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GOVERNMENT OF THE NORTHWEST TERRITORIES

THE NORTHWEST TERRITORIES ECONOMY

A BACKGROUND ANALYSIS

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1. DISTINCTIVENESS

Within Canada, the Northwest Territories derives its distinctiveness from its physical characteristics and the unique background and composition of its people. The N.W.T. is immense in size. It extends 1,800 miles from Inuvik in the west to Frobisher Bay in the east. Its 1.3 million square miles constitute one third of the land mass of Canada.

Transportation and communications are costly as a result of the distances which have to be covered. A road network exists only in the Western Arctic. Elsewhere, communities are accessible by air or by sea. The climate is one of extremes, with long cold winters and short summers. Communities in the Central and Eastern Arctic rely on one or two shipments of supplies each year, in a short, variable shipping season. As a result, the costs and risks of northern settlement and development are extraordinarily high by Canadian standards.

In contrast to the physical size of the Territories, the land is sparsely populated. The 46,000 residents live in approximately 60 communities scattered through the Territories. Indian and Eskimo groups continue in the majority, as a result of continuing high birth and decreasing death rates, and possess distinctive skills, interests, abilities and expectations. The labour force in the N.W.T. is developing, both in terms of skills available and in size. The estimated potential labour force (persons between the ages of 15 and 64) is expected to grow from 25,900 in 1976 to 35,100 in 1986, an increase of 9,200 or 35 percent. Unemployment and underemployment rates are estimated to vary between two and eight times the national average in small communities.

2. REGIONAL AND COMMUNITY STRUCTURE

For development consideration, five major regions have been identified; the Arctic Islands marked by the permanent ice cap and encompassing the North Pole and oil and gas bearing islands; Baffin Island, a mountainous coastal region, including a number of settlements, dependent on resource harvesting but with the prospect of oil and gas and mineral development pressures in the future; the Keewatin Region, covering the broad expanse of tundra west of Hudson's Bay; Central Arctic, where, with the exception of Cambridge Bay and Coppermine, communities are dependent almost entirely on land based resources; and the Mackenzie Valley, lying below the tree line, differing from other areas because of its major transportation artery, the Mackenzie

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River, its greater population density, its physical links with Western Canada on the ground, its producing mines and small industrial establishments, and generally because it is more developed than other regions.

The physical and social differences among regions suggest varying development strategies: an emphasis on traditional activities, training and work rotation where the economic base is limited and previous exposure to wage economy minimal, development of transportation infrastructure to support development where major resources occur; and strengthening of the local economy where major income and population centres now exist.

The N.W.T. communities may be described in three categories: regional growth centres, local growth centres and small communities.

Regional growth centres have the most diversified economic base. There is usually a large government component, a service sector, some transportation and sometimes some light manufacturing. They tend to have relatively large non-native populations and high wage economy participation rates. Transportation and communication links to southern Canada are generally well developed.

Local growth centres tend to be single industry towns dominated by government, mineral extraction or transportation. They are characterized by relatively small native populations, high wage economy participation and limited spinoff development.

Small communities have a very basic economy. There is little or no secondary or tertiary sector development and few southern-type services. Wage employment opportunities are very limited, often just to government; and traditional activities are important. The population of most communities is stable or growing (at the natural rate of increase) and there tends to be a strong sense of cohesion and social structure within these predominately native settlements.

### 3. INDUSTRIAL STRUCTURE

The income and employment of the people of the Territories depends in an overall sense on two major sources of growth -- major resource development projects and government. In 1974, some 47% of wages and salaries in the N.W.T. originated in government, plus an additional 10% in government enterprises. The remainder came from corporate enterprise, most of which was based on export sales. Exports in turn were concentrated in minerals, oil and gas (88 percent), tourism (7 percent), furs (less than 2 percent), fish and miscellaneous crafts (3 percent).

The structure of the economy is such that the employment multiplier of primary jobs to other jobs is small. In mining it has been estimated that, for example, one job creates between 0.3 and 0.6 jobs in the rest of the economy, when all effects have been taken into account. This value is not unusual for mining towns in northern Canada. Government

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has an even smaller multiplier -- a job in the Federal or Territorial Government creates between 0.1 and 0.3 jobs in the rest of the economy. The main difference between industry and government is that government to date employs more northern people than does mining, so that the addition of jobs in government tend to switch northerners from welfare rolls to government payrolls. The net increase in expenditure in the economy resulting from creation of one government job tends to be less than in the mining industry, where traditionally white southerners have migrated north to take available jobs.

