



Canadian Northern Economic Development Agency

Building a Dynamic Northern Economy

September 19, 2011

Northern Transportation Conference 2011

Anchorage, Alaska

***Presented by: Mr. Mitch Bloom
Acting Deputy Minister and President of CanNor***

Canada's Northern Strategy

The North is a fundamental part of Canada. It is part of our heritage, our future and our identity.

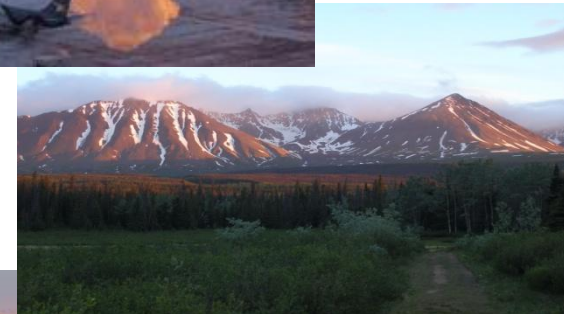
The Government has a vision for a new North and is taking action to ensure that vision comes to life – for the benefit of all Canadians.

To meet the challenges and opportunities of a changing North, the Government has established an integrated Northern Strategy and is taking concrete action in four priority areas

- *Exercising our Arctic sovereignty*
- *Promoting social and economic development*
- *Protecting our environmental heritage*
- *Improving and devolving Northern governance*

World-leading Arctic science and technology underpin the Northern Strategy and help ensure sound decision-making.

The Government is committed to helping the North realize its true potential as a healthy, prosperous and secure region within a strong and sovereign Canada.



The Northern Economy

Multiple Northern Economies and Northern Realities

- Each territory and region is unique, but there are some shared economic foundations
 - Natural Resources: An industrial economy based on investment and wages for resource extraction
 - Public Sector: Plays a significant role in the economies of all three territories as do federal transfers
 - Traditional Economy: A traditional subsistence economy based on hunting, trapping, fishing, and traditional arts and crafts forms part of the local economy in many communities
 - New Sectors: Emerging diversification into sectors like tourism, transportation, and even manufacturing
 - Cyclical: Commodities extraction creates some vulnerability to cyclical changes in the economy
 - Territorial and Aboriginal governments are key partners in regional development



The Northern Economy

Unique Business Environment

- Limited transportation, communications, energy and other infrastructure increase costs, risks, and uncertainty
 - Many areas with seasonal or no road access
 - Transport of supplies by air or sea is required, often to places that can be reached only during a short time period each year
 - Need for long-term storage of inventory
 - Limited social infrastructure, overcrowded housing
- Co-management of the land and its resources
- Shortage of skilled local labour, local suppliers and long shipping distances
 - High construction and operating costs, few economies of scale
- High cost of living, extreme weather conditions in some regions



Northern Opportunities

North-South Linkages

- Northern communities may be isolated, but their economies are not. Many jobs in Southern Canada depend on Northern regions
- Northern natural resources drive Southern businesses and are an important part of Canada's – and the world's – economy
- Climate change is changing the Northern economy – bringing new opportunities for transportation and development; and new risks for adaptation and infrastructure

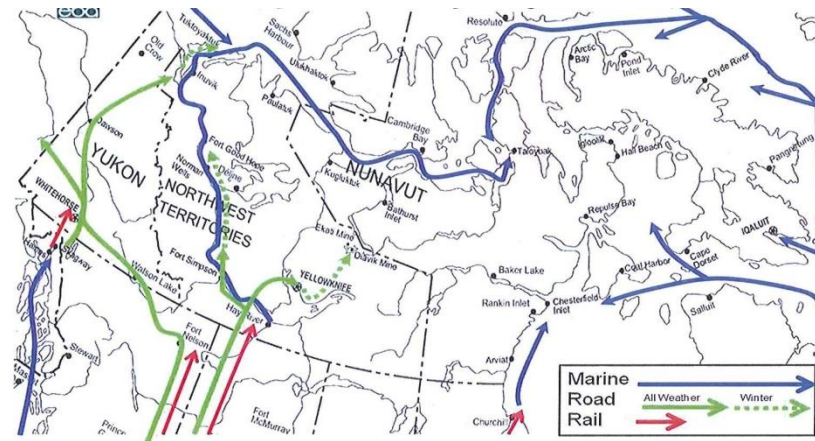
Natural Resources

- Canada's North is one of the most prospective regions in the world for mineral, oil, and gas development
- An estimated 13% of the world's undiscovered oil and 30% of its undiscovered gas lie in the Arctic, many of these deposits are in Canada
- Investment in natural resource development is rebounding in the North, despite the worldwide economic downturn
- Support services for resource extraction help to diversify economies and support long-term growth

