

Arctic Co-operatives Limited  
Submission to the Royal Commission  
on Aboriginal Issues

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Limited

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## **SUMMARY**

As Canadians, we Inuit, Dene and Metis members of the Northwest Territories Co-operative movement are the occupants of a territory which has sustained us as free and distinctive people for thousands of years. This land is the source of inspiration for our art and our lives. It has defined our society, culture and traditions. It has sustained us.

For the last half of this century, we have been a people in transition. Our new generations are facing challenges that our grandparents would never have dreamed of. We are making arrangements for our continuing stewardship of the land through our land claim agreements. At the same time, we are taking action to get control of the forces of change that are transforming our society.

In this brief, we intend to provide the commissioners with insight into the special difficulties of aboriginal people who live in the north, especially as they relate to our participating in the economy of the NWT. Issues addressed in the presentation will include: the lack of financial services in the remote, aboriginal communities of the NWT and the unique role of Co-operatives in aboriginal community economic development in the NWT. The recommendations that we are making to the federal government through this brief are:

1. That the federal government provide direct and adequate financial investment to allow for the establishment of financial services in our communities through the development of community credit unions.
2. That our NWT Co-operatives be officially recognized under the Canadian Aboriginal Economic Development Strategy as a unique sectoral CEDO for the results we have achieved as community economic development organizations.

## **ENVIRONMENTAL CONSTRAINTS**

The NWT community Co-operatives are unique both in terms of the role they play as a vehicle for our peoples' participation in the Canadian economy and in terms of many barriers we have overcome through the use of our Co-operatives in the north.

By any standards the economies of our small, remote communities would be considered underdeveloped. The majority of our communities have only been formal participants in the Canadian economy with the incorporation of the first aboriginal businesses, locally-owned Co-operatives, in the late 60's and early 70's. What economic activity there has been, that are owned and controlled by aboriginal people, in most cases is a result of our Co-operatives. In this short period of time, the aboriginal people of the NWT have built for ourselves the largest affiliation of locally-owned aboriginal

business in Canada.

There are also many environmental factors that are unique to our experience in the Arctic and that impact on our continued development.

#### GEOGRAPHIC CONDITIONS

Our geographic location influences every facet of our lives and imposes conditions on our business operations that exist nowhere else in the country. Our communities are small, are not accessible by road, and separated from one another by large distances. Supplies are generally available by sea only once per year. We must purchase and deliver to the southern dockside in June products which we will not see until September and must last us until the following September.

The requirements of prolonged warehousing, high energy consumption and increased insulation levels, all add to the high cost of doing business and reduced returns.

The complete absence of any financial institution outside of the major centers imposes a severe handicap on our ability to develop our personal financial management skills, on the ability of our businesses to function effectively, and our quality of life. The geographic isolation provides no opportunity for our people to access personal financial advice, savings facilities, and personal loans.

Our businesses are continually searching for ways to get deposits to the bank and to bring cash into our communities.

A resident of one of our communities will have to travel not less than two hundred and as much as several thousand kilometres to find a financial institution.

#### ECONOMIC CONDITIONS

Our people have never had access to cash. Before 1950 it was nonexistent and as a result our people have never had the experience or the opportunity to amass capital.

Through our Co-operative businesses we have been able to develop local assets of over \$49 million and build our equity in the businesses to \$13 million. We are the people who benefit from the profits of our own businesses, profits which would otherwise have gone to enterprises owned by people who are not the residents of our small communities and are generally non-aboriginal. Economic development in our communities has been greatest where Co-operatives have been strongest.

There has been increased wage and other sources of income for our people in the last 20 years, however, there has been no opportunity

for our people to develop personal financial management skills and wealth. These skills will be critical to the economic development of our communities and our people over the next twenty years and can only be accomplished through locally available financial services.

#### SOCIO-CULTURAL CONDITIONS

Co-operative associations represent the primary economic institutions of the aboriginal people of the Northwest Territories. They are also the only aboriginally controlled economic organizations that have provided a structure for aboriginal people of Inuit, Dene, and Metis ancestry to work together for the betterment of all groups. They are consistent with our traditional values and have provided a viable means for achieving our financial independence. Co-operatives are important institutions in the arctic simply because they are one of the few organizations which we can use to improve our socio-economic status.

The extension of this Co-operative model to community-owned financial institutions will be necessary if our people are to see improvements develop in our socio-cultural conditions. We cannot be forced to depend on outside influences to develop and control our financial infrastructure. Financial control and independence is a key element of social and cultural development. We are not talking about the need for "instant teller services", but the need for the opportunity to develop our full understanding and management of our personal and business finances.

We are the first people in the history of mankind who have been obliged to travel from the stone age to the space age in one generation. This transition of an entire culture from a hunting and gathering society to a producer and consumer society has been facilitated by the Co-operative model. This transition is not complete without reasonable access to financial services, and the Co-operative financial model, credit unions, will be the only vehicle we can use to complete the process effectively and with our input and control.

## CO-OPERATIVES AND COMMUNITY ECONOMIC DEVELOPMENT

Over the past thirty years the scope of Co-operative business activity has changed dramatically. The Co-operatives have evolved from being primarily a resource and arts and crafts-based business organization. Today in the Northwest Territories members of the Co-operative movement number close to 10,000; we control assets in the communities valued at \$49 million. We also control assets valued at \$29 million in our two central organizations, Arctic Co-operatives Limited and the NWT Cooperative Business Development Fund.

Our Co-operatives employ over 650 people directly in our communities. In addition, income payments to artists, craftspeople and primary producers amount to an additional \$2 million or more each year. Over 250 directors participate regularly in business decision-making in our communities. That experience has helped many people, who served in Co-operatives as staff or directors and have chosen other careers in civil administration in the communities or the territorial and federal governments. Many also serve in positions of authority in our own political organizations. There are of course, many of us who have remained in the Co-operative movement and continue to guide the economic affairs of our people.

Co-operatives are locally-owned, financially and structurally independent businesses. The information that follows is a consolidation of the operations of our Co-operatives and should not be understood to detail a single corporate entity.

The following is a list of the services delivered by our Co-ops today in the NWT communities:

Number - 37	Membership - Over 9,900
-Retail	37 Co-operatives
-Hotel	20 Co-operatives
-Arts & crafts	26 Co-operatives
-POL	19 Co-operatives
-Restaurants/coffee shops	25 Co-operatives
-Contracts/agencies	13 Co-operatives
-Taxi	4 Co-operatives
-Cable TV	5 Co-operatives
-Building leases	4 Co-operatives
-Commercial fisheries	2 Co-operatives

### OPERATING RESULTS 1991

Total Volume	-\$58 million
Total Savings	-\$ 2 million
Total Assets	-\$49 million
Total Equity	-\$13 million

## **ABSENCE OF FINANCIAL SERVICES**

There is one essential component of economic development which still eludes us in our communities. Outside of the regional centres in the NWT, there are no financial services available. Residents in Pelly Bay for example, have to travel thousands of kilometers by air to get to the closest financial services. This lack of financial services together with the environmental constraints detailed already, serve to demonstrate the remarkable achievements of our Co-operatives.

While the Co-operative business infrastructure has developed ways of coping with the difficulties, the development of micro-businesses and individual personal financial development has been limited significantly. The following statement made at a workshop held to assist in the preparation of this brief, sums up the frustration many of us have had when dealing with the few banks which do exist in the regional centres.

**"I know three people in our community. All of them earn over \$40,000 per year. When they went to the bank to get a loan, none of them received satisfactory service."**

Because of this frustration, our people have given the mandate to our Co-operatives to take the initiative to establish financial services in the form of credit unions in our communities. Our Co-operatives have been encouraged by the support for this initiative that we have seen demonstrated in communities where organizing efforts have begun; by the support of both the Credit Union Central of Canada and the Canadian Co-operative Association; by the results of studies and reports which have been completed with the support of government; by the acknowledgement of our own political organizations and the endorsement of our elected politicians in the territorial and federal governments.

## **SUPPORTING DOCUMENTS**

A list of the studies/reports which have indicated the probable success of providing financial services through credit unions in the NWT includes:

- a needs assessment - *Banking Services in the Northwest Territories: A background Study prepared for the NWT Legislative Assembly's Special Committee on the Northern Economy* (Core/Net Consulting Limited),
- a feasibility study - *Feasibility of a Credit Union System in the Northwest Territories* (Core/Net Consulting Limited),
- an economic benefits study - *Benefits Arising from Small Scale*

*Credit Unions in the Northwest Territories* (Richard A. Eckert)

- a business plan for implementation - *Planning for Credit Union Development in the Northwest Territories* (Richard Eckert).

These documents are all available on request from the NWT Cooperative Business Development Fund or Arctic Co-operatives Limited.

In addition to these reports/studies, reference to the desirability of providing financial services through credit unions is contained in the *Final Report of the Working Group on Inuit Participation in the Canadian Aboriginal Economic Development Strategy* sponsored by the Inuit Tapirisat of Canada and *A Study of Diversification Opportunities for Aboriginal Capital Corporations*, prepared for Industry Science and Technology Canada by Dr. E. Wayne Clendenning.

The following aboriginal organizations in the NWT are on record as supporting the development:

- Inuit Tapirisat of Canada
- Sinaaq Enterprises Limited
- Tungavik Federation of Nunavut
- Inuvialuit Development Corporation
- Pauktuutit Inuit Women's Association
- Kitikmeot Regional Council
- Keewatin Inuit Association
- Baffin Regional Inuit Association

There have also been letters of support and interest from a number of municipalities, organizations and individuals.

## **ROLE OF GOVERNMENT**

Governments have played a key role, with varying degrees of success, in facilitating community economic development in aboriginal communities. Co-operatives in the NWT have been one of the most successful vehicles for development in our communities.

Many of those early federal government employees who were community animators in the process of Co-operative development, although they could not foresee the movement among our people for self-determination, were involved in the process of expediting it.

**The mission statement of Arctic Co-operatives Limited is to be the vehicle for service to and cooperation amongst, the Northwest Territories Co-operatives; hence, providing leadership and expertise to develop and safeguard the ownership participation of the northern people in the business and commerce of their country, to assure control over their own destiny.**

With the announcement of the CAED Strategy and the overwhelming

support of aboriginal business and community leaders, our Co-operative initiatives seemed to be especially appropriate for support, given the objectives of the strategy.

The broad objectives of the strategy were stated as follows:

- **greater aboriginal participation in the design of and control over the delivery of economic development programs and services;**
- **strengthening aboriginal financial, sectoral and local development institutions;**
- **decentralization of program delivery;**
- **harmonization of federal programs;**
- **removal of barriers within federal programs;**
- **increased involvement with Canadian business and investment interests; and**
- **active participation and support from provincial and territorial governments.**

From the beginnings of the implementation of the CAED Strategy, those departments participating were informed of the importance of Co-operatives in the NWT economy. The need for financial services in the form of credit unions was emphasized in the final report of the working committee on Inuit participation in the CAED Strategy. Our aboriginal leaders from our own political organizations, economic development organizations, land claim bodies and sitting in our parliament and territorial legislatures have also supported the development.

If we are not able to effect a change in the design of economic development programs with this level of support from our communities, it is hard to believe that we have greater participation in the design of programs and we surely do not have control over them. The CAED Strategy has not met its first objective in the context of NWT aboriginal people.

The credit union system in southern Canada with assets of over \$50 billion must be considered Canadian business and investment interests. Their willingness to support and participate in this development financially, technically and with training will be wasted if this development doesn't happen. This would seem to be particularly appropriate and desirable in meeting the sixth objective of the strategy. How many opportunities like this can be lost if the development of our community economies is to be achieved?