Other jobs exist in small manufacturing industries, often related to traditional ways of life, e.g., parka manufacturing and carving, the products of which are exported to markets developed in the south, and in a range of service industries, which furnish commercial, financial and personal services to the major sectors, and more importantly, to their employees. These smaller businesses provide a variety of occupations to northerners, diversify and stabilize the economy and spread the benefits of major projects and government activity among those who do not participate directly in the larger sectors.

Development of the economy requires continuing growth and stimulus in the major sectors. Without these sources of demand and revenue, the service sector cannot service. For example, professional services, banking facilities, retail outlets, automotive services centers and fueling enterprises would be expected to decline in numbers, if current market demand is not maintained.

This relationship is important in other sectors as well. Tourism benefits from the presence of large government or large projects through the development of services and facilities for business travel, which raises the level of services available to leisure tourists and pays for the high overhead cost of facilities in the north. The traditional hunting and trapping economy, particularly when practised on an occasional or recreational basis, requires a net inflow of funds for start-up costs and in most areas to finance operations. In the absence of a source of funds from employment on a seasonal or rotational basis, the only source of financing to maintain this aspect of the economy is government, through assistance programs, employment or welfare.

Development of a local market (protected to some extent from competition from the south by transportation barriers) for northern agricultural, fish and forestry products, as well as local construction and other services, is limited fundamentally by population size, as average personal incomes in the north equal or exceed the national average. Apart from natural growth (which while rapid is small in absolute size) population growth is directly dependent on a major source of economic growth, whether government or industry. The northern economy will not be able to reduce currently high unemployment levels or provide job opportunities for the one thousand school leavers entering the labour force age group annually over the next ten years, in the absence of sustained expansion of the major sectors of the northern economy.

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There are important inter-relationships between the public sector and major resource development. When viewed as an alternative source of growth to public sector-based activity, it is evident that major projects provide real benefits to the northern economy and people. It has been demonstrated recently in oil and gas exploration in the Beaufort and in mineral production at Nanisivik and the Great Bear Region that private firms find it profitable to hire and depend upon northern workers and local business services, and thereby support not only regional growth centres but also small, distant communities through labour rotation schemes.

Employment of northerners in the private sector leads to a decrease in direct dependency on income from the public sector. It implies a greater local contribution to the cost of government services, a heightened sense of responsibility for public activity and an enhanced opportunity to achieve full self-government.

Resource development undoubtedly brings with it social and environmental problems to be addressed and solved. But are the adjustment difficulties likely to be greater than those caused by the incursions of a fast growing public sector, of dependency on short term make-work projects and welfare, or unemployment? While renewable resource-based activities provide a fall back subsistence alternative for many native northerners, there is evidence that the markets that govern the returns to trappers are less robust and more volatile than world markets for hydrocarbons and minerals which dictate the pace of development and production of non-renewable resource industries.

A critical link between the public sector and the major resource development sectors relates to the provision of infrastructure. For reasons discussed earlier, industrial and commercial developments often cannot take place (particularly if northerners are to benefit economically) without substantial investments in infrastructure -- transportation, communications and other physical facilities; training, counselling and other supporting social programs. Government infrastructure has played a crucial catalytic role in the past, by underwriting basic research and survey work, liaison and education of the labour force as well as providing major shipping and communications links.

Physical infrastructure such as roads and other transportation modes, electrical power generation and communications installations put in place to support major development provide direct social benefit spinoffs for northern communities. While facilities may require government financing and leadership, they do not necessarily require continuing subsidization, and may generate substantial public revenues (as resulted from the construction and operation of a railroad to Pine Point).

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In such cases, major infrastructure may be put in place and operated without recourse to public funding, given the existence of a favourable long-term investment climate, including assurances of fiscal and regulatory stability and positive support and incentive programs. Indeed, without such a climate it is open to question whether the potential benefits of massive public spending on infrastructure would be realized through resource development.

It would appear that creation by public policy of a suitable environment for orderly private development in the north offers a least-cost alternative to an economy based on high levels of public spending to maintain income and employment and provide social benefits obtainable by greater reliance on northern people and resources.

