don't encourage them, regardless of what happens in the fields of economic development, we still are going to be behind. Because if we don't build our human resources we are not going to have the capacity of manage, if we don't begin with some small businesses were not going to have an economy.

In some areas some of the major projects are great, but a lot of them are designed to bring in an income, they are not really providing jobs for our community members, because we are having to hire people from outside the areas that don't have the skills to manage and operate the businesses that we are doing. I think the other bit of information, that I should share and that's age. We are dealing with the younger age group, the average age is 19 - 24 years for native people, the average in mainstreams of society is 35 plus. So not just us, but the rest of the world too, if they don't start recognizing that we do have some valid skills and start hiring native people, in about 10 years they are going to start running out of the labour force. I think I will quit. And if anybody has any questions, I will answer them.

David Seymour

Is there any questions for...I had one that sort of comes out of the two discussions that we've had now, after the break... do you feel that the Community Futures is promoting the Community economic development that Gerald has talked about? And if so what is the critical piece, and if not is there some sort of solution to adjust it? I know Gerald was talking in terms of it in an academic sense, and you made reference to a number of criteria that the government is sort of imposed upon you, do you find that...like a hardship? So let me...

Geri Collins

I think to begin with David, the parameters of the programs were difficult for us to understand, but I think once we got into it and realized the actual value of mapping out the communities and knowing what's there. You know, you've got to have a starting point, you've got to understand what you have to work with and then be able to start looking in that and saying, well gee, what could we do that would make a difference here, what could we do that would change that? The facts that the community members that were doing that the committee members live and work, the community stake holders. The fact that we asked the community what they wanted we asked individuals and others, it wasn't just a process that came out of a brief discussion. The research went on for about a year and a half. I don't know how other Community Futures works, but that's what we did, and I think because it's in my opinion got real community ownership. Yeah...I think will make a difference.

David Seymour

You mentioned earlier that...oh I should ask Gerald, do you want to make any comment about...

Gerald Hodge

No, surely my understanding that Community Futures groups are sort of right, if there is mainstreams CED the community pictures organization are them. There is one other things you see, that distinguishes them is that they are able to come up with their own vision of what they want their community to be, to come up with their own strategic plan and to see if there an area that their human resources need development in a particular way than they can do that. So what it does is it starts with a common frame work about communities regardless of you know who populates those communities and then offers them the opportunities to address their own unique problems.

David Seymour

It only leads to the other question. The word community is very centre to the whole of that story. You mentioned at the beginning Geri that you are the only Community Future program that is imposed upon five

others, does that pose a problem and is it like a community definition problem that results out of that.

Geri Collins

I think initially when we first received our designation because the program has been around since 1986, we came on stream the committee had their first meeting of January 1990. And I think that the biggest problem is that we were perceived as a threat to them. But I think once they recognized that we were ready and willing and wanting to be co-operative, that they have accepted our being there and for the most part of an expressed willingness to cooperate with others and one of the advantages is we're are looking at the micro small business, the cottage industry and maybe some training or programs for people who are not comfortable I guess going to other non-native organizations which is a big problem for a lot of people in our area. So that if there are other people who have a bigger idea and need more assistance and are ready and willing to go to the other Community Futures then they are able to do that too. The other thing too is with the Business Development Centre, we signed the contract, we haven't officially opened it yet, but it should be within the next little while, we have done our hiring. We are again looking for \$0-\$15,000. Well, what if somebody comes in and they want \$25,000. We could say okay we could give you \$15,000. and one of the other Community Futures could give them \$10,000. So I guess in that respect we have the best of both worlds. Anyway one of the biggest problems around this Community initiative fund in particular is this idea competitive business... you know, and infrastructure development. Those are two biggies particularly when you are looking at the band population. If it is a good idea and it is going to work 95% of the chance somebody else is doing it... so that is something we have to look at but depending how quickly they incorporate the recommendations on the aboriginal access some of that could change for us as well.

David Seymour

In that sense is there linkages between your Community Future and say the other Community Futures, and into the band councils? Or is there formal linkages, how does that (work)?

Geri Collins

They are more informal. The band councils...our Community Futures is apolitical in the point of I guess the politics that the community level is the normally seen. I kind of hesitate to say where it's political. What we've got four chiefs on our committee now Larry? Something like that...Four in that capacity and that was by choice, because they see themselves when they are working and wearing that particular hat; it is representing the total Central Interior in native population on and off reserve, and I think if they had not taken that action and that position then we wouldn't even be perceived as being a valid organization within our own communities.

