

**ASSESSING THE BUSINESS  
INFORMATION NEEDS OF  
ABORIGINAL ENTREPRENEURS  
IN BRITISH COLUMBIA**

**LITERATURE  
REVIEW**

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**ABORIGINAL ECONOMIC  
DEVELOPMENT IN CANADA AND  
BRITISH COLUMBIA:  
A LITERATURE REVIEW**

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# Aboriginal Economic Development in Canada and British Columbia: A Literature Review

## INTRODUCTION

For too many years, the Aboriginal population of Canada has lived far below the economic, educational, health and social standards that the majority of Canadians have enjoyed. However, a transition is taking place within Aboriginal communities today. Many First Nations Canadians are striving to regain their land and governance, but also greater control of their economies. One of the ways this is being accomplished is through business development and self-employment. Entrepreneurship is growing strong in many communities, sectors and regions of Aboriginal Canada, and in particular in BC – where 25% of an estimated 20,000 Aboriginal-owned businesses in Canada operate.

The purpose of this literature review was to provide an overview of the current and projected status of Aboriginal entrepreneurship and the implications of these findings for the provision of business information services. Emphasis has been placed on Canada, and in particular British Columbia, and on recent sources (1990s).

The literature review that follows examines several aspects of the uncertain, complex transition that this population is undergoing as it moves in these new directions. One factor that stands out as unique is the baby boom. More than one half of the Aboriginal population in Canada today is under 25 years old! The population is also becoming more urban, particularly among women. Educational levels are rising in every stage of education from elementary to post secondary schooling. The state of Aboriginal health is also improving. Social and economic well being show some improvement as well, but as with education and health, these factors are unsatisfactory and still fall below levels for all of Canada.

Along with these common issues among the Aboriginal population, the literature clearly shows the diversity within this community – differences among regions, economic sectors, population, age and gender. There is widespread agreement, however, that despite differences and challenges, there is a strong impetus among the First Nations peoples to take control of their situations and to bring back pride and self-reliance to their communities. Entrepreneurship seems to be a path of choice for many working to meet that goal. In fact, aboriginal small business is growing two and a half times faster than the rest of Canada, in a variety of sectors, locations and sizes.

A review of the literature points out the unique challenges and successes of Aboriginal entrepreneurs, and notes the implications of these endeavours for those people and agencies with a mandate and a desire to provide information, services, support and resources to advance this trend toward entrepreneurship, business development and greater self-reliance.

Sources of literature included government publications, academic journals, web sites, materials and publications from financial and First Nations development organizations, as well as works authored by CED practitioners.

It must be noted that due to the varying definitions of “Aboriginal” used in various publications, the varying segments and regions of the population studied, and the nature of the data and statistics gathered, certain deficiencies and inconsistencies have been revealed. Wherever possible, these discrepancies are explained within the text of this report.

## **DEMOGRAPHICS OF THE ABORIGINAL POPULATION – CANADA AND BC**

Two seemingly unrelated, yet very significant events have occurred in Canada over the last several years that will have far-reaching implications for British Columbian society and for its Aboriginal peoples in particular. The more noticeable of the two has to do with the economy. Throughout the last two decades, the Canadian economy has been hard hit by the effects of factors such as globalization, technological development, downsizing of private and public institutions and resource depletion. This has affected individuals, families and communities in devastating ways. Marginalized communities, including Canada's First Nations peoples, have been among the hardest hit by this economic transition.

A turn of events perhaps less evident to Canadians at large is the growth rate of the Aboriginal population, a rate twice that of the rest of Canada. High birth rates, as well as decreasing mortality rates of Aboriginal Canadians, have led to a sharp increase in the population of Canada's First Nations. This has led to a considerably younger population than the Canadian average. This “baby boom” that is occurring in the Aboriginal community has considerable implications for the Aboriginal economy. The combined effect of a swelling Aboriginal population and job losses, especially when coupled with the already high levels of dependence within the Aboriginal community, creates an urgent need for economic development and job creation within this segment of Canadian society. These demographic and economic trends are discussed further below.