#### 4. RESOURCE DEVELOPMENT

Resource development includes mineral and oil and gas exploration and production activities.

Mining and mineral exploration is the chief employer in non-renewable resources. In 1975, approximately 1,600 people were employed in the producing mines alone. The total dollar value of the lead, zinc, gold, copper, silver and tungsten mined in 1976 was \$214.5 million. Total production from all mines between 1966 and 1976 was valued at \$1.5 billion, with lead and zinc accounting for \$1 billion of that total. The majority of the minerals produced in the N.W.T. comes from eight mines: three on Great Slave Lake, three near Great Bear Lake, one on the N.W.T./Yukon boundary and one on Baffin Island.

Northern people are, increasingly, becoming involved in working within the mining industry. At Nanisivik, 38 Inuit make up 20% of the present work force on a six week rotation basis. Arrangements finalized in May between Echo Bay Mines and Fort Franklin have provided eight permanent jobs for 16 people on a one month rotation. This is expected to double in the next few months. A two month rotational employment program between Terra Mines and Rae Lakes has recently been organized to provide six permanent jobs for twelve people in that community. On-going discussions will develop more employment in the industry over the next several months.

Mineral exploration has increased steadily with a renewed interest shown in gold, silver and uranium properties. The number of claims staked in 1975 represented an 80 percent rise over the previous year and exploration expenditures are estimated to have exceeded \$25 million.

A gas field located at Pointed Mountain in the extreme southwest corner of the Northwest Territories is in production and transmits gas to the Clark Lake gas plant at Fort Nelson, B.C. Oil from the Norman Wells field (at present the only northern oil field in production) is processed locally at the refinery operated by Imperial Oil Limited. Annual production is one million barrels and recoverable reserves are estimated at 45 to 50 million barrels.

Oil and gas exploration activities have slowed down considerably in the Mackenzie since the prospect of pipeline construction brought an exploration boom in the early 1970's. Seismic crew months decreased by approximately 48 percent in 1975 over 1974, and corresponding decreases were evident in the number of land and marine seismic line miles recorded.

Total industry expenditures, which include in-house seismic processing, overhead, land retention, royalties and taxes, exceeded \$350 million in 1975, a \$50 million increase from 1974.

Field expenditures on oil and gas exploration North of 60 exceeded \$215 million in 1975, approximately \$35 million less than in 1974. Expenditures for exploratory and development drilling amounted to approximately \$150 million, down \$20 million from the previous year. Geophysical and geological expenditures decreased to approximately \$55 million, a drop of \$15 million from 1974. The total area under permit or lease was 344,363,055 acres, down 27,384,615 acres (7.3 percent) from 1974.

Limited drilling in the Delta and offshore drilling (from man made islands and from Can-Mar's three drillships) continued in the Beaufort Sea in 1977, and exploration activities are continuing in the Arctic Islands. The Can-Mar operation employed 192 northern residents in 101 positions during the 1977 season. It is estimated that 18 new northern businesses were opened and 24 businesses expanded, employing some 50 local people and generating gross revenues of \$1 to \$1.5 million.

##### 5. PUBLIC FINANCE

Government in the N.W.T. includes the operations of some 21 departments of the Government of Canada, the Territorial Government, and a structure of local governments in settlements, hamlets, villages, towns and one city.

Aggregate spending of these three levels of government in respect of operations in the Northwest Territories was estimated at \$448 million in 1976/77, of which approximately 75 percent was made directly in the N.W.T. Current expenditures on government services represented 47 percent of gross territorial expenditure in 1974. Territorial and Federal agencies employed some 5,950 workers in the N.W.T. in 1976/77. Of total government expenditure, some 22 percent was allocated directly in support of the Economic Growth objective, including support for human, resource and small business development, principally by four federal departments and the Territorial Government.

The impact of government activity on the economy in general is still greater than these numbers would imply. Development policy and regulation, together with the taxation, royalty and incentive framework are predominant influences on the investment climate in the north today. Major infrastructure facilities and essential services are provided by three Federal Crown Corporations: N.C.P.C., N.T.C.L., and C.N.T. (not included in general government organization and expenditures).



