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SESSIONAL PAPER NO. 3

(Second Session, 1968)

STUDY OF BUSINESS ASSISTANCE:
ARDA AND ADA PROGRAMS
IN THE NORTHWEST TERRITORIES

DISPOSITION

Tabled	To Committee	Accepted as Read	Accepted as Amended	Deferred (to Session)	Rejected	Noted not Considered

STUDY OF BUSINESS ASSISTANCE: ARDA AND ADA PROGRAMS IN
THE NORTHWEST TERRITORIES

During the 35th session, Council requested information on three topics related to business assistance in the Northwest Territories:

1. A comparison between forms of business assistance which are available to the provinces and those which are available to the Northwest Territories;
2. A comparison of what is available to the Maritime provinces with what is available to the Northwest Territories in so far as (i) assistance to individuals, and (ii) general economic planning are concerned.
3. The extension by the Federal Government of such programs as ARDA and ADA to the Northwest Territories.

In response to these requests, the Department of Indian Affairs and Northern Development has submitted the following information for Council's consideration.

1. A Comparison Between Forms of Business Assistance.

(a) Federal Programs Available to the Provinces

The question as framed raises the issue of what is meant by assistance to business. If this is interpreted broadly, a wide variety of federal policies and programs which reduce private costs would have to be included in formulating a reply: programs on transportation and communications, education, manpower services, promotional services such as those performed by the Department of Trade and Commerce, and perhaps also programs such as an Unemployment Insurance Fund. Since programs of this kind are available throughout Canada, their benefits are experienced in all provinces. The Industrial Development Bank, which was established to lend to small and medium size businesses, should be given special mention.

In the Northwest Territories, the Department of Indian Affairs and Northern Development is developing an integrated program to incorporate economic development. In the provinces, primary responsibility for property and civil rights lies with the provincial governments. At a less general level, the Federal Government has developed a number of agencies to assist the provinces in the solution of specific problems. Thus the Agricultural Rehabilitation and Development Act (ARDA) was developed to permit federal assistance to provincial agencies in alleviating the problems of rural areas. The Area Development Agency (ADA) provides assistance in the establishment of manufacturing industries in areas of acute unemployment and generally low incomes. The Atlantic Development Board provides the Federal Government with an agency to foster the economic development of the two million Canadians living in the Atlantic provinces. The Cape Breton Development Corporation was established because there was a threat of massive unemployment in industrial Cape Breton, with its population of 130,000.

At an even more specific level, there have been a number of federal-provincial cost sharing arrangements designed to implement certain nation-wide or local projects. The Roads to Resources Program is one example of a nation-wide program which allowed for direct cost sharing between the Federal and Provincial Governments and private resources companies. Examples of projects which have a regional locus are the Greater Winnipeg Floodway and the South Saskatchewan River Project.

Of the programs mentioned above, only a few, such as the Industrial Development Bank and the placement services of the Department of Manpower, can be viewed as directly assisting business. However, it would be taking a very narrow view if the substantial indirect benefits accruing to business from the other programs mentioned were not given full consideration.

(b) Provincial Programs

Varying from province to province, there are a number of programs assisting business at the primary, secondary and tertiary levels. At the most general level, provincial programs of education, public power and transportation, like federal programs which apply generally, reduce private business costs. More specifically, there are instances where provinces may assist in the provision of transportation

necessary to the development of a mine, or in the development of any industry in some other way. Special mention might be given to the following kinds of assistance which are often available in the provinces:

- (i) Financial Assistance: as "lenders of last resort", all provinces with the exception of British Columbia make loans and loan guarantees for the purchase of fixed assets and for working capital finance. A number of provincial lending agencies are also authorized to make equity investments, although in practice they rarely choose to do so. The majority of the provincial financing agencies also make available a financial management counselling service to their clients both during and after negotiations.
- (ii) Many provincial and municipal governments have made arrangements to provide, usually at cost, serviced industrial land. Several provinces have established programs to provide manufacturing space under either rental or sale and lease-back arrangements. In all three Maritime provinces, fully equipped plants have occasionally been provided on sale and lease-back terms. It should be noted, however, that many of these plants are in financial difficulties and several are no longer in production.