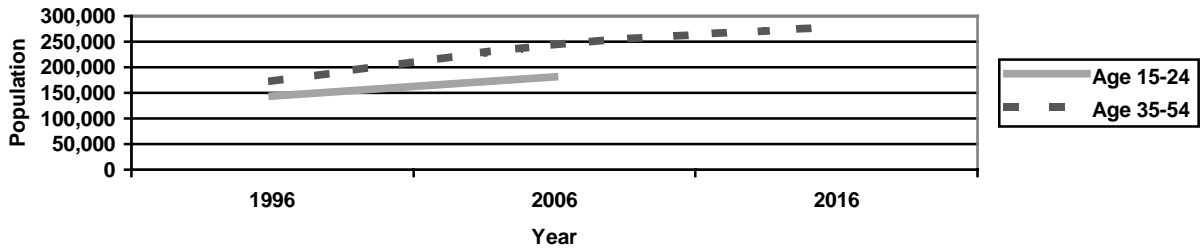
### **Population**

The Aboriginal population<sup>1</sup> of Canada represents one of the fastest growing segments of Canadian society today. According to Statistics Canada, there are almost 800,000 Aboriginal Canadians and this number is expected to increase rapidly, primarily due to increased birth rates. In 1996, 144,000 Aboriginal Canadians were aged 15-24 years. By 2006, this number is projected to reach 181,000, an increase of 26%. An increase of 41% is projected for the 35-54 age group (Statistics Canada, 1998).

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<sup>1</sup> Throughout this paper, references to numbers of Aboriginal peoples will reflect three identifiers: Aboriginal identity, Aboriginal origin and Registered and Band Membership Status. Depending upon the identifier used in various studies, numbers may differ. Furthermore, since 77 Indian reserves and settlements were not enumerated in the 1996 census, the Aboriginal population count is incomplete. This translates to about 44,000 indigenous people in Canada. This “undercoverage” was due to a lack of permission to enumerate or interruptions in the enumeration (Ai et al,1998).

### Population Growth Rates



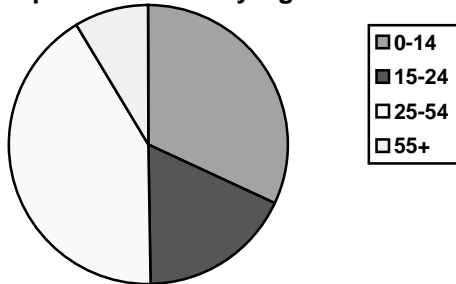
The 1996 census showed that one in six Canadians who identified him or herself as Aboriginal lived in British Columbia. That translates to 17.5% of the total Aboriginal population of Canada and 3.8% of the total BC population (Statistics Canada, 1998). This census showed that almost 140,000 Aboriginals lived in BC, the second highest in Canada following only slightly behind Ontario. Although the greatest population growth was as a result of Aboriginal births, the recent migrating tendencies of Aboriginals between 1986 and 1991 have also resulted in a net increase in numbers coming into BC. About a third more Aboriginals emigrated to BC than left the province (BC Statistics, 1998; Caldwell, 1998).

Within Canada, about two-thirds of this population is North American Indian, with a further one-quarter being Métis, and 5%, Inuit. Although most speak English, one quarter of the Aboriginal population represented in the 1996 census reported an Aboriginal language as their mother tongue and almost 30%, more commonly older people, reported fluency in some Aboriginal language.

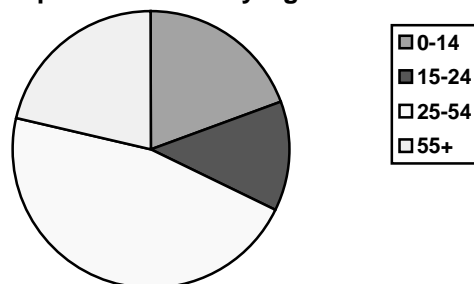
### Age and gender

Given the sharp increases in the Aboriginal population, it is not surprising that this group is on average 10 years younger than the overall Canadian population. One in three First Nations Canadians today is less than 15 years old, compared with one in five non-Aboriginals. A full 76% of the Aboriginal population is under 40 years old (Statistics Canada, 1998). Today in BC, almost half of all Aboriginal people are under 25 years old compared with 32% of the non-Aboriginal population (BC Statistics, 1998).

