



**Tulo Centre of
Indigenous Economics**

Realizing TLE Potential in Winnipeg Region

**November 17, 2018
Winnipeg, Manitoba**

“Together we will help each other be great and good”

- **1910 Memorial to Sir Wilfrid Laurier**
- **How can we help each other be great and good?**



The Fiscal Issues and Challenges for Manitoba

- Aging population, rising health care costs and large status population places significant fiscal pressure on Manitoba
- PBO identified Manitoba as one of first provinces to potentially become fiscally unsustainable based on current trends
- The Fiscal and Economic Challenges for Manitoba:
 - Generate more economic growth
 - Reduce costs of government at all levels
 - Increase government revenues
 - Improve federal-provincial-municipal fiscal relationship
 - Reconcile First Nation fiscal issues

A Proposed Approach to Address Manitoba's Challenges

- Work with the First Nations Tax Commission and others to:
 - Improve and hasten the TLE process
 - Support more First Nation FMA systems in Manitoba
 - Develop better tax based service agreements
 - Create a better fiscal relationship for interested First Nations with expanded fiscal powers
- These changes will:
 - Increase benefits from TLEs
 - Generate more economic growth
 - Improve services and infrastructure for all citizens
 - Increase revenues and reduce costs for all governments

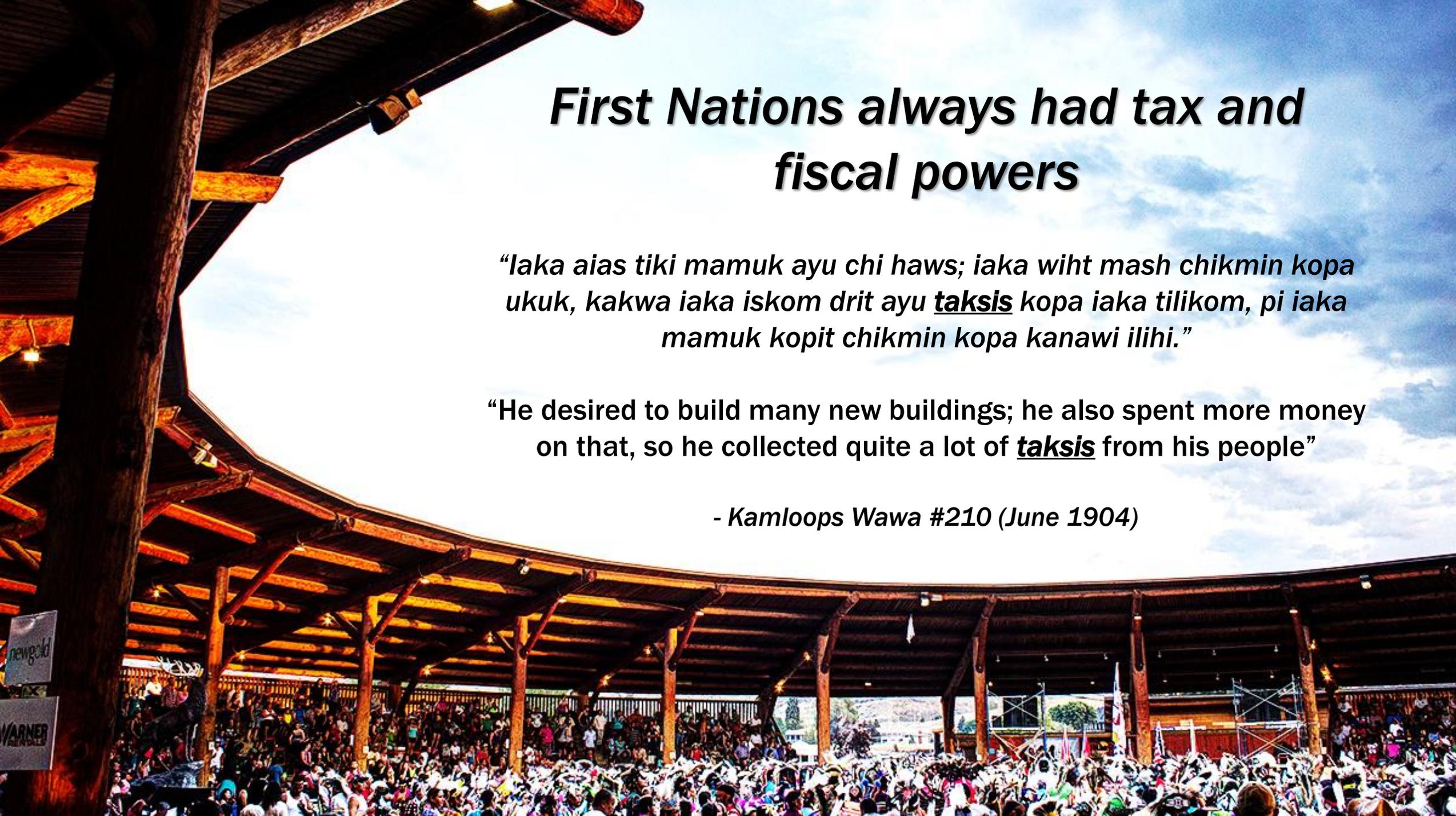
Why is Change is so Hard - The Long Answer