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The public sector offers a broad range of employment opportunities to northerners, and possesses the flexibility and resources to assist and train native people to take an active and responsible part in governing themselves, through its presence in all communities, need for experienced northern employees and various career development programs. As a source of demand for goods and services, government stimulates the local private sector not only through its purchasing, service contracts and construction, but also (and perhaps more importantly) through the services required by its employees wherever they live.

To the permanent residents of the north, government represents a pervasive and widespread form of insulation against economic cycles and the high costs of living in the north, through national social programs common to all parts of the country (education, health care and social assistance), and through programs that, because of isolation and environment, have assumed a greater impact in the Territories than elsewhere -- subsidized housing and municipal services (both for private citizens and civil servants) and renewable resource incentive programs.

The extent of subsidies reflects partly the limited revenue base, and partly the high capital and operating costs of government services in the north. Territorial Government expenditures of \$168 million in 1975/76 were financed by Territorial taxes, recoveries and revenues (\$26.5 million), cost-sharing grants (\$17.3 million) and operating capital grants from the Federal Government (\$124.2 million). This grant was partially offset by personal and corporate revenue taxes and royalties (collected by the Federal Government) which amounted to approximately \$66 million in 1974. The proportion of expenditures financed locally will remain low unless and until significant increases in economic activity raise the base.

## 6. RENEWABLE RESOURCES

This sector involves the traditional pursuits of fishing, trapping and hunting, and forestry and agriculture.

The original basis of the money economy in the N.W.T. was the harvesting of fish, marine and land mammals. In 1971, this sector provided only half as much employment as the non-renewable resource sector and only one-sixth as much as the public sector.

### Fishing

Commercial fishing is centred on Great Slave Lake (principally whitefish), Cambridge Bay (char) and at a number of locations in the Keewatin and Baffin regions. In 1976 commercial fisheries in the Mackenzie valley provided full and part-time employment for 125 fishermen and associated workers.

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Modest potential exists to exploit local markets for fish production in the larger N.W.T. communities. Expansion of commercial fishing for export is constrained by the freshwater fish prices that remain low on a national basis. As northern commercial fisheries depend upon buoyant market conditions or subsidies to overcome transportation costs and diseconomies of small scale activities, immediate expansion is not foreseen.

### Trapping

Total trapping revenues in 1975/76 were \$2.7 million, down from a 1973/74 peak of \$3.1 million, or an average of \$800 per trapper. General Hunting Licence holders make up 10 percent of the population.

Although it is difficult to determine exact numbers of full and part-time trappers, a significant portion of the northern population derives economic as well as social and cultural returns from land-based activities. Returns from trapping remain an important component of cash income for many. However, the number of individuals and their families who can sustain themselves from the proceeds of trapping outside particularly rich furbearing areas such as Sachs Harbour is small. Only 17 individual trappers in the Northwest Territories grossed over \$8,000 in 1975/76, with 25 percent of the trappers grossing more than \$1,000. Some 73 percent of the General Hunting Licence Holders in 1975/76 traded in fur.

Marten, muskrat, beaver and lynx are the prime fur bearers inside the treeline while seals are the main species beyond the treeline. In addition to their market value, some furbearers, notably lynx, beaver and muskrat are utilized extensively for human consumption on the trapline. Seals are the main protein source for Inuit above the treeline.

Expansion within the fur industry is limited. While the N.W.T. furbearer populations are impressive in total, they are low in density and high transportation costs reduce profitability considerably. As the population grows, increasing the pressure on fur harvesting to provide or supplement incomes, the profitability of trapping can be expected to decrease, in the absence of technological improvements.

The fur industry is dependent on world markets and attitudes, and is susceptible to fluctuations in fur prices and production cycles (in some species more than others) thus creating another impediment to expanding the industry. In 1977/78, sales in the seal industry are anticipated to fall by two thirds or more of the 1976/77 high of \$896,000. The drop will be felt most strongly in Holman Island, Coppermine and Baffin Island communities.

### Hunting

Subsistence hunting remains an important element of the traditional lifestyle and represents a major contribution to the local economy of many communities. In 1975/76 the reported harvest of game meat in the Territories was some 3,375,000 pounds. If valued (gross) at \$1 per pound, this quantity exceeds the fur harvest by more than 20 percent. Actual kills are estimated to exceed reported kills by two or three times. Subsistence hunting can be expanded but it would require monitoring programs to ensure that the annual harvest does not exceed sustainable yields.