**Percentage of Aboriginal Population in BC by Age**



**Percentage of Non-Aboriginal Population in BC by Age**

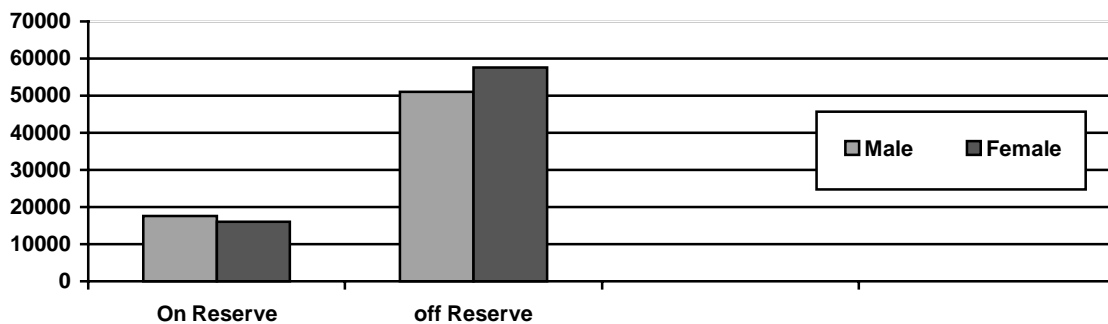


In addition to increased numbers, the life expectancy of Aboriginals has grown by several years over the last two decades and is expected to steadily increase in the years to come. Whereas in 1975, Aboriginal men could expect to live to 59 years of age, it is now predicted that by 2015 they will live to an average age of 73. According to DIAND, the situation is even more favourable for Aboriginal women who can expect to increase their life span from 60 to 80 years of age in the same time period (DIAND, 1999).

The ages of Aboriginals in BC mirror those of Aboriginals in the rest of the country. As in Canada, the BC Aboriginal population is young. In fact, over 41% are younger than 20 years of age, and a full 50% are between 20 and 54. There are slightly more females, at 51.2%, than males in the Aboriginal population of BC. In the 25 to 44 age group, this increases to almost 54% for women (DIAND, 1999).

**On reserve / off reserve<sup>2</sup>**

The homes of the Aboriginal population of Canada are split between those on reserves and those off reserves, and the numbers living on reserves is continually declining. In 1995, DIAND prepared a report *Indian Register Population by Sex and Residence*, using data from its Indian Register. In the five-year period between 1985 and 1990, they found that the numbers of Registered Indians living on reserves dropped by eleven percentage points, from 71% to 60% respectively. They projected that this percentage would drop to only 54% by 2015 (DIAND, 1999). These figures seem to differ considerably from the 1996 Census population that reported Aboriginal identity in BC. This difference may be a result of the identifiers used in each study. This most recent census shows that of the total Aboriginals of British Columbia who are Registered Indians, only 44% live on reserve. A breakdown in gender of First Nations peoples reporting ‘Aboriginal Identity’ in the 1996 census shows that, in 1996, the number of males living on reserve was 17,655 compared with 15,990 females (Statistics Canada, 1996).



According to 1991 census data, one hundred and ninety-seven, or one third of Canada’s First Nation Bands are established in B.C, along with 31 Tribal Councils and 1,650 reserves, 72% of the reserves in Canada. Aboriginals living on reserve often share housing with another household. Even if this trend continues and numbers living on reserves continue to fall, a minimum of 3400 new housing units will be required in Canada per year between 2001 and 2010, due to the growth in population (DIAND, 1998). This suggests encouraging

<sup>2</sup> According to BC Statistics, in 1996, one third of all Aboriginals were non-registered Indians. Only 2% of this group lives on reserve. Of the 67% Aboriginals who are registered Indians, 44% live on reserve.

prospects for employment and business opportunities among Aboriginal entrepreneurs within the construction industry.

### **Urban / Rural**

The residences of the Aboriginal population of Canada are split as well among urban, rural and remote locations. In contrast to the last several decades, Canada's First Nations population today is becoming markedly more urban. In 1995, about 80% of Canada's Aboriginals lived in or close to urban and rural population centres (DIAND, 1999). Today, 55% of Canada's First Nations peoples live in urban areas; two-thirds of them live west of Ontario. This is due to a number of factors, including concentrations of jobs and educational opportunities in cities and increased mobility among Aboriginals.