It is difficult to understand the absence of support for our Co-operative initiatives from the federal government. It is amazing to us as aboriginal people when funds can be found to support credit union development in the Ukraine, or third world countries in Africa or the Caribbean and none are available for our underdeveloped communities in our own country. It is especially so when the establishment of financial services through community credit unions is so clearly within the framework of the stated objectives of the CAED Strategy.

One evaluation of Co-operative programs delivered by Indian Affairs and Northern Development included the following statement:

**"If the federal government places value on the achievements of Co-operatives which it has nurtured, then it has an obligation to see that native organizations adopt the same respect for twenty years of sacrifice and hard work...of native-owned Co-operatives in the field of economic development...at the community level."**

Community economic development through the Co-operative model has proven to be highly successful and effective in the NWT. This may not be the case in other parts of Canada and that fact may have compelled the federal government to implement the CAED Strategy at the national level. It would have potentially damaging results in our communities, if the federal government refuses, at this time to acknowledge the value of Co-operative achievements. When a national strategy is implemented, regional sensitivities have to be considered. Where limited or nonexistent partnerships may have been the case in some Canadian communities, it has not been the case in the NWT. The partnership between our people and the federal government through our Co-operatives needs to be continued in the field of economic development at the community level.

## **CONCLUSION**

Co-operatives, as the first aboriginal development corporations in the NWT, continue to be the most effective vehicle for community economic development. This is demonstrated by the results achieved by our Co-operatives, financially in assets under our control and equity invested by our people; secondly, as agents for human resource development and most importantly as the single largest owned and operated aboriginal business in our NWT communities. Initiatives such as the effort by the Co-operatives over the past five years to develop community-based, financial services through credit unions indicate clearly the Co-operatives' commitment to broad community and personal economic development.

**For this reason, we are recommending that the federal government departments involved in the CAED Strategy officially recognize our**

## **Co-operatives as Community Economic Development Organizations.**

The provision of financial services in our communities is essential to the development of our people individually and to our economy, generally. There is a demonstrated lack of access by our people to financial services through their absence in our communities and frustration in attempting to deal with officials of the banks that do exist in the regional centres of the NWT. Access to financial services through credit unions will provide individuals with valuable experience and training in managing finances. According to the economic benefits study completed in partnership with the federal government, on developing credit unions 12% of local households in the communities would participate as staff, directors or on committees of the local credit unions. This represents an opportunity for our people to learn financial skills through participation at a time when those skills are in urgent demand with the implementation of land claim agreements.

Credit unions also make investments through loans in small businesses which are the key to the continued development of our local economies. They can also provide financial services to existing businesses increasing efficiency and saving dollars in small local economies.

**We are recommending that the federal government provide direct and adequate financial investment to allow for the establishment of financial services in our communities through the development of community credit unions.**

In closing I would like to return to some of the broad objectives of the CAEDS Strategy and indicate our perception of the governments progress in implementing the strategy.

- **Greater aboriginal participation in the design, control and delivery of programs and services;**

The Co-operative movement has brought forward a proposal for the development of locally owned financial institutions - credit unions, in full consultation and with the full support of local, regional and national aboriginal organizations. There has been no positive response by the federal government departments on this issue.

- **Strengthening aboriginal financial, sectoral and local development institutions;**

From the very beginning the Co-operatives have supported the development of regional and national CEDO's to assist with community development and animation. At the same time we emphasized that the NWT Co-operatives are unique in Canada in their proven success at providing for community development, and that recognition of their central organization as a sectoral CEDO must be provided. Instead

we have seen the decline and elimination of support for our development work. The program has resulted in the withdrawal of support for sectoral development institutions.

**- Harmonization of federal programs**

In the years we have been working on the development of credit unions for our communities, we have been constantly bounced back and forth between different levels of government and different departments and programs. There has been no harmonization between governments or departments on this issue.

**- Removal of barriers within federal programs;**

On the credit union issue we have been told that a development of this nature does not fall within policy, or within mandates. Despite the significant support of the aboriginal individuals and groups at all levels, from the local communities to the national level, there has been no effort on the part of the government to remove barriers to this development.

**- Increased involvement with Canadian businesses**

The credit union and Co-operative movement from across Canada have already contributed over \$200,000 in development funds and support to the development of credit unions in aboriginal communities of the NWT. There is a further commitment of a one-time \$1 million contribution, and further commitments of ongoing technical support from the Co-operative and credit union system. I challenge the government to find any other example for this kind of support with no return to the donors. Despite this there has been no support from government on this initiative.

Our closing message is:

Government

- Live up to the stated objectives of the CAED Strategy.
- Review your programs and policies to ensure they are responding to proposals in the spirit in which the programs were created.
- Review the unique needs and developments of the NWT in terms of financial services and Co-operatives as community development organizations and revise your programs and support accordingly.

## TABLE OF CONTENTS

INTRODUCTION	...1
Definition of Co-operatives	...1
Definition of Credit Union	...3
Co-operatives and the NWT economy	...4
HISTORY AND BACKGROUND OF THE NORTHWEST TERRITORIES CO-OPERATIVE MOVEMENT	...6
THE ROLE OF GOVERNMENT IN CO-OPERATIVE DEVELOPMENT IN THE NORTHWEST TERRITORIES	...16
Summary of major government/Co-op programs	...26
HARMONIZING GOALS	...27
Objectives of the CAED Strategy	...29
Feasibility study	...33
Diversification of aboriginal capital corporations	...35
Economic benefits of credit union development	...36
BUILDING ON STRENGTH	...40
Business plan for community credit unions	...41
Comparison of credit union - bank	...48
CONCLUSION	...50
Recommendations	...51

## INTRODUCTION

In this brief, we intend to provide the commissioners with insight into the special difficulties of aboriginal people who live in the north, especially as they relate to our participating in the economy of the NWT. Issues addressed in the presentation will include: the lack of financial services in the remote aboriginal communities of the NWT and the unique role of Co-operatives in aboriginal community economic development in the NWT. The recommendations that we are making to the federal government through this brief are:

1. That our NWT Co-operatives be recognized for the results we have achieved as Community Economic Development Organizations under the Canadian Aboriginal Economic Development Strategy and,
2. That the federal government provide direct and adequate financial investment to allow for the establishment of financial services in our communities through the development of community credit unions.

Throughout this brief there will be reference made to both Co-operatives and credit unions. In order that the commissioners who may not have had exposure to Co-operatives, can get a sense of the qualities of these business structures, the following introduction is provided.

### CO-OPERATIVES

A Co-operative is an organization established and maintained by the members to provide goods and services to meet their needs. It is owned and controlled jointly by the members, whose needs are the reason for its existence. Its operation is based on Co-operative philosophy and six basic principles:

1. Open and voluntary membership

Membership is open to all people who can use the service being offered.

2. Democratic Control - One member, one vote

Each member of the Co-operative has only one vote regardless of the value of the shares that they hold.

3. Limited interest, if any, on shares

Shares in Co-operatives are not intended as investments to

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Arctic Co-operatives Limited

Brief to The Royal Commission on Aboriginal Issues

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provide return, but as investments to provide service.

4. Return of surplus to the members

Net profit or surplus is returned to the members based on their use of the service. This may be in the form of an allocation to individual share capital or a cash dividend.

5. Co-operative education

All Co-operatives are to provide education to members, directors and staff on Co-operative values and for skill development necessary to operate the Co-operative business. Each Co-operative is also charged with the responsibility of educating the larger community about Co-operation.

6. Co-operation among Co-operatives

Local Co-operatives are usually affiliated with other local Co-operatives in second tier Co-operatives. For example NWT Co-operatives belong to Arctic Co-operatives Limited, a central service organization providing accounting, volume wholesaling, art marketing, human resource development and management advisory services to the member Co-operatives. Arctic Co-operatives Limited is a member of the Canadian Co-operative Association. The CCA provides a variety of educational and advocacy services to its members, who are second tier Co-operatives, as well as a forum for the exchange of ideas.

COMMUNITY CONTROLLED

Two of the principles which relate directly to the members are open and voluntary membership and democratic control. These are based on the philosophy that people have the right, responsibility and ability to guide their own destiny.

Co-operatives must rely on the will of the members to elect people who will ensure the sound management and continuity of the organization. This notion of leadership in the democratic process is implicit in how Co-operatives derive power from the membership in order to provide for service to the same members.

Beginning with the Co-operatives in the NWT communities, the members elect directors at the Annual General Meeting. Local directors represent the community Co-operatives at the Annual General Meeting of the central service Co-operatives, Arctic Co-operatives Limited and NWT Cooperative Business Development Fund. At these annual meetings the member Co-operatives elect the directors of the central

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Co-operatives.

Directors are the trustees for the members. They are the primary administrative authority in the Co-operative. In order for the directors to execute their duties in an efficient manner requires that skill development take place from time to time and that they hire expertise to whom they delegate responsibility for sound day to day management.

The notion of director leadership in Co-operatives must be tied to the Co-operative values of equity, equality, and mutual self-help. Even though the directors are empowered by legislation to manage the affairs of the organization, they can't simply exercise power through the general manager or segregate themselves from their constituency. Unlike directorships in the corporate, private sector, Co-operative boards must lead and direct with the continuing consent of the membership.

The NWT Co-operative Act requires that meetings of the Co-operative membership be held each year. Guidelines for calling and conducting annual meetings are set out in the act and the bylaws. The annual meeting is a basic tool for implementing the Co-operative philosophy and applying Co-operative principles, in particular, the principle, "one member one vote". It is at these meetings that the members influence and control their Co-operative. Member decisions include: electing directors, approving operations reports, determining the bylaws, revising long-term plans and guiding the board and managers through discussion and resolutions.

#### CREDIT UNION

A credit union is a group of people, who save their money together, and from this pool of savings make low-cost loans to one another. It is people working together to provide themselves with financial services. The members of the credit union are also its owners; they own and control the business and only through their support will it become viable. Member-owners cooperate with all the other members to provide financial services.

**"A Credit Union is not an ordinary financial concern, seeking to enrich its members at the expense of the general public. Neither is it a loan company, seeking to make profit at the expense of unfortunates...The Credit Union is nothing of the kind; it is the expression in the field of economics of high social ideal."**

This is a quote from Alphonse Desjardins, who organized the first North American credit union, some 100 ordinary people, his neighbours and friends at Levis, Quebec. This first credit union, or caisse

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populaire was followed by many new ones all over the world. Today in the province of Quebec there are approximately 1,500 credit unions of which about 600 are in small communities where there are no other financial services. The people in those small communities through cooperation were successful in providing financial services to themselves.

A credit union must have a charter from the provincial or territorial government and is regulated by the provincial or territorial authority in whose jurisdiction they operate.

A simple definition of a credit union is, "any group of people with a common need who pool their money to make it available to each other through loans". This may sound very simple and idealistic, but in Canada credit unions have become a major force in the national economy with over \$50 billion in assets. This happened over a long period of time with the effort of a great number of people. The base of the credit union is its members, who believe in the principle of sharing--resources, ideas and skills.

A potential membership of 100 people is recommended for a credit union to begin. The majority of our small remote communities in the NWT fit this requirement.

Credit unions follow the same six principles as Co-operatives. Credit unions are in fact financial service Co-operatives. Credit unions in Canada offer the same services as a chartered bank would offer at competitive rates. The difference is that the profit or surplus is returned to the members of the credit union on the basis of their patronage of the services.

Both Co-operatives and credit unions are governed by provincial or territorial legislation. While minor variations may exist from province to province, there is basic similarity in the legislation.

#### **CO-OPERATIVES AND THE NWT ECONOMY**

There are a number of examples in the world of local or regional economies have become predominantly Co-operative. These include the Cruz Azore Co-operatives in Mexico, the Mondragon Co-operatives in the Basques region of Spain, the caisses populaires in Quebec and Co-operatives and caisses populaires serving many of the Acadian communities of Atlantic Canada. In these places, people enjoy a quality of life equal to or better than that in the surrounding areas. Co-operatives exist quite successfully in the private and global economy.