Capital and Infrastructure

- Investments in infrastructure (transportation, information technology, telecommunications) required for natural resource development to increase
- Coordinating private and public sector investments in infrastructure – and partnering where possible – could help to ensure that key strategic infrastructure is in place for growth

Northern Transportation Linkages



Possibilities for Future Northern Economic Infrastructure



Northern Opportunities

Increasing Foreign Investment Creates Opportunity

- Natural resources sector is in transition: previously dominated by Canadian junior exploration companies, but now major international corporations are investing in major projects and exploration. Some examples:
 - Wolfden properties acquired by Minh Metals (Vietnam)
 - Mirimar properties acquired by Newmont (USA)
 - Selwyn partners with Yunnan Chihong Zinc (China)
 - Baffinland in acquisition process (Germany)
- Public and private sector innovation in the North is strengthening key sectors and can lead to knowledge for export

Foreign Involvement in Major Projects in the North 2010



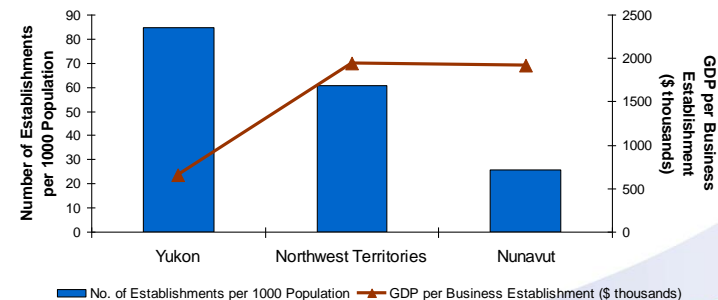
Part of Global Governance and the World Economy

- The territories form an important part of the circumpolar world through both political and economic linkages
- Economic activity in the North generates export earnings and value-added activity outside of the region
- Climate change is focusing world attention on the economic opportunities that exist in Canada's North

Diversification and Business Development

- A number of sectors demonstrate promise for diversification
- Aboriginal business community in the North is increasingly strong and has a tradition of partnership and joint ventures
- Comprehensive land claims and First Nations self-government provide a platform for development

Number of Business Establishments Relative to Territorial Population and GDP, December 2009



Northern Challenges

Skills and Capacity

- Gaps in the Northern Aboriginal workforce hinder economic and community development
- Importing skilled workers from the South can nearly double the labour costs paid by Northern employers
- As the Canadian labour market shrinks, importing labour to the North will become more costly and less sustainable or will drive-up % wages in Southern Canada

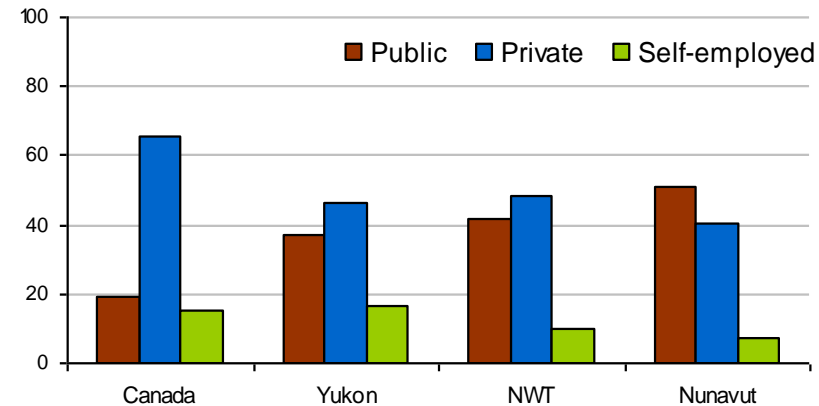
Community and Entrepreneurial Capacity

- Public sector employment in the North far exceeds private sector employment and self-employment
- Increased entrepreneurship can help to generate wealth and strengthen private sector employment
- Northerners face challenges for starting a business
 - Limited access to capital
 - High cost of doing business
 - Limited skills and expertise
 - Limited access to support and advice