### **Education**

Although educational levels are higher for Aboriginals living in urban areas, these levels are still substantially lower than those of the non-Aboriginal population and many Aboriginal youth still do not complete high school. The 1996 census found that 20% have less than a grade nine education, compared with 12% of the general population. Industry Canada showed that within the unemployed Aboriginal population, 31.5% had no high school, more than twice the general population average (Micro-Economic Policy Analysis Branch and Aboriginal Business Canada, 1998).

Fortunately, school drop-out rates are decreasing. The retention rates, or rates at which Aboriginal youth stay in school, have increased from 13% thirty years ago, to almost 75% in 1996 (DIAND, 1998). DIAND predicts that with current trends, the number of on-reserve children attending elementary and secondary school will increase about 24% by 2010.

A recent issue of Maclean's magazine brought attention to the health and education situation of the Aboriginal population of Canada, highlighting children and youth (Wood, 1999; Wallace, 1999). These articles also noted that relatively few Aboriginals engage in higher education, compared with the general population. It is encouraging, however, that many more youth are engaging in higher education, including studies in the 'new economy' disciplines. Basic departmental data from Indian and Northern Affairs noted that the numbers pursuing post secondary education almost doubled between 1988 and 1997, and it is projected that this gap will continue to close. Aboriginal adults, as well, are returning to school and at a rate three times the general population, particularly to pursue employment and training programs (DIAND, 1998).

### **Health and well-being**

The Royal Commission on Aboriginal Peoples (1996) pointed out several issues related to the health and social well being of Aboriginals in Canada that demand mention. One that stands out is the lack of adequate childcare. At nearly twice the rate of Canadians at large, infant mortality rates are also a significant concern. Aboriginal women have a long steeped history as primary caregivers, and this issue is of critical concern for them for two main reasons. More aboriginal women are working outside the home today than ever before. This presents an enormous challenge in finding adequate and affordable childcare for their children. This is particularly a problem for Aboriginal single mothers, especially those that live in urban areas. Major cities in Canada have a significant proportion of single mothers (Statistics Canada, 1998). Being removed from the community and family support they may

have had in smaller communities, urban single mothers, and rural as well, lack the childcare they would need to pursue employment or education and training. Single mothers have an additional problem of adequate income. In a great many cases, they shoulder the household costs alone. The Royal Commission states clearly: "child care is as much an economic development issue as a social one. Child care is an integral factor in an individual's road to self-reliance and in community economic development and health" (p.66). The Commission compellingly calls for culturally sensitive childcare facilities and resources to meet these needs.

A second pressing health issue that was identified by The Royal Commission on Aboriginal Peoples (1996) has to do with the health and well-being of Aboriginal youth. It cited that youth boredom and frustration, common within many Aboriginal communities, are too often associated with poverty, school drop out rates and lack of jobs. This situation becomes critical when it leads to substance abuse, which it often does. A study of Haida youth in Old Massett, BC, found that substance abuse was the community's most persistent and pressing problem. Another significant health concern is the high risk of AIDS among Aboriginal youth. The picture is further complicated by the fact that about 11% of Aboriginal youth under 15 do not live with their parents (DIAND, 1998). The emotional wounds of the last generation, due to their institutionalization as children has created a situation that has sometimes led to poor parenting within this generation, leaving vulnerable children wanting for adequate care (Wallace, 1999).

Health issues affect the adult population as well. Aboriginal communities across Canada deal with chronic diabetes and heart related problems due to heavy smoking, poor eating habits, lack of exercise and substance abuse. Smoking rates are double that of the Canadian population at large, and the risks of heart disease, cancer, diabetes and arthritis are far greater for Aboriginal Canadians than for the average (Wood, 1999). The incidence of diabetes is expected to rise by 67% before 2010 due to a growing and aging population (DIAND, 1998). These issues highlight the clear effects that physical, emotional and psychological health have on the Aboriginal workforce and economic development in Aboriginal communities.