The main feature of Co-operatives that distinguishes them from other

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forms of enterprise is the dual purpose they contain. They are at the same time instruments of social and economic development. People are at the centre of the Co-operative and the services that are provided. They participate in the administration of their business as owners not simply as consumers. However, they will not exist at all if they are not successful businesses.

In the Northwest Territories Co-operatives have developed as we have as people. They have been supported by government and have grown to be the single largest employer of aboriginal people outside of government. Our Co-operative movement in the NWT has the potential to become a showcase to the rest of the world as a model of Co-operative enterprise serving the unique needs of our communities. To achieve this potential depends on the continuing support of our members, government and our aboriginal political organizations.

The members of the Co-operative movement of the NWT strongly believe that the development of our communities is at a crossroads right now. A confluence of circumstances is occurring which necessitates some serious decisions to be made. Government has supported the development of Co-operatives in the NWT for thirty years as an instrument of a policy committed to the social and economic development of our people. Many of us have committed our lives to this development. The government has to decide whether or not it will continue to support the development of Co-operatives generally. More specifically government has to decide whether it will support continued Co-operative development in the form of financial service Co-operatives or credit unions.

This brief is intended to provide you with our perspective on what we, as members of Co-operatives would like for the future of our communities and our people.

## HISTORY AND BACKGROUND OF THE NORTHWEST TERRITORIES CO-OPERATIVE MOVEMENT

As Canadians, we Inuit, Dene and Metis are the occupants of a territory which has sustained us as free and distinctive people for thousands of years. This land is the source of our inspiration for our art and our lives. It has defined our society, culture and traditions. It has sustained us.

For the last half of this century, we have been people in transition. Our new generations are facing challenges that our grandparents would never have dreamed of. We are making arrangements for our continuing stewardship of the land through our land claim agreements. At the same time, we are taking action to get control of the forces of change that are transforming our society.

Permanent settlements have developed around trading posts and people have relocated to permanent settlements from our traditional nomadic hunting camps. We are concerned about the future and are committed to having control over the social, political, economic and cultural institutions that affect our lives. We, in the Co-operative movement of the Northwest Territories have chosen the Co-operative model to achieve these goals.

**"If you are thinking about the future, you should think about transferring responsibility to native people."**

Raymond Ningiutsiak - Co-op activist (Source: The Goal is Co-op Unity)

Once our communities were started, the federal government realized that there also needed to be some form of community organization and planning in which our people could participate. In the late 1950's, according to Gordon Robertson, deputy minister of the then newly created federal department set up to deal with the north, **"Our Department is aiming at building up a region where race lines are unknown and where the north will be run by its own people standing on their own feet and doing the job better than we from the south can do."** The model chosen by government to achieve these goals was also the Co-operative. Government continued through thirty years of support for Co-operatives in the NWT because of the positive results we have been able to achieve.

**"It's very important for the people who are members of the Co-operative Movement to take control of the management of their own lives".**

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Kit Spence, Special Assistant to John Munro, Minister of Indian and Northern Affairs - 1981

The Co-operative model of business development was introduced to the arctic by federal government officials with previous experience in Co-operative development and operation. There was also significant support for the Co-operative development from the senior levels of the federal bureaucracy; Don Snowden, then chief of the Industrial Division of the Department of Indian Affairs and Northern Development; Paul Godt, head of the Co-operative Development Section of this division; and Aleksandrs Sprudz were all significant contributors to the development.

From the first arctic Co-op developed at George River in northern Quebec in 1959, the idea quickly spread throughout the north. There were at that time several factors that allowed this to happen. First was the appropriateness of the Co-operative philosophy to our people's way of life. Secondly, the political will of government was there and would provide the necessary support for the development. You will see that as the development moved along the political will has wavered from time to time. Finally and most importantly the need for Co-operatives was felt strongly by our people.

Once a number of Co-ops were developed, it became apparent that unique logistical problems existed. These included communications problems; there was no telephone system at the time, a very short shipping season and the availability of skilled people to operate the business.

These and other issues were discussed at the first Arctic Co-operative conference held in 1963. This conference was not only the first time that representatives of our various Co-operatives got together, it was also the first time that Dene, Metis and Inuit sat around the table as participants and not as advisers or observers and made decisions concerning the government policies which affected their lives. It was at this first meeting that our people began to realize that there were common aims, needs and identity among all those involved in our Co-op development. There was also a sense developing that a greater strength could be achieved through working together.

**"The Dene Nation also works with the Co-ops and are assisting the Dene in their communities...The Dene Nation supports the development of Co-ops in the north.**

Mike Nitsiza - speaking at Co-operative movement annual meeting.

A second conference took place in 1966 which was again attended by

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Arctic Co-operatives Limited  
Brief to The Royal Commission on Aboriginal Issues

Co-operators from both northern Quebec and the NWT. There was a large push by our delegates to this conference that all arctic Co-operatives should work together. The delegates also perceived that there should be more direct control by our Co-operatives in the marketing of our products and in the planning and development work, through the formation of a central federation. At this time the responsibility for all these things was in the hands of the federal government. Federal officials were responsible for the marketing of our art through Canadian Arctic Producers and were the project officers coordinating Co-operative development.

The federal government was willing, at this time, to move to the next step in the development of our Co-operatives, which was to hand their responsibility over to a central Co-operative owned and controlled by our people.

Following 1966, the ideal of both the northern Quebec and NWT Co-operative forming one federation became unworkable. Jurisdictional disputes and legal wrangling forced the northern Co-ops down two different paths.

After 1966, our people involved in the Co-operative development in the NWT were very optimistic about our future growth. However, the long struggle to achieve stability had just begun. Aleksandrs Sprudz in an article published in the 1984 Year Book of Agricultural Co-operation, made the following observation on what happened to the NWT Co-op following the conference of 1966;

**"For the Co-operatives of the Northwest Territories, the road to their own central organization was much longer (than in Northern Quebec) and...more problematic.....However with an input by the Co-operative Union of Canada, supported by the Federal Government, and, particularly, by the efforts of special Inuit continuing committees...in 1969 the NWT Co-operative family was ready for formal action (to form their central organization)...But in fact, the transfer of responsibility to the direct Territorial authority (which assumed legislative responsibility for Co-operatives that had been held previously by the federal government) had a disruptive impact on the Co-operative development in the NWT for several years. Changed attitudes and approaches to the arctic problems and new people, often without knowledge, experience or even understanding of Co-operatives, brought into responsible positions, resulted in a break in continuity and inadequate development assistance.**

The following statement expressed in a popular northern newspaper in 1968, by one of the leading members of the Territorial Council, gives an idea of the prevailing environment for Co-operative development.

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Arctic Co-operatives Limited  
Brief to The Royal Commission on Aboriginal Issues

**"The function of government here is not to develop the north, it is simply to regulate the development of the north in the public interest. It isn't government's place to subsidize Co-operatives at the expense of free enterprise. These people do not need government paternalism and the worst place it shows up is in the Co-operatives. In the north there is some pretty insidious socialism going on and if I had my way, it would be on its way."**

This statement contains many of the misconceptions about Co-operatives that are commonly held by people who are unfamiliar with how they work. In 1989, officials of the territorial government made the following statement which is a much more accurate assessment of the NWT Co-operatives;

**"There can be little doubt that the Co-op Movement has been the most successful of all entrepreneurial activities across the north. . . . Our Government has a lot to learn from the Co-op Movement"**

Report of the Special Committee on the Northern Economy - *Building Our Economic Future* (Sponsored by the Legislative Assembly of the NWT - 1989)

From 1966, the authority to enact legislation enabling the formation of a federation of Co-operatives in the NWT was in the hands of the new territorial government. The legislation had been prepared by the federal authority in 1968 in response to our 1966 conference but was not made into law in the territories until 1972. With the legislation in place, twenty-six NWT Co-operatives established the Canadian Arctic Co-operative Federation Limited (CACFL) in that year at a conference in Churchill, Manitoba. Now we had our own organization that was accountable to us and that could focus on the common needs that were identified by our Co-ops.

The new federation found itself to be undercapitalized and dealing with coordinating activities and delivering services to an affiliation of Co-operatives stretched over immense geographic distances. In addition to delivering the basic services expected of a central Co-operative organization such as purchasing and accounting and audit, there was also the ongoing developmental work required for increasing the effectiveness and efficiency of the individual member Co-operatives by developing administrative skills. These were some very difficult days for our Co-op movement. The challenge of setting up structures that were identified as necessary by our Co-op members and at the same time within the financial capabilities of the Co-ops presented and continues to present a continuing challenge.

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Three basic needs were identified as essential for the continued viability of our Co-operative system. They were: a secure source of financing for purchasing supplies for our member Co-ops, a management advisory service for member Co-ops and an ongoing plan for human resource development for directors and staff. The problem was that we didn't have control over the money flowing into our communities to pay for these services ourselves. Fortunately, we were able to influence government to act on these needs.

In 1976, after realizing that our central federation could do a better job, the federal government turned over the responsibility for the developmental and aftercare service of the individual Co-operatives to our federation while retaining the fiscal responsibility of program costs. This move was made to facilitate a closer coordinated approach and to create more accountability to our people, the users of the services. It had very positive results for our NWT Co-ops.

The resulting arrangement was called the Co-operative Development Program; it ran from 1977 to 1981 and was a federally funded program whose purpose was:

1. To improve the socio-cultural and economic conditions of native people by having strong Co-operatives to aid the economy and to become institutions to teach organizations and management skills to people.
2. To assist native people through experience and personal income to deal with a more complicated socio-economic setting

**"For twenty years the Co-operatives have played a role by assisting people to understand and take part in employment for money... One has to recognize significant past contributions by Co-operatives to people's education and training, and their continuing capacity and commitment towards the same ends"**

J.K. Stager - An Evaluation study of the Federated Co-operatives in Nouveau Quebec and the Northwest Territories after the Co-operative Development Program, 1982.

The program structure included financial support for operating assistance, funding for human resource development and bank loan guarantees for annual resupply needs. Annual resupply is a requirement for all retail businesses in the NWT. Transportation of volume merchandise is only cost-effective for a short period each year. There have been significant increases in food mail rates and air cargo costs add to the already high cost of living in our communities.

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In 1980 a third panarctic Co-operative conference was held at George River, the site of the first Co-op set up in 1959. The conference was a celebration of 20 years of development. A review of the combined accomplishments of the Northern Quebec and NWT Co-ops done at the time revealed that annual employment and other income to northern people amounted to \$7.6 million through our Co-ops. There were over 600 people employed directly and hundreds of others who received income through the sale of arts and crafts, furs and other products through Co-op outlets. Co-operative sales went from a few thousand for 2 Co-ops in 1959 to \$24 million for 52 Co-ops. Sales of arts and craft products had grown to over \$6.5 million in 1980 from a few thousand.

Much discussion at the conference revolved around the marketing of arts and crafts. Much earlier, our NWT Co-operatives had established the goal of combining the marketing of our art through Canadian Arctic Producers (CAP) and the other services provided by its federation under one umbrella. In 1965 CAP was incorporated as a limited company with equity provided by the Government of Canada. The company was owned by 12 art-producing Co-operatives. As the sales of art generated income, our Co-ops were able to buy out the government's preferred shares and assume control by 1975.

Upon gaining control, the first action by our NWT Co-ops was to restructure the company as a Co-operative. The procedure again, was long and cumbersome. There were legislative delays and legal issues involved in converting an Ottawa-based limited company into a northern Co-operative. In 1979 though, the process was complete and CAP became Canadian Arctic Producers Co-operative Limited.