David Seymour

Matthew?

Matthew Moore

I just want to make a comment to the (way) I think your Community Futures group is the exception. I think most of these groups, other native groups, they have no access to community funds that Community Futures provides. Probably the only services in my area that we get, are some referrals to assist some of our people and some business planning, and that's the extent of the services we get from them. There are boards in our area and we have some representation on Community Futures board, but generally dominated was some of the larger population areas, mainly non-native groups, non-native communities, and they are not native Community Futures programs for natives. It is not what was envisioned in 1986. It seems like it was something we could use to enhance some of the things we are trying to do but... to me it's a complete failure it is not a program that I even bother sending people to know, because they are going to run around in two circles and send you to somebody else. There's applications for funding by either self-employment or make-work funding; they're just aren't considered and not taken seriously.

Geri Collins

Yep, and I know the frustration you are going through because I participated with some of those groups and...yeah...there are some real red-neck attitudes but how do you change those attitudes. I guess I have one question for you Matt, how many based on your population, what percentage of the total population in your area are in their Community Futures designation would be native.

Matthew Moore

I think Smithers up to the Kitamaat...perhaps, let see the total native population probably about 40% of that region. Terrace and Kitamaat are two main centres together they maybe pull 20,000 people.

David Seymour

Does it include Rupert?

Matthew Moore

No Prince Rupert, Queen Charlottes have their own area.

Geri Collins

After this year, if you've got it and I know there is one because all ten regions in B.C. are covered by a local Aboriginal management board. In the areas where there's 10% or more native people they are designated as aboriginal inclusive Community Futures, and if they are not providing services or even if they are in the native community wants to have their own and you can get the endorsement of your local

aboriginal management board you will be able to get a designation for an aboriginal local development, and that is part of the recommendations that came around this aboriginal access task group are the results of them, and I am sure if you were to have a meeting right now with your local Community Futures, and they haven't been working well with the native community, to be really open to... because you could quite effectively take 40% of what they identified as their population out of their designation.

Gerald Hodge

I would like to add to that...I am not surprised with Matthew's saying and I certainly did not want to paint this world through rose coloured glasses, it is why as I learned to having a youngster in my house the last few years, why Sesame Street spends so much time on the word "co-operation," it is probably the hardest thing there is to do inside or outside or between Aboriginal and Non-Aboriginal communities, and...but what Geri is saying is true and there is now being pressure put on for inclusiveness not only for aboriginal communities but disabled people, woman and other groups within regions which may have been excluded for one reason or another from community futures, so sure they have their tough road to hoe as well.

Geri Collins

No, but this is just no pressure Gerald, I mean this is going to be mandatory, they have to be providing services to the native community and the other equity groups aren't part of that.

Matthew Moore

How soon will this be happening?

Geri Collins

Like the end of this year, beginning of '94.

(Unknown)

I am from the Prince George region and there seems to be very little Native involvement in the Community Futures in that region.

Geri Collins

This is by fault, it is not a choice. I was really disappointed because.... the Prince George Community Futures chairman approached me and he was telling about all this problem he had in getting cooperation and involvement of the native community, and I referred him to Dan George because I know Dan, and I thought well if anybody could put these guys in line he could, but he just finally gave up and resigned, and that is too bad because, you know I... they are obviously not open to hearing what the problems are and what some of the solutions could be.

David Seymour

Ah... one question in the back there.

(Unknown)

Just getting back to the multipliers. I was wondering how they worked for on-reserve?

Gerald Hodge

I am sorry if I did not respond to your question, my only experience in doing multipliers for smaller communities has been for smaller non-reserve communities. Alright, and those multipliers are really quite low, for the figures that Geri put they would be even lower.

They would be probably 1.05 or something of that sort. Very, as you could see from the diagram, so much money was being spent off reserve, so the money was coming in, weather it was coming in for welfare, was coming in for employment income or whatever, most of it was going off reserve. Curiously enough, just because you know there are communities in British Columbia who considered, I have worked with a couple of different kinds, ones that have wanted to attract retirement populations, and ones that have just simply wanted to hold on to the ones that they have got. The retirement population is just by nature would spend about 70% of their income within their local communities. So you know just down the road from you are in Salmon Arm or in Sicamous, or something like that, that expenditure will be more like 70%, whereas you could see it was about 15%, well you know in the non-reserve communities there are places of business where you can spend and get your goods and services, if you don't have those at all then your chances of any multiplier are just about nil. The money will just come in and go back out again.

