

Submission to the House of Commons Standing Committee on Finance

Submitted by: Tribal Wi-Chi-Way-Win Capital Corporation (TWCC)

August 1st 2017

C/O

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House of Commons

DRAFT - TWCC Submission to House of Commons Standing Committee on Finance

Executive Summary

TWCC is a diversified group of companies, and is a 100% Aboriginal owned entity whose shareholders are five Tribal Councils and five Independent First Nations located in Manitoba.

The roots of TWCC extend back to its establishment in 1993 under Canada's guidelines for the Aboriginal Capital Corporation Program of the Canadian Aboriginal Economic Development Strategy. Technically defined as an Aboriginal Capital Corporation (ACC), TWCC's mandate is to provide access to investment capital and related financial support resources to qualified First Nations entrepreneurs and businesses in Manitoba. The operation first achieved ISO 9001 Certification in 2010 and has successfully re-certified each year.

Since inception, TWCC has embraced a culture founded on strong governance, commitment to delivering value to its stakeholders (shareholders, clients and employees) and making positive contributions to the communities in which we operate. In 2001, TWCC initiated a strategy to diversify and materially grow its "for profit" business operations. Today, TWCC is a parent company with profitable subsidiaries across three lines of business: Contact Center Solutions, TIPI (TWCC Insurance Partners LP), and ASKI Capital (employer based lending service). TWCC is one of the most successful of the 60+ ACCs in operation across Canada. Since 1993, approximately 800 Aboriginal businesses in Manitoba have been created or expanded with TWCC loans. These businesses have in turn, gone on to create over 2,300 jobs.

TWCC encourages the Standing Committee on Finance to consider the following four areas to increase Canadian productivity and increase small business competitiveness writ large. Budget 2018 should encourage:

1. Increased access to capital for Canada's aboriginal peoples and aboriginal owned businesses
2. Increased focus within the Federal government on the Procurement Strategy for Aboriginal Business (PSAB) to enhance economic development and productivity of Canadian Aboriginal peoples. PSABs definitions should be expanded to include other target populations – currently a PSAB is only set aside for an aboriginal population defined as an area where Aboriginal peoples make up 80% of the population or target group. Aboriginal business could benefit from this expanded PSAB mandate and hence improve the lives of many Aboriginal populations. It is also recommended Aboriginal firms be excluded from the government procurement review process for contracts in excess of \$2MM.
3. Increased productivity through access to business advisory services for aboriginal peoples who are looking to start a business or are current owners of a business and seeking to expand.

4. Targeted measures to increase financial literacy and awareness through coaching and mentoring for aboriginal populations by aboriginal financial services companies

By increasing access to capital, government procurement strategies, business services opportunities, and business advisory services for Canada's aboriginal populations all of Canada benefits.

1. Increased Access to Capital for Canada's Aboriginal peoples and Aboriginal Owned Businesses

The Government of Canada should increase funding capacity to the Aboriginal Business Financing Program (ABFP) by guaranteeing Aboriginal Financial Institution loans in a manner similar to the Canada Small Business Financing (CSBF) program. The CSBF program gives banks in Canada a guarantee the loans will be repaid and provides comfort to the lender to take risk which may be outside of traditional risk management programs. Under such a program Aboriginal Financial Institutions could increase the number of entrepreneurship loans granted to businesses in their target marketplaces. This would allow more First Nations to start their own businesses and grow Canada's economy and increase productivity. This federal guarantee would also increase the likelihood of loan approvals due to existing risk management policies in Aboriginal financial institutions. It is recommended the government guarantee \$500MM in loans over the next 5 years to maximize economic opportunities for this growing demographic.

(From the Canadian Small Business Financing Program)

Loans can be used to finance the following costs:

- purchase or improvement of land or buildings used for commercial purposes
- purchase or improvement of new or used equipment
- purchase of new or existing leasehold improvements, that is, renovations to a leased property by a tenant

For example, you can use a loan to finance:

- commercial vehicles
- hotel or restaurant equipment
- computer or telecommunications equipment and software
- production equipment
- eligible costs to buy a franchise

It is anticipated this guarantee program would allow more flexibility than the CSBF guarantee as the client service base has unique needs. For example, given the nature of many small businesses and micro businesses, inventory acquisition is a key challenge. Also, it is recommended working capital requirements be taken into consideration when framing the guarantee program. Working capital is a key to success.

According to the National Capital Corporations Associations (NACCA) in 2015, Aboriginal Financial Institutions (AFI) funded \$20MM in loans to 608 aboriginal businesses across Canada. It is estimated more than \$9.4billion and 76,000 loans were made using the CSBF program. Guaranteeing \$500MM of new loans to aboriginal communities would provide access to capital for business owners, create jobs and contributes to gross domestic product.

2. Increased Focus within the Federal Government on the Procurement Strategy for Aboriginal Business (PSAB) to Enhance Economic Development and Productivity of Canadian Aboriginal Peoples.

TWCC recommends a pilot expansion of the PSAB program wherein the policy framework is amended to include federal government procurement opportunities not limited to serving Aboriginal populations and removing the \$2MM and up procurement review process for Aboriginal businesses.