Commercial hunting is not a large component of the renewable resource industry. The annual commercial caribou harvest in the Mackenzie Valley, for example, accounts for only 10 percent of the estimated annual domestic harvest. Of the 3,450 commercial caribou tags available to General Hunting Licence holders in the Territories, only 15% are utilized (tags are not required for sale of meat within the native community).

Expansion of commercial hunting is possible but restricted by poor meat handling and storage facilities and an underdeveloped market, as well as a lack of hard data on herd sizes.

### Forestry

Softwood, primarily white spruce, is found along the Mackenzie and its tributaries. Growth is slow, replacement taking more than 100 years. Estimates of sustained yield are in the order of five million board foot measure annually for the Slave River, five million for the lower Mackenzie (north of Norman Wells) and 40 million board feet for the upper Mackenzie/Liard.

Annual demand for lumber and piles within the Mackenzie region is estimated at 20 million board feet. Production by Territorial mills is highly variable but remains, as it has since the 1950's, in the 1 to 6 million range for lumber, and between 0.5 and 1.5 million for piles. Quality has improved since introduction of grade-stamping in the early 1970's, but local market penetration remains poor.

Existing sawmills include commercial operations at Fort Resolution, Fort Smith, Hay River, Fort Simpson and Norman Wells, providing about 50 seasonal jobs; and five community mills, which operate as needed. Only one operation, at Hay River, is believed to break even.

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Major impediments to establishing a viable lumber industry are:

- Low productivity: limited by severe climate, low productivity of the labour force, and inexperienced management. A key point is inefficiently small scale.
- Underfinancing: mills face seasonal markets, with prices set outside the N.W.T. Shortage of working capital is a chronic problem.
- Inadequate marketing: few operators are able to penetrate local markets, now committed to established southern suppliers, without dropping prices to uneconomic levels.

The best potential for expansion is in the Liard. Fort Simpson is estimated to have reserves within hauling distance sufficient to sustain 10 million board feet annual production, viable size for a sawmill, and utilization of all softwood species in the Liard would make a pulp mill feasible. However, planning must wait until timber surveys are completed and access and marketing problems solved.

### Agriculture

There are 2.8 million acres along the Slave, Hay, Liard and upper Mackenzie Rivers suitable for commercial production of the hardier vegetable and cereals. A further 3.5 million acres would support seeded forages for hay and grazing. Some of this land is already in high quality native forages.

There are presently a half dozen commercial farmers deriving partial incomes from their activities.

Major constraints on development of the industry are:

- High production costs: there are no local support business (e.g.: seed and equipment dealers, veterinarians, slaughter houses),
- High risks: crops are subject to a critically short climate. Ranching would be experimental,
- Limited markets: local demand is small and diversified, while freight costs to large centres make it difficult for N.W.T. to compete with other suppliers.

Greenhouse operations have been tried north of the agricultural zone but do not appear to be profitable unless waste heat from other activities can be utilized.

Leasing of land for agriculture was suspended in 1975, to allow development of an agricultural policy. In June 1977, it was announced that viable market gardens would be permitted, and leases for plots up to 10 acres are now available near Hay River and Fort Simpson. Large scale disposition of agricultural land appears to conflict with as yet unsettled land claims.

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With the Slave River largely ruled out by problems with the buffalo, the north side of the Mackenzie River from Deep Bay to Mills Lake has the best present potential for large scale agricultural development. The Liard has large capabilities, but lacks access and would require clearing.

## 7. MANUFACTURING, TOURISM AND SERVICES

Small scale manufacturing consists largely of government-operated projects and arts and crafts production. In 1977 the N.W.T. government operated 44 commercial and industrial projects, employing 1,200 full and part-time workers. Projects included a cannery, retail stores, a laundry and drycleaning operation, sewing centres, fur garment shops, a canvas factory and a furniture plant.

Arts and crafts production includes carving, printmaking, sewing and jewellery manufacture. Production is organized mainly through co-ops, with products marketed to northern and southern markets by Canadian Arctic Producers, Canadian Arctic Co-op Federation and private agencies. In 1977, sales of arts and crafts products approximated \$9 million. Although potential for expansion exists in certain lines, some general market contraction is being experienced.