Confederation:
Title, lands, tax
& jurisdiction
divided up
between
Canada and
provinces in the
Constitution



**First Nation Governments
Excluded**

- Residential school and intergenerational impacts
- The Indian Act and Department of Indian Affairs
 - Few National First Nation institutions
 - Numerous stove piped programs
 - Negotiation processes long and costly
- High legal and administrative switching costs
 - History breed mistrust
 - Bureaucratic interests
 - Administrative capacity differences
 - Legislation and institutional design and development
- First Nation cultural, language and political diversity
- First Nation economic diversity
 - Few comparative advantages
 - High transaction costs
- Few independent resources to support innovations
- Many other reasons



First Nations always had tax and fiscal powers

*“Iaka aias tiki mamuk ayu chi haws; iaka wiht mash chikmin kopa ukuk, kakwa iaka iskom drit ayu **taksis** kopa iaka tilikom, pi iaka mamuk kopit chikmin kopa kanawi ilihi.”*

“He desired to build many new buildings; he also spent more money on that, so he collected quite a lot of **taksis from his people”**

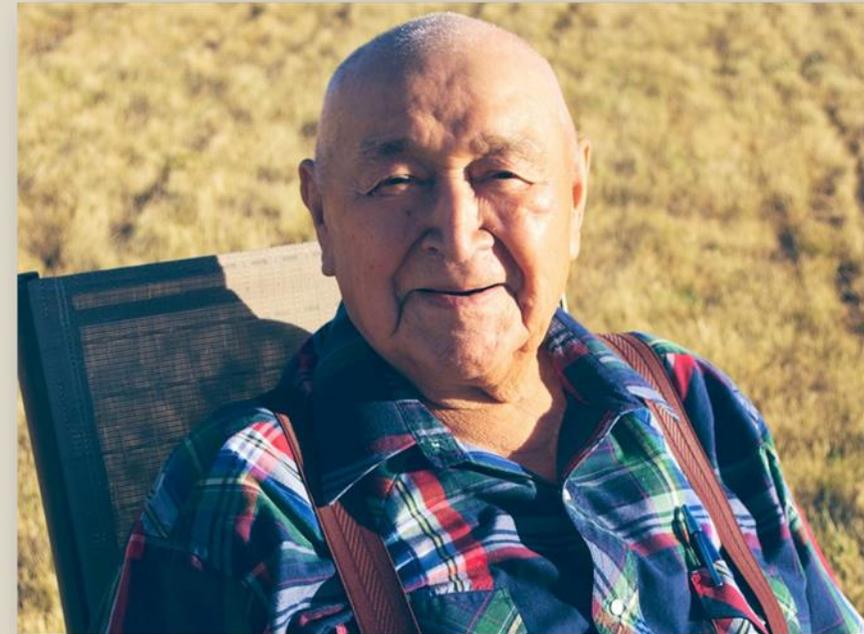
- Kamloops Wawa #210 (June 1904)

Restoring First Nation Jurisdiction A Successful Innovation

“It is about philosophy.” He would always ask after one of my meetings, “Do they think like us?”