It is a key policy goal of the Government of Canada to increase Aboriginal participation in Canada's economy. The Federal Framework for Aboriginal Economic Development (2009) set out the Government of Canada's action plan for improving the lives of First Nation's peoples. Aboriginal businesses are underrepresented amongst companies seeking and winning federal government procurement opportunities. Increased focus within the Federal government on the Procurement Strategy for Aboriginal Business (PSAB) can enhance economic development and productivity of Canadian Aboriginal peoples. PSABs definitions should be expanded to include other target populations – currently a PSAB is only set aside for an Aboriginal population defined as an area where Aboriginal peoples make up 80% of the population or target group. Aboriginal business could benefit from an expanded PSAB mandate and thereby improve the lives of many Aboriginal populations.

In June 2014, Indigenous and Northern Affairs Canada conducted an [Evaluation of the Procurement Strategy](#) for Aboriginal Businesses and recommended INAC:

1. Develop an enhanced approach to the PSAB that is tailored to the different needs of different types of business, including a stronger focus on direct and regional training to support newer and smaller Aboriginal firms to navigate the increasingly complex and competitive procurement environment;
2. Work with Public Works and Government Services Canada to ensure ongoing performance data allows for a complete capture of data on individual businesses winning procurement contracts by value and type both for set-asides and incidental contracts;
3. Develop better accountability mechanisms for the accurate capture of whether or not bidders qualify as Aboriginal; and
4. As part of the promotion of PSAB, work with contracting authorities to ensure the best likelihood of Aboriginal business success, including promoting the most appropriate application of the 25-day posting option.

According to INAC “the creation of PSABs in 1996 was a “response to the underrepresentation of Aboriginal businesses among firms that were seeking and winning government contracts. “

TWCC recommends to the federal government expanding, on a three-year pilot basis, the eligibility criteria for PSAB to assess the likelihood of increased participation of Aboriginal businesses. Specifically, criteria set out in Treasury Board Contracting Policy Notices (CPN 1997-6)ⁱ stipulates the contract must serve an Aboriginal population. An amendment to this criteria would ensure more government contracts would be available to more businesses. Aboriginal businesses are well equipped to handle contracts in the general economy and many are mature players in Canada's economy.

In addition, TWCC recommends removing the current contract size maximum of \$2MM for set-aside purposes. Currently, contracts over \$2MM are subject to the Government of Canada procurement review process. This amendment for Aboriginal businesses would serve to increase propensity of mature aboriginal businesses to continue to participate in large federal procurements and open large opportunities for smaller First Nations entrepreneurs. This would eliminate significant barriers to expansion opportunities.

TWCC also recommends all Federal departments report to Parliament on volume of set-aside transactions so appropriate public policy responses can be instituted.

3. Increased Productivity through Access to Business Advisory Services for Aboriginal Peoples who are Seeking to Start a Business or are Current Owners of a Business

We recommend the Government of Canada recommend a \$15million, 2 year pilot program for business coaching services facilitated in partnership with key aboriginal business associations, including the Canadian Council of Aboriginal Business enhancing the Tools and Financing for Aboriginal Business initiative (TFAB) launched in November 2016. This program would increase the chances of success for new or early stage Aboriginal businesses and test commercialization viability of start-up enterprises. This program complements the mandate of the Aboriginal Business and Entrepreneurship Development (ABED) program which aims to provide a range of services and supports that promote the growth of a strong Aboriginal business sector in Canada.

This pilot program could be measured against results of designated Aboriginal Financial Institutions (AFIs) after the 2 year trial period.

4. Targeted Measures to Increase Financial Literacy and Awareness through Coaching and Mentoring for Aboriginal Populations by Aboriginal Financial Services Companies.

TWCC recommends a \$2million pilot program for AFI's to promote and deliver financial literacy programs to Aboriginal populations, particularly to the most vulnerable populations. This would increase individual and population based productivity.

Aboriginals are the fastest growing segment of Canada's population and entrepreneurship is a key component to success of Canada's first peoples. TWCC encourages the Federal Standing Committee and the Minister of Finance to consider measures to encourage entrepreneurship and financial literacy amongst Aboriginal populations. Establishment of private sector delivery champions in communities to assist in this important endeavour. This initiative could enhance the activities of the ABED but leverage the policy strength of the Financial Consumer Agency of Canada (FCAC) which has a mandate to ensure

consumer protection measures are strong, promote financial education and to raise consumer awareness of their rights and responsibilities. FCAC should partner with the various provincial regulatory authorities to ensure Aboriginal consumers interacting with provincially regulated institutions meet this goal.

Conclusion

Canada's Aboriginal business and consumer populations would benefit from increased access to capital for entrepreneurship, a pilot program to expand PSAB eligibility criteria, and both increased access to business advisory and financial literacy programs. Productivity and Canadian competitiveness would be greatly impacted by policy improvements aimed at Aboriginal populations across Canada.

References

<http://nacca.ca/afi-achievements-and-impact/>

https://umanitoba.ca/centres/mipr/media/5._PSAB_Mah.pdf

<https://www.aadnc-aandc.gc.ca/eng/1375201178602/1375202816581>

<http://www.aadnc-aandc.gc.ca/eng/1100100032824/1100100032825>

ⁱ CPN 1997-6

Section 2.6.1: " The PSAB requires all contracting authorities, where the procurement is valued in excess of \$5,000, and is destined primarily for Aboriginal populations as defined in TBS Contracting Policy Notice 1996-2, to restrict the procurement exclusively to qualified Aboriginal suppliers where operational requirements, best value, prudence and probity, and sound contracting management can be assured."