(c) Federal Programs Available in the Northwest Territories

Many of the broad national programs referred to under (a) above have relatively greater impact in the Northwest Territories than in southern Canada. This is particularly true of the aids to navigation both in the sea and in the air provided by the Department of Transport. There are some programs, such as the Industrial Development Bank, which maintain regular offices only in major cities and therefore provide only a limited service for the remote areas, whether they be in the provinces or in the North. There are other cases where conditions in the North differ so greatly from those in the south that the Department of Indian Affairs and Northern Development has developed special programs which serve the same broad purposes as the rather more specific sharing programs operating in the South. Thus, under the expanded Northern Roads Program, a network of highways is being built for communication purposes and to provide access to resources. In the provinces the Federal Government has given assistance to communication roads through the Trans-Canada Highway Program, and to resource roads through the Roads to Resources Program. It should be noted that unlike the Northern Roads Program, both latter programs are now drawing to an end. In addition, a wide variety of costs incurred by the Territorial Government are shared between the Federal and Territorial Governments by means of financial agreements somewhat similar to federal-provincial agreements. However, the ARDA and ADA programs are not available in the North for reasons discussed below. It should be noted that the ADA program is not available north of the 55th parallel, i.e., not even in the Peace River District.

In primary resource development in the Northwest Territories, current programs directed toward the development of mineral resources by the Department of Indian Affairs and Northern Development include the Northern Mineral Exploration Assistance Program, the Prospector's Assistance Program and parts of the Northern Roads and Airstrips Programs. The Department of Indian Affairs and Northern Development has also been active in encouraging the development of secondary activities throughout the North, and these have proved viable and self-sustaining in some cases despite distances from markets and other inhospitable cost conditions.

Consideration is now being given further programs to assist private business development through the establishment or encouragement of credit facilities, and by other means.

The Department also recognizes the importance of overall economic development planning in the Northwest Territories. Considerable background work which will permit the undertaking of such planning

has already been done. For some years now, an inventory of the resources of northern regions has been compiled. A test manpower survey was undertaken last summer in co-operation with the Dominion Bureau of Statistics in the Great Slave Lake area, and it is planned to extend this survey to other regions. The departmental staff has recently been enlarged to give it a better economic planning capability. It is hoped that the Economic Study of the Yukon now under way will provide useful experience for undertaking studies under the more difficult conditions which exist in the Northwest Territories.

(d) Evaluation

It is apparent that not all the programs available to the provinces for the assistance of business and industry are available to the Northwest Territories. However, a variety of programs including some not found in the provinces have already been devised for the North and several existing gaps are in the process of being filled. On the per capita basis, federal assistance to northern residents generally exceeds assistance which is available in the South. Thus, total federal expenditures in the North during recent years have averaged about one per cent of the federal budget. The population of the North on the other hand is only about one quarter of one per cent of the Canadian total. While not all of the federal expenditures in the North can be classified as direct assistance to business, it is safe to conclude that such expenditures either directly or indirectly yield important benefits which create an appropriate climate for business activity.

2. Comparison of what is Available to the Maritime Provinces and to the Northwest Territories in so far as (i) Assistance to Individuals and (ii) General Economic Planning are Concerned

(a) Maritime Provinces

It is difficult to divorce the concept of assistance to individuals from the concept of general economic planning and development. Assistance to individuals by the Federal and Provincial Government is usually provided within the context of a broader framework created to further a regional or national objective. National programs of benefit to both individuals and to the country which apply to the Maritimes include the services of the Department of Manpower, as an example. Specifically, these services relate to the better allocation of the existing labour force relative to employment opportunities, and the upgrading of labour force through retraining so that it is better able to take advantage of changing job opportunities. Obviously, this is good for both the individual and the country, and in addition it is of benefit to the Maritime Provinces as a region. However, it would be most difficult to separate the benefits accruing to each of these levels. Similarly, it would be difficult to separate benefits accruing to various levels from other federal programs.

Because of the chronically depressed economic conditions of that region, special federal programs have been devised for the Atlantic Provinces which, again, are of benefit to individuals living there and to the region as a whole. The Maritime Freight Rates Act has been in force since 1927 to reduce the costs of transportation within the Maritimes and between the Maritimes and Central Canada, and thus aid in the development of the Maritime provinces.