The three part approach:

- Legislation for orderly transition of jurisdiction
- First Nation institutional framework to implement jurisdiction and provide regulatory framework
- Administrative capacity development to increase benefits from jurisdiction



The FNTC and FMA Success

- **174 First Nations** have enacted property tax laws or are in the process of developing property tax laws
- Helped First Nations raise over **\$1 billion** in local revenues since **1990** to deliver better services and provide new infrastructure to their communities and taxpayers
- These improvements meant over **\$2 billion** in investment in these communities
- Over **1,000** laws approved and over **2,500** First Nation laws in First Nation Gazette
- **30** sample First Nation tax laws and **19** First Nation taxation standards
- Over **25** tax based service agreements successfully negotiated
- The FMB has certified over **100** First Nations in financial management and performance, and helped them to enact Financial Administration Laws
- The First Nations Finance Authority (FNFA) has helped raise about **\$600 million** in debentures to finance First Nation infrastructure. FNTC credit rating has recently been raised from **A** to **AA**
- Over **200** students have taken accredited training from the Tulo Centre of Indigenous Economics

An Offer to Help

- **First Nations Tax Commission (FNTC) will help interested First Nations:**
 - Understand TLE fiscal benefit potential
 - Implement and expand their FMA tax jurisdiction efficiently
 - Attend the Tulo Centre of Indigenous Economics
- **FNTC will help interested First Nations and municipalities:**
 - Understand joint TLE fiscal and economic benefit potential
 - Negotiate better tax based service agreements
 - Coordinate infrastructure financing opportunities with other FMA institutions
 - Coordinate improvements in planning processes
 - Provide Tulo Centre workshops to explore more benefits from TLEs