Following the 1980 conference, in the Spring of 1981, a series of meetings took place between CACFL and CAP in Iqaluit, NWT, leading to the amalgamation of two separate entities into one entity called Arctic Co-operatives Limited (ACL).

**"It's about time that we got into one building..."**

Bill Lyall - 1981 CACFL Board Meeting

The amalgamation process was a complicated one and once again legislative and legal challenges had to be overcome. The process, begun in 1979 with the restructuring of CAP, was not complete until 1982. ACL assumed as its mandate all of the activities of its founding organizations and sought to develop an appropriate infrastructure for the many demands being placed on it by the rapidly growing member Co-operatives.

As was consistently the case for our NWT Co-operatives, following

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Arctic Co-operatives Limited  
Brief to The Royal Commission on Aboriginal Issues 11

this achievement there was another challenge waiting in the wings. The major recession of the early 80's in the Canadian economy resulted in critical erosion in the sales of art just at the time CAP came under the ACL umbrella. The undercapitalization of our Co-ops because of our limited access to cash, never fully addressed, meant that there were large loans at a time when interest rates went through the roof. The international market for fur was also disintegrating. The years 1982 - 1984 were three consecutive years of losses and the survival of the system was jeopardized.

At the 1985 annual meeting of our NWT Co-operatives, a survival plan was outlined to our delegates. At the time of the meeting, CAP was still operating out of Ottawa. The purchasing, accounting, and other member services were being delivered out of Yellowknife. The recovery plan included the consolidation of the two offices to one location. The plan was approved by our delegates and buildings owned by ACL in Ottawa and Yellowknife were sold and the central organization relocated its operations to Winnipeg.

Against the backdrop of the recession, funding to continue our board and management training was withdrawn in 1983 and there was an annual requirement to renew the Co-operative Development/Area Manager Program agreement with the federal government to deliver the business advisory services and resupply loan guarantees to our Co-ops.

**"Therefore be it resolved that this ITC meeting recognize and affirm the vital role of the Co-operative Movement in the Northwest Territories"**

Inuit Tapirisat of Canada Annual General Meeting - March 23, 1984

Our Co-operatives' objective became to ensure that long-term adequate support for our system be put in place.

Through continued discussions with the federal governments, the Co-operative Development Program was eventually renamed the Area Manager Program in 1982 and finally in 1986, a multiyear agreement to 1990 to continue the program was struck. Through this program the federal government financially supported our Co-operatives' efforts in developing the administrative capacity of our directors and staff of our Co-ops and providing on-site management advice to our member Co-ops. Significant reductions in funding by the federal government because of changes to their programming, have resulted in serious problems with service delivery by ACL to our member Co-ops following 1990.

Another operating constraint that was recognized early on by our Co-ops was for the adequate capitalization of our system. Since

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Arctic Co-operatives Limited  
Brief to The Royal Commission on Aboriginal Issues 12



the inception of our system, this had been a major problem. A lengthy process of negotiation with the federal government to finalize an agreement for support that would address our capitalization needs was begun. Loan guarantees had been the preferred means of the government to provide capital. Our Co-ops preferred to have a fund that was owned and controlled by our members, for obvious reasons. Finally in 1986 a joint agreement by the federal and territorial government resulted in a cooperatively-managed development fund being set up. The NWT Cooperative Business Development Fund (CBDF) was incorporated in 1986.

**"My department fully supports the goal of Arctic Co-operatives Limited to provide collective business opportunities for native people of the Northwest Territories."**

Tagak Curley, Minister of Economic Development and Tourism, GNWT  
- 1984

The NWT Cooperative Business Development Fund is structured as a Co-operative, owned and controlled by our 37 members who use its services. Our fund provides financing to members who are assessed a percentage surcharge on loans which is converted into equity in our fund. In this way, our fund operates as a revolving source of financing under the control of our NWT Co-operatives, and it enables our Co-ops to have access to capital for annual resupply and in addition provides assistance for development projects and refinancing or restructuring of member Co-ops' debt.

The years between 1986 and the present have been some of the most successful, but most challenging years for our Co-operatives. The efforts of our Co-ops during this time resulted in a period of steady growth and stability. Although the art market never fully recovered after the shock of 1982-83 and continues to be flat, the move to Winnipeg resulted in significant cost savings for the system. Operating expenses were reduced by 1/3 in the first year. The NWT Cooperative Business Development Fund, established in 1986 has continued to grow through the increased equity participation of our member Co-ops. Their use of the funds has allowed the NWT Cooperative Business development Fund to return a high percentage (62% in 1991) of interest payments through share capital increases to our members.

In 1993 the NWT community Co-operatives continue to be the largest single business organization owned and controlled by aboriginal people in our NWT communities. The growth of Co-operatives has created a situation of increasing stability in our NWT communities. Indicators such as retail and other sales in the northern Co-ops, employment, net savings, assets and equity are either increasing

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Arctic Co-operatives Limited  
Brief to The Royal Commission on Aboriginal Issues 13

or remaining stable among our Co-ops.

This situation has enabled our Co-operatives to continue to be a leader in community economic development in the NWT.

The following is a list of the services delivered by our Co-ops today:

Number - 37	Membership - Over 9,900
-Retail	37 Co-operatives
-Hotel	20 Co-operatives
-Arts & crafts	26 Co-operatives
-POL	19 Co-operatives
-Restaurants/coffee shops	25 Co-operatives
-Contracts/agencies	13 Co-operatives
-Taxi	4 Co-operatives
-Cable TV	5 Co-operatives
-Building Leases	4 Co-operatives
-Commercial Fisheries	2 Co-operatives

Total Volume   -\$54.7 million\*  
Total Savings   -\$ 2.0 million\*  
Total Assets     -\$41 million\*  
Total Equity     -\$11.7 million\*

\* 1991 results

Co-operatives continue to provide service to members in our communities. They have also become the preferred means in many communities to expand the local economy. By using our Co-op to take advantage of business opportunities in our community, our people retain control over local economic development.

Our NWT Co-ops are still facing many challenges. Some of them will be familiar to any Co-op organization; others are unique to us.

The voluntary affiliation nature of our Co-operative structure makes it important to incorporate democratic principles in the way that we do business. At the same time it is important that management decisions are made in a timely manner. The balance between local control, autonomy and decision making and the benefits and strength of volume and coordinated development is difficult to achieve.

Co-ops in the NWT include a diversity of aboriginal membership. There are fundamental changes going on in our political structures in the NWT. Land claim settlements will lead to the eventual division of the territories. The move is towards smaller, autonomous, political units while our Co-ops stretch across the eventual

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Arctic Co-operatives Limited  
Brief to The Royal Commission on Aboriginal Issues 14

boundaries of the new divisions. It is impossible to say at this time what the effects will be on our NWT movement. Our members have continually expressed the need for and agree with the wisdom of working together across political and cultural boundaries.

The challenge for our Co-ops will be to maintain a coherent system in light of the political developments and through that system compete effectively within the economy.

The most important initiative that our Co-ops are involved in today is the establishment of credit unions. Our NWT Co-operative movement has supported the establishment of credit unions in our communities for many years. As people who live in our communities and administer community businesses, Co-op directors have always seen the negative effect of having limited financial services available and have passed motions at our Co-op's Annual General Meetings requesting action on the development of credit unions. As a follow up to these motions, our NWT Co-operatives have promoted the establishment of credit unions. The current efforts began with a motion passed at the annual meeting of the Co-operative movement in 1981.

If this development were to be carried through to completion, our people would finally have a means to effectively administer our own capital and personal investments.

The following is a motion passed unanimously by delegates to the annual meeting of the NWT Co-operative movement in 1981;

**Whereas a number of member Co-operatives have expressed a desire to develop Credit Unions in their respective communities, and**

**Whereas no banking facilities exist in most of the arctic communities, and**

**Whereas the Co-operatives would benefit from having such facilities available to them, Therefore be it resolved that the legislation affecting Credit Unions in the Northwest Territories be reinstated.**

The motion was worded this way because legislation enabling the development of credit unions had been repealed by the territorial government.

**"The Government and Co-operative sectors provided indications of interest and support for the concept of providing financial services in the unserved communities together with the necessary training and education...the traditional private sector approach is unlikely to meet the cultural and educational needs of these communities...The Co-operative sector...has the presence and expertise needed for a**

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**community based approach."**

Banking Services in The Northwest Territories: An Assessment -  
CORE/NET Consulting Group - 1989

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Arctic Co-operatives Limited  
Brief to The Royal Commission on Aboriginal Issues 16

16

**THE ROLE OF GOVERNMENT IN CO-OPERATIVE DEVELOPMENT  
IN THE NORTHWEST TERRITORIES**

From the earliest days of the development of our Co-operatives, government has played a role in assisting us to achieve our goal of mastering our own destiny.

**The mission statement of Arctic Co-operatives Limited is to be the vehicle for service to and co-operation amongst, the Northwest Territories Co-operatives; hence, providing leadership and expertise to develop and safeguard the ownership participation of the northern people in the business and commerce of their country, to assure control over their own destiny.**

Many of those early federal government employees who were among the community animators in the process of Co-operative development, although they could not foresee the movement among our people for self-determination, were involved in the process of expediting it.

Both the federal and territorial governments have supported, over time, the development of our Co-operatives through the flexible use of programs. The application of government programs to Co-operative development can be broken down into four components. 1. At the earliest stage of development, government employees, along with other nongovernment community developers, were the catalyst for the development of Co-operatives in many communities. The development of our Co-operative was in harmony with federal policies concerning the social and economic development of our communities.

As the development of Co-operatives spread to more of our communities government played a role in; 2. the capital formation and financial stabilization of our Co-operatives; 3. the education and training of aboriginal managers and directors was funded between 1979 and 1983; and, 4. an ongoing commitment to provide technical assistance to our Co-operatives through our federation, under the Area Manager Program. The final three components will be the chief focus of this chapter.

In examining the four components identified above and looking at both the role of the territorial and federal governments, three key factors will be examined:

- The flexibility of the program elements of government to respond to the needs,
- The government objectives of providing assistance and
- The attendant results achieved by our Co-operatives.

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Government programs have always recognized the inherent duality of Co-operative operations. Co-operatives exist for both social and economic reasons. Governments recognized the need for both types of development to occur in our communities but also recognized the need for our people to participate in the development and not simply be the beneficiaries of government generosity.

In a report dated November 1976, the Bureau of Management Consultants, for the Department of Indian Affairs and Northern Development, made the following observations;

**"A fundamental aim of the Co-operative system is to achieve an economic success within a Co-operative framework. This means that such a Co-operative business is undertaken both for profit and for the benefit of members and communities."**

The report includes descriptions of the environmental circumstances within which we have been able to achieve the development of our community Co-operatives.

#### GEOGRAPHIC CONDITIONS

**"No environmental condition has a more pervasive influence on the Canadian north than the geography...Moreover, geography influences other factors which affect northern Co-operative business operations. Small local markets are dictated, in part, by climate... Reliability and cost of supplies, transportation and communication are influenced by the seasonality and often inclement weather conditions."**

These conditions are a fact of life in our communities and contribute to our higher costs of living.

#### ECONOMIC CONDITIONS

**"There are relatively few native-owned and operated businesses in the Northwest territories, the Co-operatives being the primary, and in some communities, the only exception."**

In addition, the economic climate is constrained by a lack of investment capital, materials and capable people... Investment requirements are higher in the north.

**An economy evolving from subsistence levels with high overhead does not generate significant economic return on investment."**

At that time, the economic landscape of our communities was dominated

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by the presence of highly capitalized, long-term southern interests who had been profiting from the exploitation of our natural resources. Since that time, economic development in our small communities has been the greatest where Co-operatives have been developed.