Impediments to expansion include a heavy dependence on southern markets and a potential labour shortage in the future. This type of activity attracts more women than men, particularly women over 30 years of age, and as time goes on, it may be difficult to attract additional workers. There is additionally a disproportionately high management overhead component in operating small manufacturing operations. A lack of business organization and management skills may restrict expansion by local businesses in this sector.

### Tourism

The N.W.T. travel industry, as elsewhere, is composed of four distinct sub-elements or segments:

- Non-resident business travellers;
- Non-resident leisure travellers;
- Resident business travellers;
- Resident leisure travellers.

Business travel is the mainstay of transportation modes and the accommodation sector. The no-pipeline decision in the Mackenzie Valley has caused a sudden decline in travel traffic to communities in the Valley. On the other hand, local sales from the Tuktoyaktuk fur garment shop have never been so good -- because of Can-Mar's presence in the Delta.

In the non-resident leisure segment, statistics reveal that the N.W.T. receives approximately 20,000 of these visitors annually. Growth has been a function of the supply of facilities, attractions and events. Centennial year undoubtedly stimulated growth. More recently, the promotion of N.W.T.'s National Parks has attracted different sorts of leisure travellers -- travellers interested in outdoor and wilderness types of recreation.

Tourism facilities have expanded over the last decade. There are 60 lodges and outfitters and hotel facilities of varying standards available in most communities. Hotels with a large degree of local ownership have been built recently in Cambridge Bay, Pond Inlet, Baker Lake and several other communities. Package tour trips have become popular and several new travel associations and organizations have been established to promote tourism. In addition, extensive camping facilities have been developed in 40 territorial parks and two national parks.

Impediments to expansion include the short duration of the N.W.T. tourist season, the high cost of travel and in some areas inadequate accommodation, restaurants and services. Although local participation in the tourism industry has increased, there is reluctance on the part of native people to involve themselves in an industry which makes them cater to the whims of outsiders.

To alleviate some of the foregoing impediments to developing tourism, a new program would be required to promote northern travel, develop attractions and provide for local training, awareness and ownership.

### Services

Retail services in smaller communities are organized largely through the Hudson's Bay Company or the Co-operative movement and in larger centres include independent firms and other chain stores. The co-operative movement historically has been undercapitalized and still depends heavily on imported management. Re-supply is largely through sealift and requires access to heavy inventory financing. These requirements are increasingly being met through a federally aided central agency, the Canadian Arctic Co-operative Federation.

Local provision of municipal services and erection of panel-construction houses have been stimulated by active policies of the Territorial Government and Housing Corporation. There is a growing interest in how science and technology can contribute to develop more efficient housing suited to northern conditions.

The Hire North road project and training on the job tied to airport construction have developed a significant heavy equipment operation capability in the Territories. Most large construction projects, both private and public, go to southern based companies having the necessary technical and financial resources and northern experience. The breaking up of major construction projects into units within the capabilities of northern firms, and tendering of federal and territorial contracts in such a way as to give maximum opportunity to northern firms to bid successfully are recurrent and consistent demands of northern construction interests.

Given the isolation of the Northwest Territories, it is not surprising that the transportation industry is disproportionately important in the N.W.T. economy. In 1974 the industry paid well over \$12 million in wages and salaries alone. N.T.C.L., the major barge operator in the Mackenzie River/Western Arctic area, provides employment for roughly 900 people for part of each year, although only 90 are permanent residents of the N.W.T. At the present time there is substantial excess capacity on the Mackenzie River. N.T.C.L., the largest operator, owns 31 tugboats, 161 barges, and three arctic coastal vessels; it is estimated that excess capacity is in order of 20 to 25 percent.

The road system in the Northwest Territories covers 1,215 miles, 1,100 miles of which are in the southern Mackenzie highway network. Almost all communities in the N.W.T. have some form of aviation facility, although some are substandard. The Arctic B and C Airports Program presently underway aims to upgrade all airports to minimum standards by 1981/82.

The organization of the transportation and communications sector displays many of the characteristics of northern development today: direct participation by public sector enterprises; specialized expertise developed by small and medium-sized private northern operators, limited participation at managerial and ownership levels by native businessmen; direct dependence on major economic activity (public and private) for the bulk of sales; and the important spinoff benefit of provision of good transportation services to northern residents that would not exist in the absence of major sources of revenue.