Geri Collins

The overall thing, but I didn't make an overhead out of this, but your info of dollars comes through your community your sales your investments government spending whatever, and that will start establishing a local economy unless your out flow from the community of those dollars is the same or exceeds what is coming in. So unless we start doing something to retain the dollars in our communities and attract new dollars we don't have an economy, because that is what economy is based on. If you've got \$10.00 you spend it ten times in the community you have put a hundred dollars into that, if you get somebody else's \$10.00 you've got a hundred dollars new.

David Seymour

It would seem you know one of the shocking numbers that always puzzles me is that nationally, in 1974, Indian Affairs was spending \$400,000,000. It had a total budget, if you go back to the records, a total budget of \$400,000,000 of which a clear \$100,000,000 was a least making it to the communities right across Canada. Last year Indian Affairs managed to put or least put through band councils, tribal councils through out of Indian Affairs and into the communities,

almost \$1 Billion. Now the multiplier of that should have been really high. But that it just goes in and out, it goes almost through them very quickly. Because a lot of that was spent in capital infrastructure, expenditures where they are buying services, housing, the timber, the whole housing is actually imported into the reserve straight through. And somebody gets a house alright but the second dollar, the one who puts it up and organizes the designer, all of that stuff is off the reserve. It just goes right out. I mean that billion dollars probably had a greater multiplier in the B.C. economy than it did elsewhere; you know, in the reserve community. That's really it you know.

Geri Collins

It was interesting because I did an analysis when we took our Business Development Centre proposal to the regional assessment committee, which is one of the approval processes. And I took our weekly Buy and Sell. They had a one seat not two chair space hairdressing equipment for hairdressing salon and the sinks and that, I priced those they were \$2,500.00 they were in operating condition and I had a plumber and my husband is in construction. So tell me about how much it would cost to install the sinks and everything and an electrician for the electrical? Anyway, it could have been done for about \$5,000.00 for the whole thing plus maybe an extra \$1,000.00 to start it up, and then if you figure it out and if you had three hundred people who went and got their hair cut once on the average, most people have their hair trimmed about once every six weeks to two months we would be looking at the potential earning just for haircuts on a home based business hairdressing salon of \$30,000.00-\$35,000.00 a year. But even that if you take it and spend it out at the community you know, you figure how much a week does the average family spend on a loaf of bread? Every nickel comes, leaves, and that is why the big projects they are important but getting the community into the idea of business is also very important.

David Seymour

Yes Joanne?

Joanne Charles

I would like to address the question to Geri. Why didn't the task force allow for Community Futures in the urban areas?

Geri Collins

Just for clarification it wasn't the task force report. That was the recommendations of the task force that there would not be access in the urban or metropolitan areas, it was what the minister agreed to. They had made the recommendation that native people have the option to become involved and he agreed to every bit of the task force recommendations with the exception he put the rider that the urban, in the context of the metropolitan, would not have access. So it was the minister not the task force.

Gerald Hodge

This is a big gap regardless of aboriginal or non-aboriginal communities in the urban areas but if you are in the Vancouver area and you wanted to try and get some help with this let me suggest that the Van City Community Foundation is very open to community development efforts specifically in the community development efforts within the Vancouver region. I don't know if you will find it in Prince George or Kelowna or Victoria, but I know that's a source in the Vancouver area, and there a number of us that are extremely concerned about whether its Community Futures or the provincial Economic Development Ministry's efforts, at generally looking out beyond this, and when they look at the gross statistics yes they see a lot of development and economic growth in the metropolitan areas, but just as...you can look around this metropolitan area and know that there are some people that are hurting a lot.

Geri Collins

But what I would suggest is put together some information and get B.C. Aboriginal Management Board involved and the national Aboriginal Board involved and support their efforts because they are trying to say no, this is not correct. Those people need it, but it is what the minister agreed to.

David Seymour

Wow, it has been a long day, I want to thank everybody for coming and sharing, I would like for the record try to do a thirty second summary here, we heard in the morning from Mr. Simon Baker about education and about jumping. We seemed to jump quite around. We heard from Dave McDougall, (from) Industry, Science and Technology about the IST program we heard about how he... the program is evolving to move the money out to what he refers to as Capital Corporations.

He sights as being two issues, one is business planning and the strong project equity is being too focal points for his group, while he is constantly reminding us of how much money he is, or the IST is, putting out there. There were those two problems sighted. We heard, subsequent to that Neil Sterritt talk about other issues, both how the economic development is key to the development of self-government.