#### SOCIO-CULTURAL CONDITIONS

**"Co-operative associations represent the primary economic institutions of the northern native people. Furthermore, Co-operatives provide one means for achieving the financial independence of the northern people. Co-operatives are important institutions of the north simply because they are one of the few forms of organization which native people can use to develop their socio-economic status.**

**The transition of an entire culture creates difficult problems for the management of the Co-operative system and the northern economy generally."**

#### POLITICO-GOVERNMENTAL INFLUENCES

**"Government agencies provided much of the initial impetus for the formation of Co-operatives in the north. Government contributed much of the original input for the aims and purpose of the Co-operatives."**

**In general, governmental influences on northern Co-operatives has been very supportive.**

**It would appear that most northern Co-operatives steer clear of direct political involvement although Co-operative members, directors and/or employees are often active in local politics or native organizations."**

The above excerpts describe succinctly the role of government in the development of our Co-operatives and the basic needs for capital, skill development and technical assistance that have existed throughout the development of our Co-operatives as a result of the prevailing conditions in our communities.

The flexibility of government to meet these needs is first demonstrated by the recommendations of the Bureau of Management Consultant's 1976 study which included the following;

**"That a program of operating and supplemental financing...be undertaken by the Department of Indian Affairs and Northern Development in cooperation with the governments of the Northwest Territories and the Province of Quebec..."**

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**"That a human resource development program be designed and implemented for a five year period which would upgrade the administrative and operational capabilities of the boards and directors, managers and employees of the northern Co-operatives..."**

As a response to these needs, the federal government established a special program for Co-operative development in the Northwest Territories. Between 1977 and 1981, the **Co-operative Development Program** was operated with support from Indian and Northern Affairs and the GNWT with the following objectives:

- **To improve the socio-cultural and economic conditions of the native people in the Northwest territories and Nouveau-Quebec.**
- **To ensure the development of arctic Co-operatives as instruments for the teaching of basic organizational and managerial skills needed by the native people to create and obtain employment.**

The operating results of the NWT Co-operatives showed significant improvement as a result of the implementation of the program. The following progress was made between 1977 and 1981:

In 1976, the estimated total retail sales for 37 Co-operatives cited in the study were \$5,690,000. By 1981, sales for 38 Co-operatives were \$21,149,000.

In 1976 our Co-operatives had a net loss of (\$161,000). By 1981, our Co-operatives had a net savings of \$718,000.

In 1976, we owned assets through our Co-operatives valued at \$7.9 million. In 1981, our assets were worth \$13 million.

In December of 1981, there were 28 Dene, Inuit and Metis in management positions in our Co-operatives and over 200 who served on boards as directors, 166 of whom had participated in the board education program that year.

Our Co-operatives employed 327 people in 1981 and paid direct wages of \$3,514,000 to our communities. An additional \$2,840,000 was paid out to producers of arts and crafts.

(sources: A Proposal submitted to The Native Economic Development Program on behalf of the NWT Co-operative Development Fund, NWT Co-operatives Financial History and Northern Co-operative System, A Study for the Social Development Division of DIAND)

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The evaluation study of the program completed in 1982 was done by J.K. Stager, University of British Columbia, for the evaluation branch, Corporate Policy, Department of Indian Affairs and Northern Development.

The following are highlights from the executive summary of the study:

**"In economic terms, transportation is the biggest difference between northern and southern living..."**

**The experience of working within an imposed framework (for native people in Co-operatives) of hours, jobs, and duties is a learning experience that has been in place for a long time; in a decade it is estimated the 1,500 to 2,000 people worked in Co-operatives at one time or another. Doubtless, that experience has made a major contribution toward helping people assume responsible roles in the community.**

**The economic development process in the NWT is at a point where it could go more and more the private route, as it does in the south, and this could happen incrementally without due notice of the native people as a group."**

There can be little doubt that the current features of the system of financial services in the NWT are a result of the route envisioned above.

**"If improvement for native people is taken to mean the preservation of identity, not by outside protection or indulgence, but by the people from within so that there is some sense of self-controlled change, then there can be little question Co-operatives as the first native organizations or associations were the only means for improvement..."**

**It is in the milieu of new institutions, cash economy and settlement living where self-reliance is eroded by opening the system to outside influences which individuals cannot completely control...The Co-operatives have...emphasized self-reliance for all their people, as an independent group with group control, goals and strategies.**

**It (the NWT Co-operative system) has the chance to weld a community of native Co-operators through which the people will be prepared for life today."**

The following excerpts are from the summary conclusions of the study:

**"The Co-operatives as federated are the strongest, non-government force for economic development in the NWT. More people derive direct**

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Arctic Co-operatives Limited  
Brief to The Royal Commission on Aboriginal Issues 21

or indirect economic benefits from Co-operatives than from any other agencies.

**The study on northern Co-operatives concludes that the Co-operatives are fundamentally important to native people."**

As a result of the general recommendations of this study, the support of government continued for our Co-operatives through the development and implementation of a program of support for the delivery of technical expertise to our community Co-ops. This program is continuing to the present under the name of the Area Manager Program. Our Co-operatives prepared annual applications for support for the program between 1982 and 1986, at which time a five-year agreement was struck.

The goals of the program at its inception in 1982 were:

- To increase native business activity through Co-operatives
- To increase the financial stability of Co-operatives
- To increase the cadre of native people with business training and management skills

The program was evaluated by W.S. Kubiski and Associates in 1986 for INAC. The development of the social and financial abilities of our Co-operative members was at the heart of the program.

Highlights from the evaluation include:

**"To the extent that the Co-operatives as a system are the most significant aboriginal business activity in most communities of the NWT, and to the extent that the Area manager program has made it possible for the Co-operatives to grow and survive, it has had the desired impact."**

Between 1982 and 1986 assets of our community Co-operatives increased by \$5.4 million. Annual revenue had increased by \$9.4 million and our annual net savings grew by \$300,000.

**"As of 1986 there were...11 aboriginal General managers in place...There were 20 aboriginal people involved in the management training program in total in 1986...approximately two-thirds of the boards (Co-operative boards of directors) were committed and involved in decision-making.**

**The emphasis has been on improving business practices in Local Co-operatives. Accomplishments related to this objective have been**

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impressive, given the difficult economic environment of the past few years.

Positive impacts on aboriginal business activity and financial stability of Arctic Co-ops have been achieved.

In terms of an increased cadre of aboriginal people with business training and managerial skills, the impact has been evident...

Each of the intended impacts of the Area manager program are directly supportive of Northern Affairs Program policy and the Economic planning and Development Program Sub-Objective, which is:

To promote sustained and balanced economic development in the north.

It is widely recognized that the Co-operative system represents the most significant and sustained aboriginally controlled economic development in the NWT..."

One of the keystones to the continued development of our Co-operatives has been the establishment of the NWT Cooperative Business Development Fund. In 1986, through the creative and flexible application of funds administered separately by the Department of Regional Industrial Expansion and the Department of Indian Affairs and Northern Development of the federal government and the Department of Economic Development and Tourism of the Government of the Northwest Territories, our NWT Cooperative Business Development Fund was established. This fund effectively eliminated the need for continued loan guarantees for annual resupply of our Co-operatives and provides a means for restructuring debt within the Co-operative system. It allows for limited long-term and short-term development loans for our Co-operatives. Most importantly, it is owned and controlled by our Co-operatives.

In the first five years of its existence, CBDF's equity has grown by 2.6 million dollars. This growth has occurred as a result of investments made in our community Co-operatives.

Government representatives were appointed to the board for the first five years of its existence. As a result of this presence, and the impressive positive results the CBDF has had on our Co-operatives, it was never felt that a formal evaluation was required. The CBDF is often pointed to as a model for development of new aboriginal capital corporations.

The latest study concerning government support of our NWT Co-operatives' Area Manager Program was completed March 1, 1992. It was again prepared by W.S. Kubiski and Associates for Indian and

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Arctic Co-operatives Limited  
Brief to The Royal Commission on Aboriginal Issues 23

Inuit Affairs division of the Department of Indian Affairs and Northern Development.

A summary of the main conclusions of the study included the following:

**"The political, economic and social environment of the NWT is undergoing major change and uncertainty at the present time."**

It seems to be our fate to be enmeshed in a continually changing political, social and economic environment. Co-operatives have been the one constant throughout our rapid development that we have controlled and which have delivered results.

**"The NWT Co-operatives are an important part of the economy."**

**There is no simple way of meeting all the needs (of Co-operatives) in the short term. The subject (Co-operative) programs simply are not easy to fit into the decentralized and local thrust of government programming. The recommended solution (a multi government support package)...does meet the needs."**

Between 1986 and 1991, the latest period of funding for the Area Manager Program, our community Co-operatives' assets increased by \$22.2 million. Our equity in our Co-operatives increased by \$9.4 million. Annual revenues have increased by \$23.1 million and annual net savings have increased by \$1.2 million.

The foregoing clearly illustrates that the developmental needs of our communities may not be easily addressed as long as the environmental conditions such as geography and climate, small local markets and low returns on investment identified in 1976 remain. It illustrates the difficulty inherent in cultural transition. Our Co-operatives have provided the framework for our members to participate in the transition as owners rather than as merely affected parties.

Where we have been given the opportunity to control our capital for investments and adequate financial support for developmental services, we have seen dramatic growth (1986-1991), both in our Co-operatives and in our NWT Cooperative Business Development Fund.

The goals of both the territorial and federal governments have been the social and economic development of our communities. Our Co-operatives are accomplishing this in a practical and effective way.

Government at both levels have shown a continuing willingness to be flexible in their approach to the partnership with our people

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Arctic Co-operatives Limited  
Brief to The Royal Commission on Aboriginal Issues 24

through our Co-operatives. It has been clearly demonstrated that governments have had the willingness and therefore, the means to establish specific programs for Co-operative development in the NWT and to use established programs in creative ways to promote growth of our aboriginal business through our Co-operatives.

Our members are now involved in the development of credit unions. Having been a part of the thirty year development of our communities through our Co-operatives, we can see how the provision of financial services to ourselves using the Co-operative model may resolve one of the main impediments to our continued development - the access to capital by our people through institutions owned and controlled by our people.

A constant thread throughout the evaluations of government has been the changing social, political and economic climate in our communities. As was pointed out by J.K. Stager in 1976, the economic development process in the NWT could happen incrementally without due notice of the native people as a group. This has certainly been the case concerning the development or lack of development of financial services in 90% of our communities where we are the majority of the population.

It will require that government at all levels be flexible and creative in using existing programs to achieve our common goals of the continued social and economic development of our communities.

The following is a motion passed unanimously by delegates to our 1991 annual meeting:

**WHEREAS the residents of small communities of the NWT have requested their Co-operatives to assist in the establishment of financial services and,**

**WHEREAS the NWT Co-operative Movement has been working to respond to these requests through the development of a credit union system; and**

**WHEREAS the feasibility study completed in 1990 indicated that with an appropriate level of initial capital support, a credit union system in the NWT would be feasible; and**

**WHEREAS the economic benefits study completed in 1990 indicated that the north would realize significant economic benefits as a result of the development of a credit union system; and**

**WHEREAS the Credit Union/Co-operative movement in southern Canada has been asked to provide financial and technical support to this**

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**NWT development; and**

**WHEREAS governments have not committed any formal support to the project; and**

**WHEREAS further progress will require concentrated effort on the part of the NWT Co-operative Movement;**

**NOW THEREFORE BE IT RESOLVED that the 1991 Annual General Meeting of the NWT Co-operative Movement direct the boards of directors of ACL and the NWT CBDF to continue to actively support and promote the development of an NWT credit union system.**

The same needs that existed in the 1960's and 70's for the development of our Co-operative system in the NWT are present in the 1990's in the development of financial services through community credit unions in the NWT. The same flexibility and creativity will be required if these needs are to be met. As was demonstrated in the development of our Co-operatives and is evident in our business plan for development of the credit unions, the social and economic goals of government in the NWT can be effectively achieved through the provision of financial services to our people using the Co-operative model.