The Atlantic Development Board was organized as an agency specifically concerned with assisting the lagging economy of the Atlantic region. Among the most important ways in which the Board has operated are, firstly, to assist the provincial governments in the provisions of infrastructure, particularly in the capital cost of providing electricity, the cost of building main trunk roads, the cost of producing pure water for processing the produce of the agriculture and fishing industries, and in the provision of services for industrial parks in no case has assistance been given directly to private companies; secondly, the planning division of the A.D.B. has been working on a plan for the region as a whole, but no plan has as yet been made public; thirdly, the A.D.B. has undertaken a large number of studies and is working with other agencies of the Federal Government in dealing with particular problems in the Atlantic region, the responsibility for which may eventually be borne by some other department. It will be noted that the A.D.B. has performed somewhat similar functions for the Maritime Provinces as are being

performed for the Northwest Territories by the Department of Indian Affairs and Northern Development and the Northern Canada Power Commission.

Most recently, the Cape Breton Development Corporation was established in July, 1967, to meet the very special circumstances of a rapidly declining economy. Its objective is to rationalize the production of the Cape Breton coal mines and to assist in the financing and development of industry which can provide employment outside the coal industry and thereby broaden the Island's economic base.

(b) Northwest Territories

Federal programs which apply to the Northwest Territories have already been reviewed in reply to question "1" above. The subject of economic planning has also been dealt with. Some further elaboration may be warranted on the question of assistance to individuals, however.

A characteristic of the Northwest Territories is the existence of a proportionately large indigenous population, a low income population which currently lacks the education and mobility to participate fully in the economic, social and political processes of Canada. Whether it is currently productive or not, this population must be maintained, and the federal welfare budget in this regard is sizable. However, beyond mere maintenance there must be investment in this population to make it more productive. This investment takes the form of federal expenditures on education, health and welfare, housing and contributions to territorial programs which enhance the ability of Eskimos and Indians to deal more effectively with their environment. Particularly relevant has been the assistance given to the establishment of industries largely along co-operative lines.

(c) Extension of Programs such as ARDA and ADA to the Northwest Territories

There has been considerable discussion about the advisability of extending the ADA and ARDA programs into the Northwest Territories and the Yukon Territory. The Federal Government has decided that neither program should, at present, be so extended. Indeed the Area Development Agency Program does not apply north of the 55th parallel and, therefore, excludes the northern part of the provinces. As an alternative to ARDA and ADA in the north, the Department of Indian Affairs and Northern Development will continue to develop programs which are especially suited to the northern territories. Such programs may not exactly duplicate those in operation in southern Canada, but then conditions are very different. The Department has already undertaken area economic studies as well as studies of particular sectors of the northern economy, and the newly established Economic Staff Group is now undertaking the development of appropriate regional economic planning.

It is generally accepted that the primary basis for economic development in the Northwest Territories will continue to be through the development of primary resources. Accordingly, the Department has devoted its first attention to the development of an overall program of resource development which includes the Northern Mineral Exploration Assistance Program, the Prospector's Assistance Program and the majority of the northern roads and airstrips programs.

The Department has also been active in encouraging the development of secondary activities, particularly those which provide employment for the indigenous population. Some of these enterprises have now proved to be viable and self-sustaining despite the cost conditions imposed by distance from markets and inhospitable climate. Consideration is now being given to further programs aimed specifically at providing assistance to private business development through the establishment of assistance in providing credit.

The ARDA program was devised as a means of assisting the provinces in dealing with problems of rural poverty because of the constitutional difficulties of direct federal intervention in the provinces. The Department of Indian Affairs and Northern Development

has a direct federal responsibility for alleviating poverty problems in the North and is already undertaking such ARDA type functions as assistance in education, minor roads, forestry development and fire protection, and small scale industry projects. The extension of the ARDA program to the Northwest Territories would only involve a duplication of functions, and there would appear to be no clear advantage to the citizens of that area.

Conditions in the North differ so greatly from those in southern Canada that the Area Development Agency Program would appear inappropriate except with substantial modification. Neither in the Soviet Union nor in the Scandinavian countries has there been any attempt to develop general manufacturing in northern areas although steps have been undertaken to develop those industries which are peculiarly suited to northern conditions. This is the policy of the Federal Government.