Helping First Nations and Municipalities Realize More Benefits from TLE

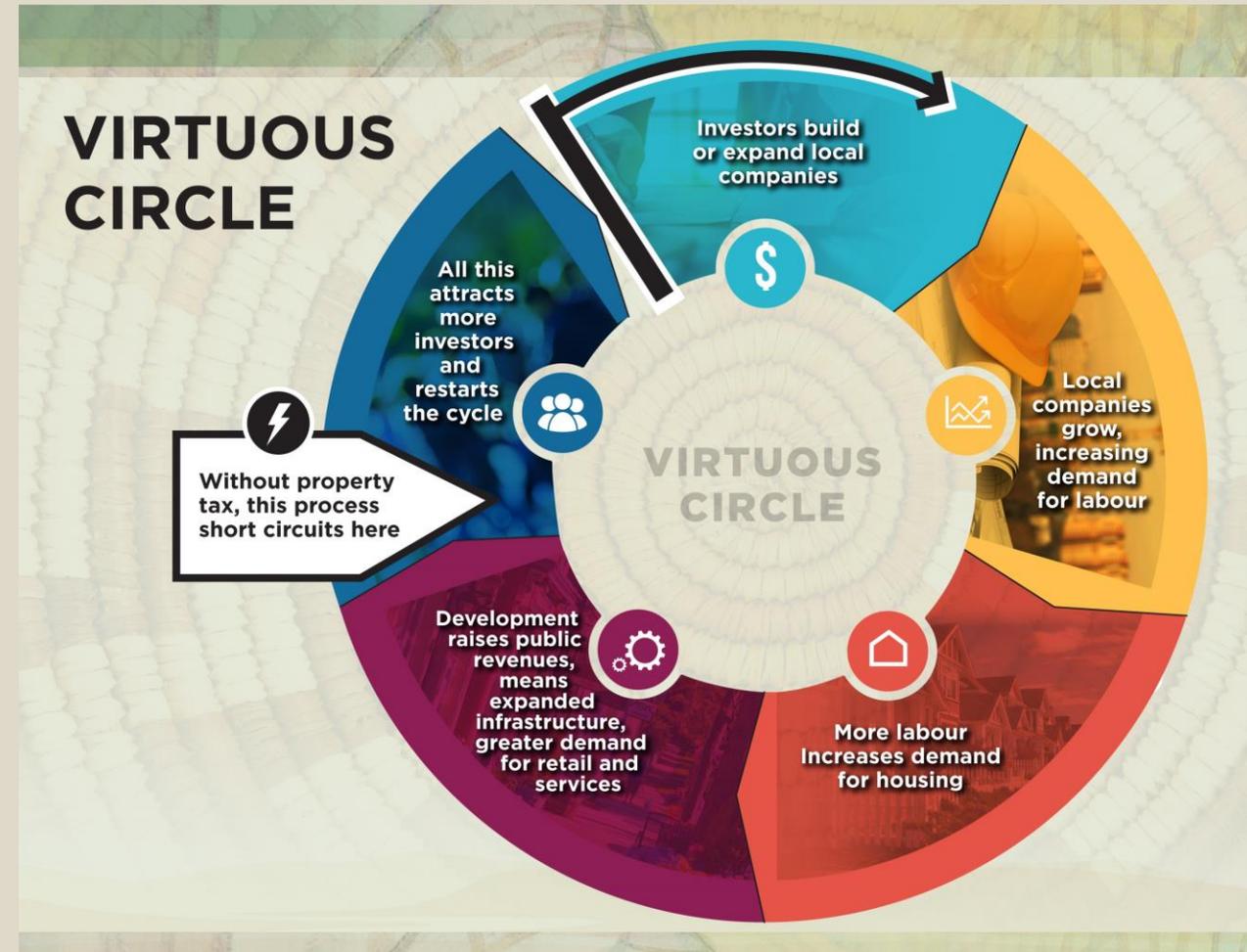
The Cycle of Economic Growth

Investment creates jobs and business opportunities. It builds homes. It creates new businesses and expands existing ones. It implements technological and business innovations. It unleashes creative, artistic and scientific potential.

Investment includes businesses that put resources into new plants and equipment or the expansion of existing facilities. It also includes investment by individuals into their homes, education and businesses.

The underlying strength of the economy along with its ability to generate revenues for the public sector depends upon this investment.

Economies grow from investment which increases labor demand which increases housing demand which increases infrastructure and services demand. Without local taxes, the process short circuits and prevents the continuation of the cycle.



Realizing the Fiscal and Economic Potential from TLEs

Every investment generates two type of benefits:

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graph LR; A((Every investment generates two type of benefits:)) --- B[ECONOMIC BENEFITS in the form of jobs, income and profits (from equity) which almost always flow to individuals]; A --- C[FISCAL BENEFITS in the form of taxes, fees and other revenues which flow to governments and subsequently to communities in the form of services, infrastructure and programs];
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ECONOMIC BENEFITS in the form of jobs, income and profits (from equity) which almost always flow to individuals

FISCAL BENEFITS in the form of taxes, fees and other revenues which flow to governments and subsequently to communities in the form of services, infrastructure and programs

The TLE Benefits – From NIEDB Research

ESTIMATED IMPACTS (per acre of land intended for economic development purposes)	
ECONOMIC IMPACTS	ESTIMATED IMPACT
Employment Benefit	About 35.9 jobs
Spending Related Economic Benefit	About \$283,901
FISCAL IMPACTS	
Employment Related Fiscal Benefit	About \$29,042

- The study found investment on urban ATRs generated significantly greater economic benefits than investment on urban reserves (on a pre acre basis).
- TLE lands generate significantly more economic benefits than other well located First Nations lands.