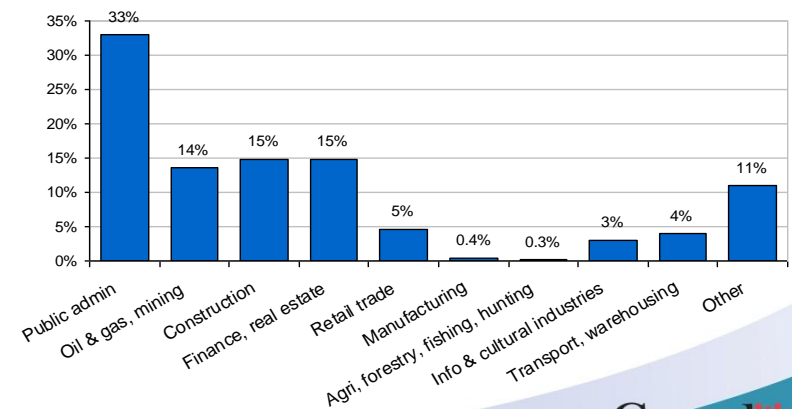
Knowledge Base

- Canada is investing in the knowledge base for geoscience and environment in the North
- Potential for better connections between public sector science and private sector needs for monitoring and innovation

Public and private sector employment in the territories (2006)



Territorial Real GDP by Sector 2008



Northern Challenges

Investment Climate

- The North consistently ranks poorly in international investment climate
- Rich in resources, but regulatory uncertainty and infrastructure challenges chill investment climate
- Communities often lack the local capacity or knowledge to respond constructively to investment opportunities
- Weak environmental, social, and economic knowledge base also limits investment
- Cost of doing business in a unique Northern climate

Capital and Infrastructure

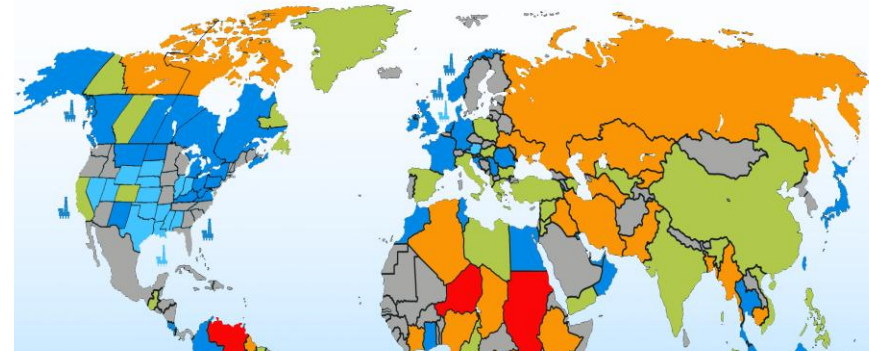
- Across the North, there are significant gaps in community, economic, telecommunications, and transportation infrastructure
- Business is investing in critical infrastructure for major projects and other developments
- Federal and Territorial Governments are making targeted investments in some communities and regions
- Investments could be better aligned to maximize impact

Community and Regional Readiness

- Communities, governance institutions, and regional institutions do not react uniformly to economic development opportunities

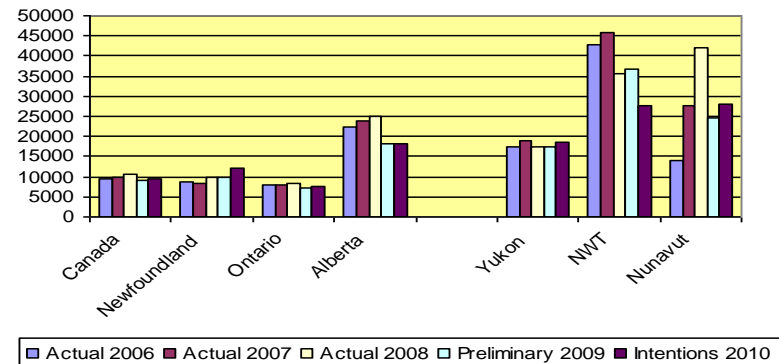
Global Investment Climate for Petroleum Development: 2009 Survey

Most attractive 2nd Quint 3rd Quint 4th Quint Least



Fraser Institute company survey

Capital spending on construction, machinery and equipment, per capita, 2006-2010



CanNor

*One of the key priorities of our government's Northern Strategy is to ensure a **stronger, more dynamic economy for Northern families and businesses**. There is no better way to ensure a brighter future for our North than by directly **empowering Northern workers and businesses** to take advantage of the resources and opportunities that exist right here at home.*

*The Canadian Northern Economic Development Agency will **consolidate Northern economic development programs, bolster economic growth in Aboriginal communities, select and coordinate critical infrastructure projects, and help the region's communities adjust to changing economic and environmental conditions.***

With the creation of CanNor, our Government wants to empower Northerners and ensure that this region's unique challenges are addressed with input from those right here with their boots on the ground.