Clearly the role of advocacy is necessary for the urban centres to participate in that. He points out that there is pro's and con's to the development of various corporations and he sights how they can all work together. He hints at the development of community economic development through the house system; taking advantage of both the cultural experience as being the source of other access to capital, where a particular entrepreneur would go to his house who would then facilitate the development of the on reserve story, he sights other advocacy groups both the Canadian Aboriginal Mining Association as well as the political ones, to take advantage of spin offs or what we later find out in the end of the day is multiplier effect of activity already existing in the community or about to exist in the community in the form mine or resource development. This is quite interesting and he stresses the economic development is a starting point which does not need constitutional reform or

legislative reform; it simply means getting us to do things. We have Wayne Gray who followed him to talk about the experience of development and a unique and specific Capital Corporation here in Vancouver and how it is important in the struggle for such corporations the survival of the corporation may be done at the stake of the client almost. And there is need for more community development processes to at least get the business development started, this was clearly followed with interesting experiences, both of Tri-corp and what it had in terms of survival, it having to take the first position almost at the stake of losing the other. It was interesting to hear that this was followed by external capital corporations. Murray who talks from the province.

Murray Munro and how various capital corporation incentives can be created, maybe as a way of saving the capital corporations. That is to say by allowing or creating, even facilitating the development of venture capital funds within side of capital corporations as being a way to diversify; something that the existing or the new capital corporation in Vancouver is already looking at. The idea of tax incentives, while he didn't hint at the Indian Act at all, it seems to me appropriate to put that into that context, to say that maybe it's time to start looking at tax incentives for other than that kind of benefit. He goes on to describe how the branch he is working with has got both equity capital, it's got the employment investment program as well as the working opportunities fund under its responsibility, he has given us contact for future benefit.

This is quickly followed by Steven's focal on business planning which we hear as being both taught at the U.B.C. and at Simon Fraser, and we were quickly pointed out by that it is also taught at the Nicola Valley Institute of Technology. It is important that one understands that development process that it includes the focus on both management team as well as on a number of other areas to name a few, was the commitment, which was clearly recognized by all as being the stubbornness as one has put it to us, he gives us a list of what the venture capital people are looking for, he points out that it is critical to understand those key points, in the management team in order to be successful, at least getting the funds and clearly at surviving five years, when he points out to us that eight out of ten fail in five years, not because of money but because of management.

The business planning is critical and we had some discussion on that.

Doug Kerley became kind of like a curve for us. Although he works in Job Protection Commission and has an interesting job to me and it is coming to an end at the end of this fiscal year or the end of '92 anyway, the Job Protection Act empowers him to do some interesting things in a community that is a one industry town. However, what is more important for us is the personal comments that he makes. This is really very much more of how does one really get to capital in the overall scheme of things. It is kind of like saying maybe it is not the government we should be looking but really to the other areas such as, he points out that real equity comes from friends and family. He talks about the skills that we need to come from joint venturing, franchising, taking advantage of the expertise in our community. The commitment that we have already heard of he refers to as being stubborn, business planning is something you do yourself

probably for yourself. He stresses the Indian Act should be abolished, and the national programs must have regional focus. Brian here has brought our attention to the advantage of taking our... the advantages that various governments are taking of immigrant investment. We heard of the two programs, one, the investor program and the other the entrepreneurial program. It's quite an interesting complimentary way of getting something into the capital corporations also for various communities that want to develop Venture Capital Funds. I think that is a very well placed discussion. But I think that we work through the day the critical feature was community, what are we here for? Not just simply to access capital, but to actually do community development. This is brought home at the end of the day with Dr. Gerald Hodge and Geri Collins, who have both won an academic kind of reflection on the community economic development experience, as well as the actual hands on in development of the community economic development. Both have presented to us the information necessary to at least consider this as being maybe the solution if not at least the complimentary solution to any of the other activities, it's interesting that even though the community economic development through the Community Futures program. He has had some difficulty in the past when it is even in a conflicting situation been very successful in the interior. I see that the creation of...the search for the greatest multiplier effect has been the focal point there in that sense, one of the real ways of community economic development.

I want to thank you all for coming, we will be presenting our intervenors report to the Royal Commission, it will then be circulated not only to those people who want it through the Royal Commission but all of you people for sure to...I am hopeful that through all this activity we will see some growth in this area.