The TLE Potential – A Hypothetical Example in the Winnipeg Region

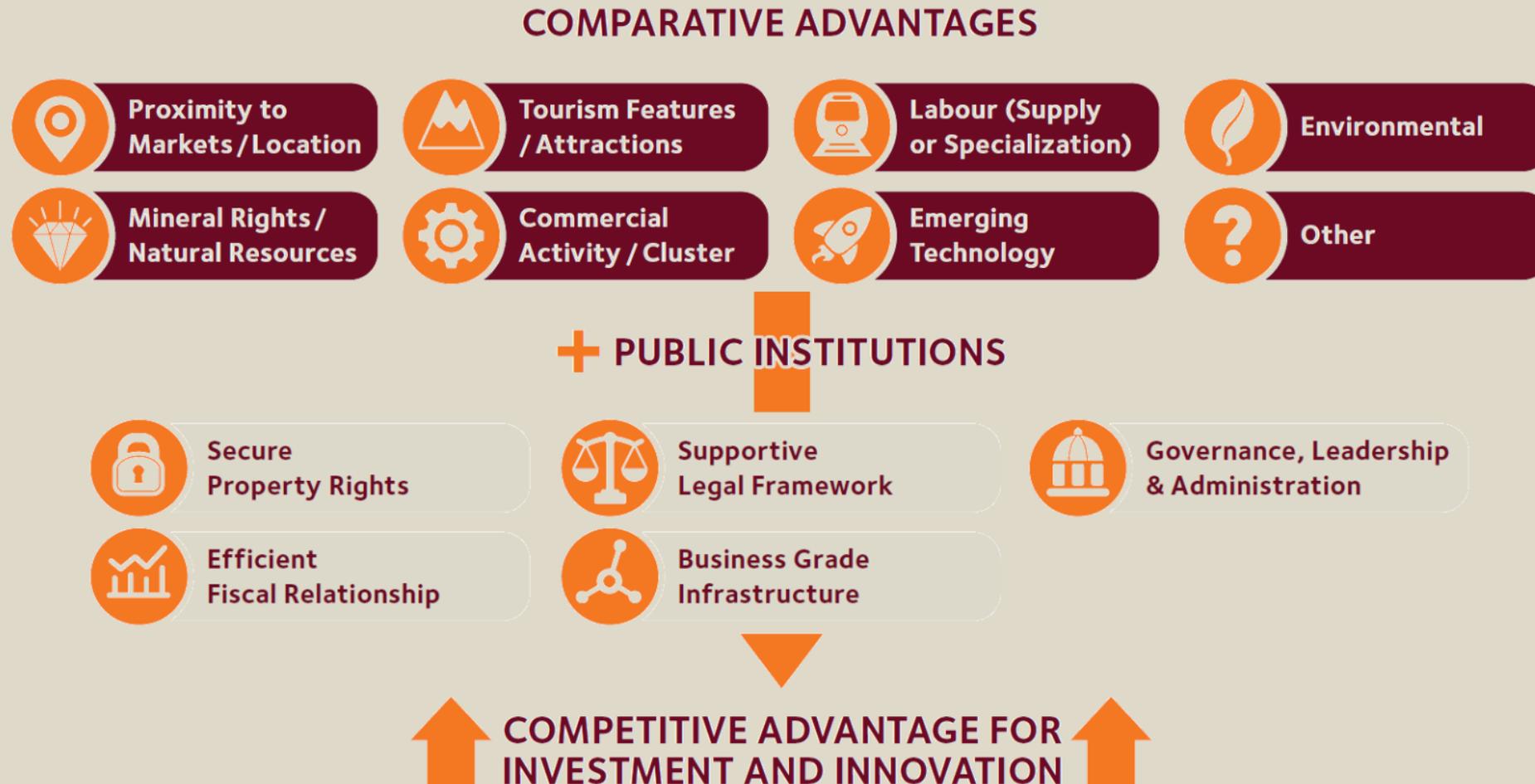
Lets say 100 acres is developed in the Winnipeg region over a 5 year period.

CUMULATIVE BENEFIT ESTIMATES OVER THE 5-YEAR PERIOD	
ECONOMIC IMPACTS	
Employment Benefit	11,847 to 12,924 PYE
Spending Related Economic Benefit	\$93.7 to \$102.2 M
FISCAL IMPACTS	
FMA Taxation	\$3.7 to \$4.1 M
Employment Related Fiscal Benefit	\$9.6 to \$10.5 M

Realizing TLE Potential – Some Key Steps

1. Recognize regional economic (comparative) advantages for investment
2. Build necessary public framework to convert comparative advantages to competitive ones
 - a) Use supportive institutions where possible (TLEC, FNTC, Tulo, others)
 - b) Build partnership and innovative governance frameworks to improve efficiencies and realize more benefits
 - c) Use partnerships to attract funding from all levels of governments
3. Establish innovation process to continually improve public framework to support a sustainable economy

Converting Comparative Advantages to Competitive Ones – The TLE Opportunity



The Importance of Effective Public Institutions to Support Economies

Why are the costs of doing business on First Nations lands 4 to 6 times higher?

What is necessary to generate more benefits on TLE lands?