- Prime Minister Stephen Harper, Iqaluit, August 18, 2009





CanNor's Role

CanNor's Role: Advance economic development through strong partnerships, alignment of efforts and strategic investments that empower Northern and Aboriginal partners and stakeholders.

Unique Economic Lever and Vision

- CanNor is often one of the first investors in new projects. The Agency's investments attract private and public sector dollars that then build Northern economies. Being involved with many economic development opportunities at the point where they are ideas being tested for feasibility provides the Agency with a unique advance perspective on how and where the Northern economy will evolve.
- Economic research and policy empowers informs the efforts of partners and stakeholders to collectively maximize economic opportunities. In-depth knowledge of the North enables strategic intervention and informs alignment.

Strategic Partnerships

- CanNor convenes interests and stakeholders around critical economic issues. Its role as the only federal department headquartered in the Arctic provides the Agency with the networks and the credibility needed to bring together diverse interests, including Aboriginal organizations and governments, to respond to Northern challenges.

Federal Coordination

- CanNor has powerful levers for federal coordination, including the Northern Projects Management Office. By coordinating federal interests and aligning the efforts of a broader range of partners, CanNor helps to yield maximum return on investments and efforts across the North.

THE NORTHERN STRATEGY

Sovereignty

Economic and
Social Development

Environmental
Protection

Governance

CanNor Funding Programs

- The **Strategic Investments in Northern Economic Development (SINED)** initiative is aimed at establishing strong foundations for economic development in all three Territories
 - **Targeted Investment Program** makes strategic investments based on each territory's unique needs and opportunities based on investment plans developed with territorial stakeholders
 - **Innovation and Knowledge Fund** supports new technologies, innovative models, or new approaches to doing business in the North
 - **Partnership and Advisory Forums Fund** helps strengthen economic development capacity in the North
 - **Pan-Territorial Fund** supports special economic development projects that span territorial borders
- **Aboriginal economic development** programs seek to build capacity and support economic development within communities and Aboriginal businesses
 - **Aboriginal Business Development Program** provides business development support to Aboriginal entrepreneurs and organizations
 - **Community Economic Development Program** provides core financial support for community economic development planning and capacity development initiatives
 - **Community Economic Opportunities Program** provides project-based support to First Nation and Inuit communities that support economic development
 - **Community Support Services Program** funds the implementation of national and regional plans to deliver support services to First Nation and Inuit community economic development organizations.

Program	2009-10	2010-11	2011-12	2012-13	2013-14
Strategic Investment in Northern Economic Development	8.2	18.2	18.2	18.2	18.2
Community Adjustment Fund	15.6	15.6	-	-	-
Recreational Infrastructure Canada	1	0.7	-	-	-
Community Economic Development	9.5	9.5	9.5	9.5	9.5
Aboriginal Business Development Program	2.3	2.3	2.3	2.3	2.3
Economic Development Initiative	0.1	0.1	0.1	0.1	-
TOTAL	36.6	46.3	30.1	30.1	30.0

Northern Projects Management Office

- Major natural resources development projects in the North are a key driver of the regional economy and also of the Canadian economy – an unprecedented number of projects are in various stages of development and assessment.
- The Northern Projects Management Office (NPMO) is a service oriented group within CanNor providing assistance to industry and government from early exploration / inception to development and production
- Its functions include:
 - Path-finding for industry – particularly guidance on regulatory and consultation requirements
 - Coordinates the work of federal regulatory departments during the environmental assessment/impact review and permitting phases for northern major projects
 - Puts in place project agreements to ensure timely and effective consideration of projects by federal regulators – monitors project progress
 - Coordinate whole of government process for Aboriginal consultations to meet federal obligations and maintaining the official Crown consultation record
 - Works with regulatory authorities to anticipate regulatory challenges and streamline their handling
 - Operate territorial project committees
 - Linking communities and industry with economic development program opportunities within CanNor.



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