Financial, professional, commercial and personal services are located in larger regional centres. Not surprisingly, the lack of immediate access to commercial banks, accountants, lawyers and other business support services in the smaller centres limits management capability in communities. The gap is partially filled by staff and programs of the Territorial Government, but remains an important general development constraint, particularly amongst native northerners.

#### 8. NATIVE ECONOMY

It is widely recognized that for reasons basic to the just society, the bottom line for northern development policy is participation by northern native people in northern development -- social, political and economic. Mr. Justice Berger has suggested that the native economy must be developed for the benefit of native northerners. But what makes up the northern native economy?

Clearly, hunting, fishing and trapping have been and will continue to be a mainstay of the domestic economy in the north, particularly in the small settlements. Northern people have not lost their deep attachment to the land with the incursion of the wage and welfare economy, nor are they likely to do so, whether these activities are carried out on a full-time commercial basis, seasonally, for occasional relaxation, or as a source

of subsistence food and materials. Indeed, the maintenance of an "opportunity for choice" between land based and wage activity is the cornerstone of the Legislative Assembly's approach to economic development; the social and cultural resources of proximity to the land underlie the present policy of maintaining communities as stable social units.

Today's native economy, however encompasses far more than the traditions, domestic supply and commercial aspects of the life on the land and sea. For people of all ages, the economy is in transition, a mix of old and new. It includes (and has for some years) wage employment in exploration, development and production of minerals and oil and gas. It involves training and career development in government and out -- in trades, administration and management. It manufactures goods for export and provides services to build, operate and maintain northern communities and businesses. Its leaders now wield political and thus, economic influence. For the future, residents of the Mackenzie as expressed in recent Employment Options Conferences, have recognized that the prosperity of its participants will depend on the orderly development of natural resources, provided direct employment and income benefits are forthcoming to northern native people.

The northern native economy faces a number of awkward problems and impediments to growth. As recent events have shown, both the older renewable resource extraction sector and the more recent non-renewable resource based industry are highly susceptible to fluctuations in world prices and demand patterns. While the money returns from wage employment are needed to finance activity on the land, it is feared by some that continuing expansion of resource exploration and development (and population growth) will extinguish the game, destroying a way of life.

The introduction of the fur trading and whaling industries first brought major social and economic disruption to northern native peoples, including epidemics, dietary change, consumer goods, organized religion, literacy and wage employment. Change has been going on ever since at varying tempos; with a notable acceleration during the building of the Canadian Welfare state since the Second World War.

The recent era has brought further problems of social and economic adjustment with evident symptoms -- big dollar influxes, separation of youth from their elders, the pressures attendant upon political leadership. It has also brought transportation services, communications, schools, permanent communities, municipal and health services, pensions and other social assistance, which native people do not wish to reject.

How are northern native people to influence and manage the pace and direction of development? How can northerners take advantage of events? How will they handle the rewards of ability (dollars, and the temptations of the consumer economy)? A number of lessons may be learned from past and recent experience. A first requirement is for exposure to the major facets of the modern economic system: Through information presented sympathetically and in advance of resource exploration and development proposals and by altering the features of such programs to fit northerners' needs and environment -- in location, timing and pace. At the same time, programs of support for the renewable resource sector are needed to provide balance, stressing measures that will maintain these activities as economic options.



Second, participation in the benefits of development through wage employment, business spinoffs, management and counselling in industry, and an ownership stake must occur, if northern development is not to exclude northern native people. Management training programs should be oriented not only to the public sector but also to equip northerners to participate in management of private businesses. Opportunities should be opened up for local participation in the direction of government subsidized projects and small scale enterprise. It is worth noting that the exploration aspect of the non-renewable resource development cycle may be particularly well suited to the transition stage in which Judge Berger found the northern economy to be lodged: seasonal activity, a life on the land in small groups, offering a range of opportunities for skill development and application of experience.

Third, appropriate institutions must be created to help people cope with change and the effects of change, through responsive political and governmental structures, vehicles for native entrepreneurship, local saving and investment institutions, and other programs designed to develop understanding, competence and self-reliance in the modern northern economy.