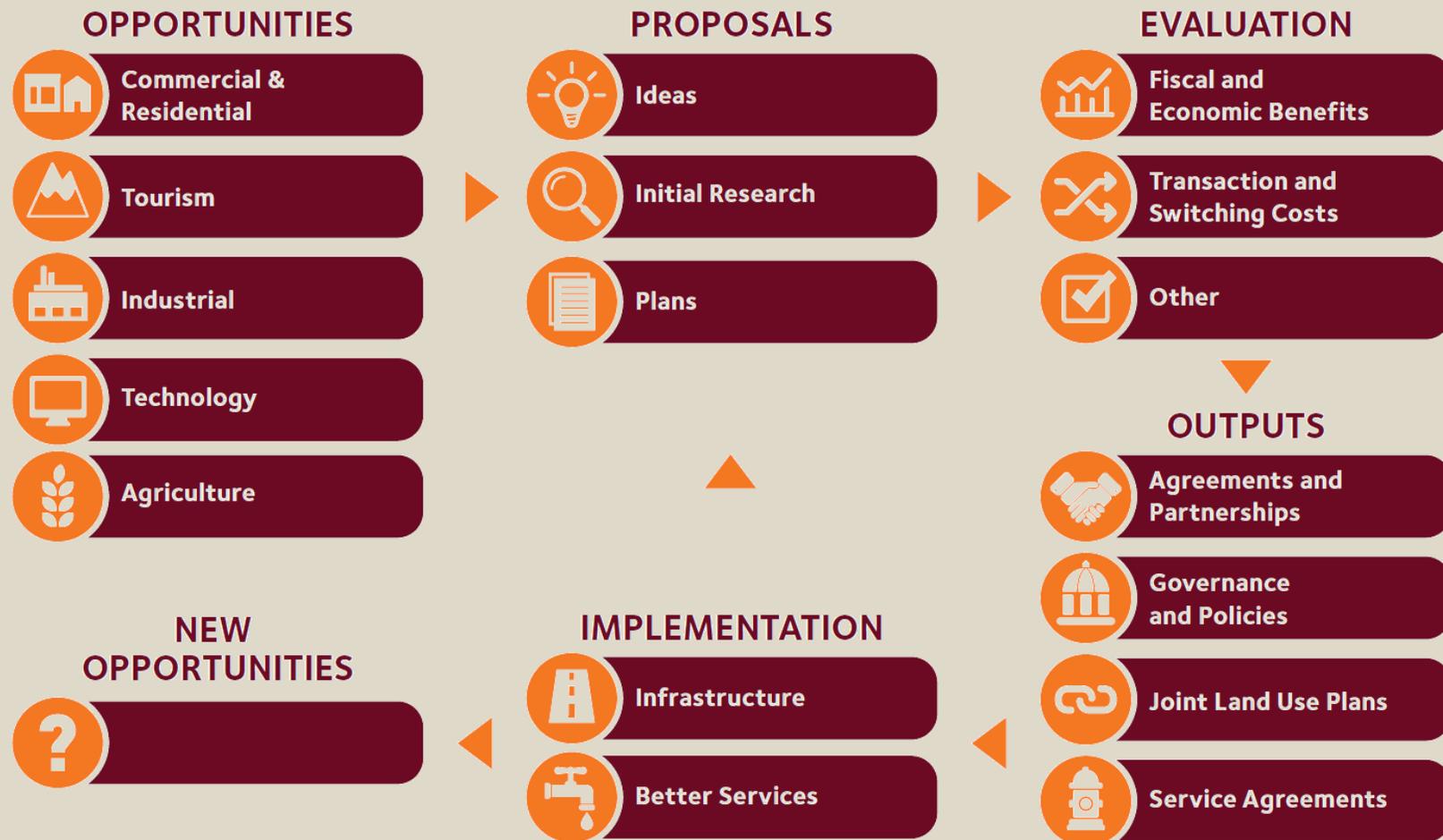
RUSSIA AND PERU

Russia and Peru are well endowed with natural resources. In fact, Russia has also been well endowed with technology and human resources. However, neither country offers a high standard of living. They have been unable to offer any of the supportive public sector inputs that are also required.

SINGAPORE AND JAPAN

By contrast, there are countries such as Singapore and Japan that have achieved very high standards of living with relatively poor natural resources. Japan has become one of the largest economies in the world despite being natural resource deficient simply by virtue of public institutions that create and support human and technological advantages.