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SUMMARY OF MAJOR PROGRAMS FOR NWT CO-OPERATIVES

1977 - 1981                    **Co-operative Development Program**

Funded by:            Indian Affairs and Northern Development

- Working capital
- Operating assistance
- Human resource development
- Loan guarantees

1979 - 1983                    **Education and Training**

Funded by:            Special Agricultural-Rural Development Agreements

- Aboriginal management training
- Board of director training
- Member education

1982 - Present                **Area Manager Program**

Funded by:            Indian and Northern Affairs

- Technical assistance
- Board development
- Management support

1986                            **NWT Cooperative Business Development Fund**

Funded by:            Department of Regional Industrial Expansion  
                          Indian and Northern Affairs  
                          Government of the Northwest Territories

- Financing - Annual resupply
- Refinancing of member Co-ops
- Development loans

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## HARMONIZING GOALS

As far back as 1976, in a recommendation contained in the J.K. Stager evaluation of the Co-operative Development Program, the federal government, through its acceptance of the study, recognized the integral role of Co-operatives in the event of land claim being settled in the NWT.

**The federal government should include an identifiable role in the future of Native - owned economic development for the native Co-operatives when negotiating a settlement with native organizations.**

The study went on to say;

**"If the federal government places value on the achievements of Co-operatives which it has nurtured, then it has an obligation to see that native organizations adopt the same respect for twenty years of sacrifice and hard work, and that the settlement with its compensation, either negotiated or legislated, carries with it the responsibility for the continuance of native-owned Co-operatives in the field of economic development as determined by the membership at the community level."**

The current realities of federal - aboriginal relationships do not allow for an enforcement of this recommendation, nor should it. However, the recommendation is reflected in the support the Co-operatives have received from the land claim negotiating bodies in the NWT especially for the development of financial services through community credit unions.

**"As requested..., we have reviewed the study "Planning for Credit Union Development in the Northwest Territories", prepared for the NWT Cooperative Business Development Fund, together with earlier studies with interest.**

**We concur that the provision of these services would be a desirable benefit to our outlying communities."**

David M.H. Connelly, President and C.E.O., Inuvialuit Development Corporation.

**WHEREAS Arctic Co-operatives Ltd. made a presentation to the TFN board regarding the possibility of establishing a network of Credit Unions in Nunavut communities and;**

**WHEREAS Arctic Co-operatives Ltd. has established a working group to promote this idea;**

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Arctic Co-operatives Limited  
Brief to The Royal Commission on Aboriginal Issues

28

28



**THEREFORE BE IT RESOLVED THAT TFN support in principle the work of Arctic Co-operatives Ltd. in regards to the establishment of Credit Unions in the communities of Nunavut.**

Tungavik Federation of Nunavut Board of Directors meeting, Sept. 3-5 1991.

The largest government effort to date to stimulate our aboriginal economies is the current Canadian Aboriginal Economic Development Strategy. It brings together resources from Employment and Immigration Canada, Indian and Northern Affairs, and Industry, Science and Technology Canada. The intent of the strategy is to provide a comprehensive framework in which large government departments can coordinate their activities to improve the social and economic conditions in our NWT and other aboriginal communities.

The following quote is from the official statement announcing the launch of the program:

**A new national partnership, based on common understanding, joint planning and implementation, and a shared will to bring about needed changes in policies, programs and institutions, is essential for aboriginal individuals and their communities truly to enjoy the benefits of the growing Canadian economy. The government will be seeking assurances from aboriginal businesses and community leaders, provincial and territorial governments, and the Canadian business community at large, that they will work together to bring aboriginal people to a new level of self-reliance.**

As has been detailed in the previous chapters, our Co-operative movement has a great deal of experience in partnership with government in the area of community economic development. That partnership has achieved impressive results for our people. With the announcement of the CAED Strategy and the overwhelming support of aboriginal business and community leaders, our initiative to provide ourselves with financial services is appropriate for the support of government through this new strategy. It will certainly bring our people to a new level of self-reliance.

In a status report on the CAED Strategy, dated March 31, 1991, the objectives and responsibilities of the government departments involved in the strategy were outlined;

**"The multi-departmental sponsorship of the Strategy and the demonstrated interest of the aboriginal Community required an**

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Arctic Co-operatives Limited  
Brief to The Royal Commission on Aboriginal Issues 29

**implementation approach that not only met the challenge of coordination and effectiveness, but also keep pace with the needs and aspirations of aboriginal People."**

The broad objectives of the strategy were stated as follows:

1. greater aboriginal participation in the design of and control over the delivery of economic development programs and services;
2. strengthening aboriginal financial, sectoral and local development institutions;
3. decentralization of program delivery;
4. harmonization of federal programs;
5. removal of barriers within federal programs;
6. increased involvement with Canadian business and investment interests; and
7. active participation and support from provincial and territorial governments.

Of these objectives, the first two and the sixth refer specifically to the internal workings of aboriginal communities. The others refer to the internal workings of the federal, provincial and/or territorial governments. We, as aboriginal people, have less ability to affect change outside of our communities, as much as the government directed objectives may be desirable. We do believe, however, that the government is sincere in its intent.

In this chapter, the following strategy objectives, directed towards the internal workings of our communities:

- greater aboriginal participation in the design of and control over the delivery of economic development programs and services;
- strengthening aboriginal financial, sectoral and local development institutions;
- increased involvement with Canadian business and investment interests; and
- will be examined in the context of the development of financial services through community credit unions for the NWT.

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During the initial implementation of the CAED Strategy, our Co-operatives joined in the Working Group on Inuit Participation in the Canadian Aboriginal Economic Development Strategy. We contributed our expertise to the work that led to the final report of the working group. There was no corresponding working group for the Dene or Metis. We also continue to lend our expertise as aboriginal directors on the Community Economic Development Organizations established in both the Inuit and Dene communities of the NWT.

A specific need identified by the Inuit working group was for financial services. The plan developed by the working group stated:

(We need) "**Financial Services which will make available in every community the range of basic financial services taken for granted in the south but almost non-existent in northern communities because established financial institutions have demonstrated very little interest in developing the north as a market.**"

The plan also called for the establishment of a national CEDO for Inuit among whose priorities would be - "**Coordinate with Arctic Co-operatives Limited pilot project to facilitate the establishment of community Credit Unions.**"

The national CEDO established for Inuit is Sinaaq Enterprises Limited. Sinaaq has passed a motion in favour of the development of financial services through community credit union model for the NWT and a representative sits on the steering committee mandated with the responsibility of establishing the community credit unions.

**WHEREAS Sinaaq Enterprises is the body established to be the national Inuit community economic development organization for the implementation of the Canadian Aboriginal Economic Development Strategy and**

**WHEREAS Arctic Co-operatives Limited made a presentation to the Sinaaq board regarding the possibility of establishing a network of Credit Unions in Nunavut and,**

**WHEREAS Arctic Co-operatives has established a working group to promote this idea,**

**THEREFORE BE IT RESOLVED that Sinaaq Enterprises, the national Inuit CEDO, supports in principle the work of Arctic Co-operatives Ltd. in regards to the establishment of Credit unions in the Nunavut communities.**

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Arctic Co-operatives Limited  
Brief to The Royal Commission on Aboriginal Issues

31

31

Board of Directors Meeting of Sinaaq Enterprises Ltd. November 1, 1991.

In the work towards the establishment of financial services through community credit unions there also have been produced - a needs assessment - *Banking Services in the Northwest Territories: A background Study prepared for the NWT Legislative Assembly's Special Committee on the Northern Economy* (Core/Net Consulting Limited), - a feasibility study - *Feasibility of a Credit Union System in the Northwest Territories* (Core/Net Consulting Limited), - an economic benefits study - *Benefits Arising From Small Scale Credit Unions In the Northwest Territories* (Richard A. Eckert) and finally, - a business plan for implementation - *Planning For Credit Union Development in the Northwest Territories* (Richard Eckert). These documents are all available on request from NWT CBDF or ACL.

In this chapter, excerpts from the studies will be used to illustrate how this development fits into the general aims of government, both federal and territorial concerning aboriginal economic development. The credit union development will also be examined in the context of land claim agreements.

The Government of the Northwest Territories produced *The Scone Report: Building Our Economic Future* in 1989. The report became the basis for the new joint federal-territorial Economic Development Agreement which is currently in place in the NWT.

In chapter one of the Scone report, the following general observations were made:

There had been a shift in emphasis from renewable to non-renewable resources. The committee noted that the native people have not been a part of this switch to non-renewable resources. The committee stated that **"There is little in their (aboriginal) tradition which helps them to relate to mining or oil and gas developments."**

**"Families that were once able to live fairly independent lifestyles have now become highly dependent on the government welfare cheque. The lack of work and dependence on welfare has had a widespread negative impact upon native people, their social life and their institutions."**

In terms of financial services, the report identified that only eight of the fifty-two communities had banking services. As a direct result of this, the commissioners reported that many people in NWT communities **"have no sense of how to save money, how to invest it,**

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**or how to secure loans and so forth."** With the finalization of the various land claim agreements in the NWT, people will have the opportunity to save, invest and borrow our own money that we control.

Paul Quassa, president of the Tungavik Federation of Nunavut, in a letter to Bill Lyall, President of Arctic Co-operatives wrote: **"The need for the establishment of Credit Unions will become even greater when agreement with the federal government on land claims is reached."**

There is also another possible negative impact of not having a financial institution that we control when the implementation of land claim agreements are finalized. Rosemarie Kuptana, President of the Inuit Tapirisat of Canada, wrote to Brian Mulroney: **"As you know, very few of our communities are served by the chartered banks. As a result, the most basic services and transactions are extremely difficult for both individuals and businesses to access. This also means that money in the form of savings and investments "leak" out of our communities to regional centres and the south."**

The Scone report also included a specific recommendation concerning financial services:

**"Given the obstacles that a lack of banking services presents in the development of local economies, government should move immediately to improve the banking system."**

In the background report on financial services that was used to draft the Scone report, strategic recommendations were made which included:

**"Encourage initiatives which would extend the delivery of basic financial services to presently unserved communities (of the NWT) and promote competition in the serviced communities."**

**"Discourage a proliferation of uncoordinated, disjointed efforts while encouraging a unified, coordinated approach relying on common support services."**

**"Encourage initiative which give due consideration to the population and income of the communities as well as the interest and willingness of the community to support and use the services."**

The Minister of Economic Development and Tourism of the NWT as quoted from Hansard has said; **"We have talked to the federal government on behalf of the Co-operatives, and we have met with them on two occasions. We are supportive, Mr. Speaker, and we will lend them assistance in the future."**

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As there were already initiatives begun in several communities towards the establishment of credit unions, among them, Cape Dorset, Holman Island, Gjoa Haven and Pond Inlet, and given the recommendations of the Scone report and accompanying background documents, as well as the motions supported at NWT Co-operative movement AGM's, our Co-operatives were encouraged to move forward in giving consideration to the establishment of financial services through community credit unions.

In 1989, our two central organizations, CBDF and ACL sponsored a feasibility study of developing financial services through community credit unions. The study was done by Core/Net Consulting Limited and was financed in part by the NWT government.