### **Socio-economic conditions**

The DIAND (1998) report of recent trends in the demographics of Canada's First Nations raised a flag about social welfare rates. It projects that social assistance dependency rates will increase from 150,000 beneficiaries in 1997 to 250,000 in 2010. Unemployment rates are another cause of concern. As the Aboriginal population grows, so does the size of the work force. Historically, Aboriginal people have been under-represented in the labour force and their unemployment rates have been high. In 1991, Aboriginal unemployment (at 19.4%) was twice that of the general population of Canada. On-reserve unemployment was even higher at 31% (DIAND, 1990). If the federal government aims to align the unemployment rate of Aboriginal Canadians with that of the rest of the country, 15,000 new jobs will be needed on reserve alone before 2010 (DIAND, 1998).

The DIAND (1998) report noted another potential concern in its examination of trends among this population. It pointed out the development of class structures among Registered Indians in Canada, based upon such factors as Indian status, band membership, registration and descendency. The report warns that these different classes could lead to a number of

important issues ranging from legal disputes, internal conflicts and intergovernmental disagreements.

### **Legal / Political**

The Aboriginal people of Canada have struggled long and hard to re-claim rights to their traditional lands, rights and title. Efforts to address the issue of Aboriginal title through modern treaty negotiations and legal action have had varied success. Late in 1997, however, the Supreme Court clarified the issue of Aboriginal title in a historic case known as the Delgamuukw decision. The Court confirmed that Aboriginal title in BC had never ceased, and that First Nations have rights, not just to hunting and fishing, but to the land itself. The decision is expected to have far reaching ramifications for the treaty process, its funding guidelines and the manner in which the principals (the First Nations Summit, the BC government and the federal government) make decisions affecting Crown land. The decision was not, however, definitive in ascertaining where Aboriginal title exists in BC, and this will have to be considered case by case. Given the complex and contentious nature of this issue, negotiating seems to be the most attractive option. This decision strongly encourages negotiation, rather than litigation, as a means of settling land claims.

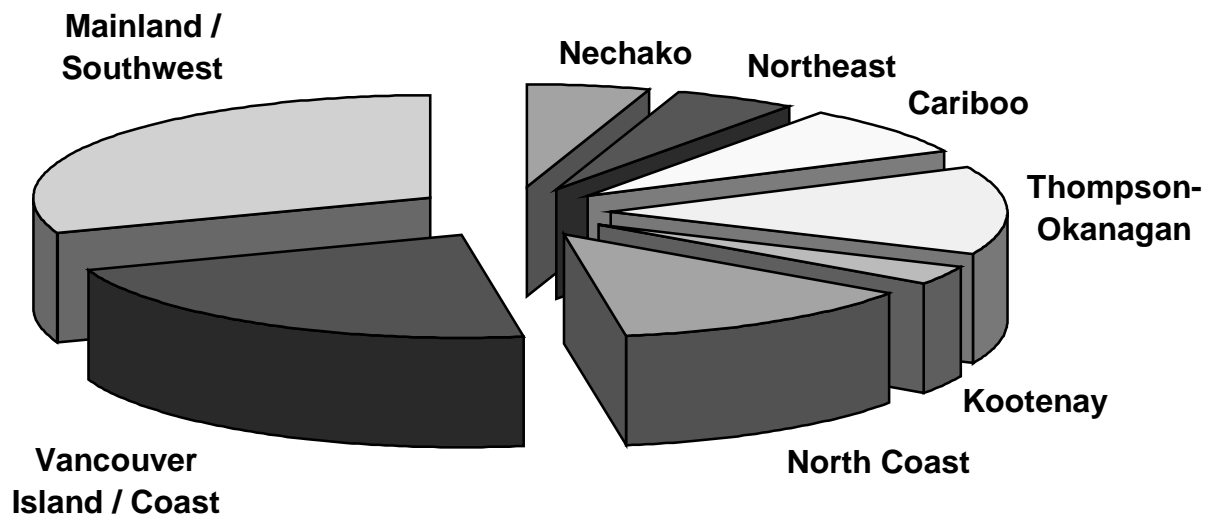
In the past, Aboriginal efforts to gain recognition of Aboriginal rights have been fraught with frustration and defeat, so justice was sought through the courts. The Calder decision of 1973, handed down from the Supreme Court of Canada, acknowledged that Aboriginal title was rooted in the “long-time occupation, possession and use” of traditional land (Ministry of Aboriginal Affairs, 2000). This landmark decision convinced the Canadian government to support negotiation, rather than legal action, as the means of resolving these differences. The more recent Nisga’a Treaty in Northwest British Columbia is the culmination of generations of effort to negotiate a modern treaty. In many ways, it brought to the forefront many controversial issues related to the treaty process and to the use of negotiation in settling land claims.