A Proposed Manitoba First Nation-Municipal Process to Develop the Public Institutional Framework for TLE Opportunities



Some Suggestions

Develop First Nation-
municipal TLE
partnerships based on
regional comparative
advantages

Identify gaps in TLE
investment climate

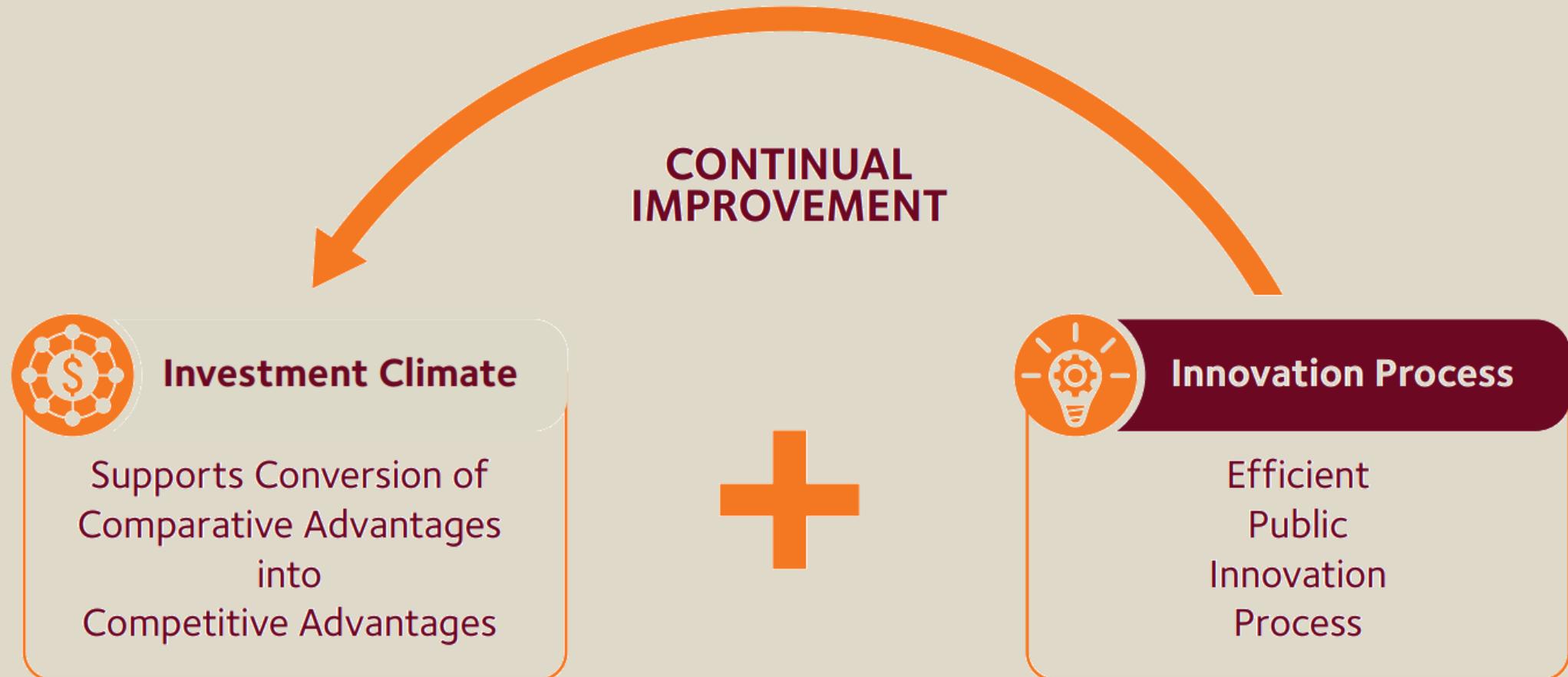
Develop and evaluate
plans to close those gaps

Create lasting changes to
framework through
agreements, joint plans
and even legislation

Implement necessary
improvements to services
and infrastructure to
support competitive
investment climate

Evaluate and constantly
improve framework

The CLI Potential – A Sustainable Innovation Economy for Manitoba that Supports Better Faster TLEs



A Short Answer to Reconciliation



**“WE HAVE TO REPLACE THE
COLONIAL STRUCTURES
AND RENEW OUR GOVERNMENTS
BY CREATIVE DESTRUCTION.
OUR ECONOMIC GROWTH
IS OUR BEST WEAPON TO ACHIEVE THIS.”**

Chief Commissioner Manny Jules, First Nations Tax Commission (2018)

For More Information on Building a Better Investment Climate



See Tulo Centre on-line text book – Building Competitive First Nation Investment Climates

- Tulo Centre – First Nation Applied Economics Certificate Program
- Tulo Centre – First Nations Tax Administration Certificate Program
- Tulo Centre – First Nation Applied Lands Management Certificate Program



THANK YOU!

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