The report that followed the study noted the following:

1. Model for a NWT Credit Union System

Local Credit Unions

**"For each community selected on the basis of viability and community support, a local Credit Union would be established to provide financial services. Such a facility must be structured not only to enable such residents to physically receive financial services but, more importantly, to enable such residents to receive an education in money management with an understanding of the benefits of the accumulation of savings to provide for future financial requirements."**

Central Credit Union

**"In order that there can be reasonable assurance of operational and financial success in the operation of local Credit Unions, there is required to be established a central Credit Union."**

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All surplus funds held by local Credit Unions should be deposited and invested in the NWT Credit Union central unless the NWT Credit Union Deposit Guarantee Corporation approves other investments. The legislated, permitted investments which could be made by a local Credit Union should be quite broad, following the structure that is provided for in other provincial legislation. However, the exercise of the investment powers by a local Credit Union should only be gradually permitted as the management expertise at the local Credit Union improves. Prior to that time, all investments should be made by the NWT Credit Union Central on behalf of the local Credit Union."

Guarantee Corporation

"Credit Unions in the Northwest Territories, as deposit taking institutions, also must be able to ensure to their depositors that there is a safety to their deposits with the NWT Credit Unions. A guarantee fund to provide for this assurance will be required.

The central Credit Union and the deposit guarantee fund will also be involved in accessing and distributing the necessary seed capital to permit local Credit Unions to commence operations on a financially stable basis."

2. Capitalization

The study and the model was based on:

- a) A start up with 12 credit unions. It was noted that another 26 communities, with a population equal to or greater than those studied had Co-operatives and no banks.
- b) A capital contribution of \$7 million being made available over a three year period to the two central organizations (NWT Credit Union Central/Deposit Guarantee Corporation) in order to enhance the security of the system and to allow for the development of more community credit unions after the initial five year period.
- c) Operating grants of \$135,000 per year for training and advisory services.

The foregoing model is the same as the ones used in most of the provincial credit union systems in southern Canada. The model has enabled the credit unions in the south to grow (current assets exceed \$50 billion); to govern themselves, and to provide the necessary

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safety factor for their depositors.

The NWT had a few credit unions in the mid-seventies which failed. The proposed model has taken into consideration the reasons for these failures and would minimize the possibility of failure a second time.

The consolidated financial statements for the credit union system using the above model and capitalized at \$7 million, as projected, show a break even after one year of operations. In the fifth year they show a net income of \$333,000.

The CAED Strategy provides for a number of programs. A major one, designed to expand the aboriginal infrastructure for financing is the Aboriginal Capital Corporation Program. The merits of an ACC have been considered in the development of a proposal for the provision of financial services through community credit unions in the NWT as the most appropriate source of the seed capital required.

In 1990, Industry, Science and Technology Canada, as one the three CAEDS partners, commissioned a study to look at the question of diversifying Aboriginal Capital Corporations (ACC's). The study was completed by E.W. Clendenning Consulting Inc. The following was included in the study:

**"If ACC's are to remain as separate financial services companies aimed at providing lending and other financial services to the aboriginal communities, they must have the ability to continue growing and expanding. In order to do this they would have to obtain additional capital from both retained earnings and outside sources that would allow them to expand their business base. In addition, if long-term growth of their operations is to be achieved they would have to be able to leverage their capital with some form of deposit-taking capacity."**

The report goes on to note that: **"The Credit Union model would appear to be attractive for the evolution of ACC's because of their strong community orientation and relative geographic isolation."**

The proposed model for credit union development in the NWT provides for growth and expansion, for an increase in capital through retained earnings and the sale of shares to its members.

Leveraging is another way of making capital dollars grow in terms of economic benefits. Because a credit union system in the NWT would have deposit-taking capacity, it will leverage its capital. In the southern credit union and banking systems, the normal capital leverage considered safe is in the order of 12 to 1 (\$12 in deposits

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and other liabilities for each dollar of equity.)

BENEFITS ARISING FROM SMALL-SCALE CREDIT UNIONS IN THE NORTHWEST TERRITORIES

Also in 1990, following the feasibility study another study was completed by our Co-operative movement with funding assistance from ISTC. The objective of the study was:

**"To identify and quantify the long range, direct and indirect economic benefits that will accrue to the north from the development of a credit union system."**

The study was meant to be in harmony with the feasibility study and thus looked at the benefits that would accrue from the development of financial services through community credit unions based on the model outlined in the feasibility study. The study found that there would be benefits in four main areas:

- 1) **"Provision of a means of payment is essential for the integration of factor and commodity markets.**
- 2) **Financial intermediation increases the rate of capital accumulation.**
- 3) **Resource allocation is improved when claims on resources are transferred between borrowers and lenders. Resources move to higher return investments.**
- 4) **Deposit institutions allow management of cash flows (liquidity), risk and reserves which improves (household) productivity."**

The study indicated the following in terms of quantifying the benefits:

- The report estimated that for the 12 communities savings held by residents would increase by \$2.5 million to \$10 million. \$6.5 million of the total would be deposited in the credit unions. This would increase community income by \$155,000 annually.
- The annual cost savings due to handling transfers (checking), cashing cheques and payment of interest on cash balances was estimated to be \$100,000.
- The annual gains to hamlet administration and housing associations was estimated to be \$50,000.

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- Based on studies that had estimated the impact on gross domestic product from lending to small business, it was concluded that if a microcredit program was instituted, \$600,000 in small scale loans would be made available in the first 5 years.
- The overall direct GDP added by the establishment of 12 credit unions and the two central organizations in the NWT was estimated to be \$2.5 million annually.
- The \$7 million capitalization at a 10% discount over 10 years was estimated to have a present value of \$16 million.
- The system would create 32 direct jobs in the NWT.
- Based on formula of 1 job created for every \$7,000 loaned, it was estimated that 85 new jobs would be created in our local communities and 76 more indirect jobs would be created Canadawide.
- 12% of local households in the communities would participate as staff, directors or on committees of the local credit unions. This represents an opportunity for our people to learn financial skills through participation at a time when those skills are in urgent demand with the implementation of land claim agreements.

Based on a \$6 million dollar contribution of seed capital through the CAED Strategy, and assuming that the job creation effect estimated occurs, the cost per job created is \$31,000.

#### CAPITALIZATION

Our Co-operative movement has recognized from the beginning that at least 10% of the seed capital required to start the community credit unions will have to be in place before government would be expected to participate. Our members in the NWT have committed \$350,000 as a capital injection. We have also discussed our need and plan for development with the Credit Union Central of Canada. They have committed \$650,000 for an initial capital injection totalling \$1 million. These same organizations have committed to support the development with training and technical assistance for five years valued at \$135,000 per year.

Our members have requested that the CAED Strategy programs commit the \$6 million dollars still required to establish the system. The response that we received was that investment in deposit-taking institutions is not permitted.

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This response is amazing to us when the federal government can find the funds to support credit union development in the Ukraine or in third world countries in Africa and the Caribbean and when the establishment of financial services through community credit unions is so clearly within the framework of the following stated objectives of the CAED Strategy.

- Greater aboriginal participation in the design of and control over the delivery of economic development programs and services;

From the beginnings of the implementation of the CAED Strategy, those departments participating were informed of the importance of this development by the final report of the working committee on Inuit participation in the CAED Strategy. In addition there have been studies paid for by government departments participating in the strategy which have consistently indicated the value of this development. Our aboriginal leaders from our own political organizations, economic development organizations, land claim bodies and sitting in our parliament and territorial legislatures have supported this development.

If we are not able to effect a change in the design of economic development programs with this level of support from our communities, it is hard to believe that we have greater participation in the design of programs and we surely do not have control over them.

- Strengthening aboriginal financial, sectoral and local development institutions;

This objective of the CAED Strategy will be discussed in greater detail in the following chapter.

- Increased involvement with Canadian business and investment interests;

The credit unions in southern Canada with assets of over \$50 billion must be considered Canadian business and investment interests. Their willingness to support and participate in this development financially, technically and with training will be wasted if this development doesn't happen. How many opportunities like this can be lost if the development of our community economies is to be achieved?

We believe the federal government is sincere in its objectives as outlined in the CAED Strategy. We are suggesting that there is one objective which is directed towards the internal workings of government that has to be examined in this case. That is removal

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of barriers within federal programs.

If the ACC program under CAEDS can't make investments in deposit-taking institutions, despite the recommendations of their own study on the diversification of ACCs and the unanimous support of the aboriginal leaders whose constituencies will be affected by the development, then this is a barrier to significant economic development of our communities. This barrier within the program has to be removed. In this way the aspirations of our people in the NWT communities can be in harmony with the condition as well as the goals of the CAED Strategy.

Finally, an investment in the development of financial services through community credit unions is an investment in an infrastructure that could support the investment of our land claims money. This is not an investment in a bank where the money would be used for the benefit of anonymous shareholders and loaned out for commercial development in another part of the country. In the proposed credit union system, any surplus generated from the investment will be distributed to the credit union members based on their use of the service. Credit unions would make loans, based on the level of deposits to people in our communities, the beneficiaries of the land claim agreements.

With the implementation of our land claim agreements, our present and future economic health will depend increasingly on our people having the financial skills to manage our money.

The development of financial services through community credit unions is in harmony with the goals of our Co-operative members, 10,000 people in 37 communities, in harmony with the needs and aspirations which exist as a result of land claims and in harmony with the goals of the CAED Strategy.

To have these concurrent needs addressed and goals realized requires a simple amendment to the regulations of one program contained under the CAED Strategy.

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## BUILDING ON STRENGTH

There is a basic tenet of community economic development which dictates that you start with people where they are and build on the strengths that exist. The Co-operative movement in the NWT began more than thirty years ago as an instrument of government policy. As is detailed in the previous chapters, it began with our people where we were. It has grown in that time to be among the largest aboriginally-owned and controlled businesses in Canada. At the end of the year 1991, aboriginal people in the communities of the NWT owned assets with a book value, allowing for depreciation, of \$41 million. That is the dollar value of over thirty years of hard work by our people to build Co-operatives in our communities.

As was identified in the previous chapter, one of the goals of the federal government under the CAED Strategy is to strengthen aboriginal financial, sectoral and local development institutions. At present in the NWT, there is no aboriginal financial institution that serves the financial needs of our communities. The strongest aboriginal sector is the Co-operative sector. Local Co-operatives have developed local economies. This is illustrated by the wide variety of businesses operated by our people through our Co-operatives. We also join together at the territorial level through two central organizations. Through this voluntary affiliation, we can achieve economies of scale in our development efforts and efficiency in the delivery of developmental services. At the end of the year 1991, our two central organizations held assets valued at \$26.5 million.

Inuit, Dene and Metis directors number about 250. Co-operative directors are responsible for long-term planning and policy development in our Co-operatives. There are directors still serving who have worked for thirty years in administering our Co-operatives. There is a wealth of skill among our Co-operative directors. There are also over 700 people employed by our Co-operatives full and part-time in our community Co-operatives and our central organizations. Specific expertise in financial and general management and operations exists in our Co-operatives that is rare in the NWT.

The Co-operative movement of the NWT was requested by our communities through their Co-operatives to pursue the development of financial services through community credit unions. There is no other organization that could allocate the resources necessary to promote and nurture this development. Once established, the community credit unions will exist independently from the Co-operative system except as a recipient of advice and other support as requested and as a provider of financial services to Co-operatives as they would

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Arctic Co-operatives Limited

Brief to The Royal Commission on Aboriginal Issues

41

41

be with any business.

The Co-operative system of business in the NWT is the strength of our people in economic development.

Another strength that is being brought into the credit union development are the resources of the Canadian Co-operative and Credit Union movement. They have already lent invaluable advice and support and are committed to providing more.

It is time now to move beyond the study and planning to the implementation stage of the development. We have prepared a business plan for the establishment of a credit union for the NWT. The following section will detail the highlights and provide a summary of the plan for credit union development in the NWT.

#### COMMUNITY CREDIT UNIONS

The plan is based on six communities beginning credit unions in the first three years of development. The six communities identified were:

- Cape Dorset
- Pond Inlet
- Cambridge Bay
- Gjoa Haven
- Holman Island
- Igloodik.

The plan anticipates additional credit unions will be developed and facilitates the expansion process. Other communities that have expressed interest include Coppermine, Wrigley and Iqaluit.

#### CREDIT UNION AGGREGATE OPERATING INDICATORS

The plan is based on two credit unions starting each year. The plan calls for an initial capital investment of \$7 million. The NWT Co-operatives and the Credit Union Central of Canada have committed \$1 million to the development. The remaining \$6 million is expected to come from territorial and federal government programs. The \$7 million will be invested in the Credit Union Central. \$2 million will be put into the Credit Union Mutual Aid Depository or stabilization fund to safeguard credit union members' deposits and \$5 million will be used to develop new community credit unions.

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The following is a summary of the financial results of the six community credit unions in aggregate:

(\$000.00)

Year Num.	Total Assets	Loans	Total Deposits	Total Equity	Capital Ratio	Earnings Ratio	CU
1	763.2	0.0	573.5	39.6	5.23%	(2.52%)	2
2	2,826.1	0.0	2,416.5	109.5	3.78%	(0.41%)	4
3	4,495.1	164.0	3,844.9	175.4	3.81%	0.01%	6
4	5,698.9	618.4	5,013.2	240.7	4.03%	0.57%	6
5	6,405.5	1,275.8	5,706.8	313.7	4.78%	0.58%	6

Capital and earnings ratios are expressed as a percentage of total assets.

AVERAGE Credit Union - YEAR 5

Total Assets	\$1,148,000
Loans	325,000
Equity	5.65%
Net Earnings	.68%
Net Interest Margin	4.55%
Noninterest expense	4.51%
Noninterest income	1.00%

Financial support provided to the local credit unions through the central will include:

- Noninterest bearing repayable loans
- Subsidized investments
- No inspection fees for three years and no central dues for the first year.

## DEVELOPMENT PLAN

The plan for the development of the local credit unions is based on an incremental approach using a participatory method supported by experienced field workers. The following are five concepts which are the fundamentals of the business plan:

1. Knowledgeable field workers are essential.
2. Development will occur only where there is community commitment.
3. Community self-development will be encouraged.
4. There will be reliance on relevant external support wherever possible, most notably with a formal linkage with a southern credit union central as a source of clearing and supplies as well as other support and advice. Training and technical assistance will be accessed from other credit union and Co-operative associations.
5. There will be a hierarchy of services to be delivered by local credit unions that will be phased in. New credit unions will be incorporated as limited service intermediaries which accept savings deposits and offer limited payment services. Credit union regulators will allow each to add additional services, such as checking and lending, as financial capacity and overall competence of the credit union grows. The responsibility for the increased service is with the local membership. New services are permitted as financial commitment increases.

The participatory method of development in each community requires that an identifiable process be established. The process for credit union development in the NWT communities is 15 incremental steps detailed below:

1. Formation of a steering or organizing committee.
2. Successful promotion of the concept to the residents.
3. Community information meetings.
4. Promotion to businesses, corporation and local government/leaders.
5. Community meeting - Provisional incorporation of the credit union.
6. Share drive; actual investment by prospective individual



members, businesses and community organizations.

7. Preparation of business plan and completed application for incorporation.
8. Conditional approval to form a credit union.
9. Organizational meeting to elect directors, set up committees and draft bylaws.
10. Commitment of deposits from members, businesses and community organizations.
11. Premises, management and staff are acquired.
12. Director, staff and member education.
13. Credit union begins accepting savings deposits, selling money orders, etc.
14. Begin accepting demand/checking deposits and part participating in checking system.
15. Begin offering loan services.

Where there are local businesses which can offer it, administration and teller services will be contracted to them by the credit union.

#### LEGISLATION

The provision of financial services through community credit unions detailed in the business plan can be established under the current NWT Credit Union Act. Four specific regulations are required of the NWT government which establish:

- the basic regulatory framework (through the Credit Union Mutual Aid Depository/stabilization fund)
- the standard bylaws
- Credit Union Mutual Aid Depository itself
- the NWT Credit Union Central.

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Operating rules for credit unions based on practice in southern Canada are included in the proposed standard bylaws included in the business plan. There are two principles underlying the bylaws:

1. New credit unions will operate under a restrictive regime with operations closely monitored. Individual credit unions can obtain exemptions from restrictive provisions as their financial and operational competence grows.
2. The incremental approach to service delivery is imbedded in the regulations. Provision is made for certain standards to be established for each level of service. This includes requirements prior to the opening of the credit union for business. A major requirement for an acceptable application for incorporation is adequate member share capital.

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## CCCCC Clearing Services

### CREDIT UNION CENTRAL

The NWT Credit Union Central will be the enabler of the development of local community credit unions. In addition to work supporting community development efforts and a large role in training and information for credit unions, it will participate in a number of operational support functions.

Those functions include:

1. Arrange and supervise the clearing contract on behalf of the NWT community credit unions. Clearing will include much of the administrative work necessary to process transactions,
2. Maintain a master deposit account and line of credit at the clearing central to support clearing activities,
3. Offer simplified investments for credit unions in the form of an investment account which pays interest based on average market and accepts all of a credit unions investments,
4. Supervises credit union lending through a system credit committee, which has a number of regulatory responsibilities, and
5. Conduct monitoring and inspection of credit unions on behalf of Credit Union Mutual Aid Depository.

The NWT Credit Union Central and stabilization fund will be housed in Yellowknife and may be accommodated with the NWT Cooperative Business Development Fund.

NWT Credit Union Central will be staffed by a limited number of people. Initially a manager skilled in credit union and central operations and a field worker with experience and understanding of the cultural imperatives involved in the north will be required. These two, with support staff will form a team with complementary strengths. Their responsibilities will be to access and implement the technical support being offered by the Canadian credit union movement and assist local groups in working their way through the various development steps. Other staff including a lending specialist will be added as required.

NWT Credit Union Central will accept investment deposits from credit unions, the stabilization fund and other organizations and place various investments with or through the clearing central. The

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clearing central will be a provincial credit union central. NWT Credit Union Central will be the liquidity manager for NWT credit unions, operating under national standards for liquidity.

With the \$7 million of contributed capital available and invested over a three year period, the NWT Credit Union Central will show a cumulative net earnings in year two and continue with an operating surplus in each of the following years.

#### CREDIT UNION MUTUAL AID DEPOSITORY

The NWT Credit Union Mutual Aid Depository will be operated by the NWT Credit Union Central with a separate board of directors appointed by the Government of the NWT. As a result, the stabilization fund has a fairly simple operation composed of \$2 million contributed capital, credit union assessment revenue and an annual operating contract with NWT Credit Union Central. The contributed capital is the amount judged sufficient to fund the risk reduction activities of stabilization fund.

The most significant result identified in the business plan is that profitable credit unions can be established which are capable of repaying start up assistance while offering member returns comparable to similar sized credit unions in southern Canada. It is this finding which justifies investing the \$7 million, implementing the incremental and participatory operating approach and providing the necessary regulatory base.

In the case of providing financial services to our communities, government is faced with a clear choice. They can either support a chartered bank to provide the services or develop the financial services through community credit unions as identified in the business plan.

In order to assess the relative costs and benefits of each approach there needs to be criteria for assessment. The chief concerns of our people in the NWT communities would be accessibility of service, development of financial and administrative skills and ownership of the services.

Government criteria for assessment may include cost of supporting the services and control over the regulatory environment.

The following chart is intended as a quick reference for assessing the alternatives.

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CRITERIA	CREDIT UNIONS	BANKS
Access	Loan applications are assessed by a credit committee made up of local people. Service available in language of choice.	Loans applications assessed by individual who may or may not be familiar with the community. Service often available in English or French.
Skill development	Member education in savings and credit to be available. Local people sit as directors and on committees. Development and training available from central.	No client education. People are users of service.
Ownership	Credit unions are owned by the people who use the service.	Banks are owned by shareholders who live outside the community.
Cost	The cost of developing community credit unions is a one-time only investment of \$7 million which can potentially be used to start as many as 36 credit unions.	The cost of supporting chartered bank services in as many communities is unknown, but is assumed to be substantial and in the form of annual operating subsidies.
Control	Government of the NWT will appoint directors to the NWT CUMAD and has legislative control over regulations.	Chartered banks are governed by the Bank Act of the federal government.

There are several recent examples of banks in smaller communities closing their doors and leaving the residents of those communities without financial services. The most relevant case for this discussion is the case of Eagle River in Labrador. In that community the bank decided to close operations. The local residents with the assistance of the former bank manager started a credit union which is in operation today and continues to operate at a profit. There was a closure announced recently in the NWT. The bank in the community of Fort Smith has announced it will cease to offer financial services. These decisions to close operations were not the result of a decision by the people who used those services. In some cases the closure of a bank branch in a small community is not the result of the bank not making money, but rather as the result of the bank not making enough money.

The development of our communities is at a crossroads right now. A confluence of circumstances is occurring which necessitates some serious decisions to be made. Government has supported the development of Co-operatives in the NWT for thirty years as an instrument of a policy committed to the social and economic development of our people. Many of us have committed our lives to this development. The government has to decide whether or not it will continue to support the development of Co-operatives generally. More specifically government has to decide whether it will support continued Co-operative development in the form of financial service Co-operatives or credit unions.

Our people who are the members of the NWT Co-operatives have decided that this development is what we need and want. Our leaders, political and land claim organizations support that choice.

Government has to decide whether to build on the strength that is there in our communities or to allow the economic development process in the NWT to go more and more the private route, as it does in the south, happening without due notice of the native people as a group.

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## CONCLUSION

The brief history of our Co-operatives and our long standing partnership with government through them have been examined in this brief. The intent is to show the advancement of our people through the Co-operatives in a development process which shares the goals of the current CAED Strategy. We in the Co-operative movement of the NWT have watched as the federal government departments have tried to duplicate the process used in developing Co-operatives as it develops CEDO's and other instruments of the current strategy such as the EIC Pathways boards. The advice that has been provided through our Co-operative representatives on the new boards is that it is a long, hard struggle.

Our Co-operatives are positioned to contribute to the further development of our communities through the CAED Strategy with the development of financial services in our communities through the establishment of community credit unions.

Co-operatives, as the first aboriginal development corporation in the NWT, continue to be the most effective vehicle for community economic development in our communities. This is demonstrated by the results achieved by our Co-operatives--financially in assets under our control and equity invested by our people, as agents for human resource development and most importantly as the single largest owned and operated aboriginal business in our NWT communities. For this reason, we are recommending that the federal government departments involved in the CAED Strategy officially recognize our Co-operatives as Community Economic Development Organizations.

The provision of financial services in our communities is essential to the development of our people individually and to our economy, generally. There is a demonstrated lack of access by our people to financial services through their absence in our communities and frustration in attempting to deal with officials of the banks that do exist in the regional centres of the NWT. Access to financial services through credit unions will provide individuals with valuable experience and training in managing finances. According to the economic benefits study on developing credit unions, 12% of local households in the communities would participate as staff, directors or on committees of the local credit unions. This represents an opportunity for our people to learn financial skills through participation at a time when those skills are in urgent demand with the implementation of land claim agreements.

Credit unions also make investments through loans in small businesses which are the key to the continued development of our local economies. They can also provide financial services to existing businesses

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Arctic Co-operatives Limited  
Brief to The Royal Commission on Aboriginal Issues 52



increasing efficiency and saving dollars in small local economies.

We are recommending that the federal government provide direct and adequate financial investment to allow for the establishment of financial services in our communities through the development of community credit unions.

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Arctic Co-operatives Limited  
Brief to The Royal Commission on Aboriginal Issues 53

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