Self-government negotiations, in conjunction with land claims negotiations, are currently taking place with a number of bands throughout Canada, with far more in BC. As of 1997, eighty-eight negotiation tables existed in Canada, and fifty-one of them were in BC (Indian and Northern Affairs, 1998). On-going claims by the Gitanyow, the Tsawwassen First Nations Band and the Snuneymuxw First Nation are seen as successful examples of clarifying uncertainty and dealing with the long, expensive negotiation process through implementing interim measures (BC Treaty Commission, 1999).

In the meantime, strong will, openness and creativity of stakeholders are maintaining the momentum to meet economic, social and equity goals. Often they are doing this on a case-by-case and/or sector-specific basis. For example, the Sparrow decision handed down by the Supreme Court of Canada ruled that Aboriginal rights to fish are preserved in the Constitution of Canada (Ker, 2000). Other examples include co-management of resources as a viable option due to a changing political landscape, as is seen in the 1992 Aboriginal Fisheries Strategy and the Pilot Fish Sales Program (Vodden, 1999). However, while First Nations people are making strides toward greater recognition and greater control of their lands, resources and societies, federal and provincial policies remain unclear and inconsistent. This threatens to slow the pace of change, and in some cases, prohibit

engagement in entrepreneurial activity, thus creating further uncertainty for both Aboriginal communities and for industry.

## DEMOGRAPHICS OF THE ABORIGINAL POPULATION BY B.C. REGIONS



(BC Statistics, 1998)

### Nechako

The Nechako region of BC, with a total Aboriginal population of 6,220, has the largest proportion (57.5%) of Aboriginal peoples living on reserve in the province, with the male population making up more than half of all those on reserve. The First Nations in this region account for less than 5% of the total Aboriginal population in BC and 14.5% of the total population of this region. Even though First Nations occupy a small segment of the district population, there is a high concentration of Aboriginal people in the smallest district within this region, the Stikine, where 40% of the population is Aboriginal. The median age of the Aboriginal population in the region is substantially lower than elsewhere in the province. More than half of this population is under 25 years old, and young adults between 25 and 44 make up another 30% (Statistics Canada, 1996).

### Northeast

The First Nations population in the Northeast region is similar to the Nechako in that, with an Aboriginal population of 6025, it accounts for less than 5% of the total Aboriginal population in BC, and less than 10% of the total population of this region. The age profile in the Northeast area also mirrors that of the Nechako, with more than half the population under 25 years old, and young adults between 25 and 44 making up another 30%. In

another way, this picture is drastically different from the Nechako region in that less than 22% of the Aboriginal population in this region live on reserve. In this case, as well, 53% of those living on reserve are males, while 53% of those living off reserve are females. The area population is expected to grow in the near future due to a high birth rate among Aboriginals and predicted migration into the area stimulated by the oil, gas and forestry industries (Statistics Canada, 1996).

### **Cariboo**

With a total population of 12,250, the First Nations population in the Cariboo region accounts for less than 9% of the total Aboriginal population in BC and less than 8% of the total population of this region. A look at the ages of the Aboriginal population in this area shows an even greater concentration of youth than in other BC regions. Almost 60% the population is under 25 years old and young adults between 25 and 44 make up another 31%. A large concentration of the Aboriginal population here (almost 84%) lives off reserve. In this case, as in many others, there are more males living on reserve and more females living off reserve (Statistics Canada, 1996).

### **Thompson-Okanagan**

A population of 18,855, almost 14% of BC's Aboriginal population, live in the Thompson-Okanagan region. Yet this amounts to just over 4% of the entire BC population in this region. The greatest number of First Nations peoples within this region resides in the Thompson-Nicola Regional District. The ages of the Aboriginal population in this region replicate the tendency in the other regions. There is a concentration of youth here, although slightly fewer than in other areas, with almost 50% the Aboriginal population under 25 years old, and younger adults between 25 and 44 making up another 32%. This is a sharp contrast to the median age of the total population in this region, which is significantly higher than the provincial median due to the numbers of retirees residing in the area (Statistics Canada, 1996).

Over 70% of the Aboriginal population in the region lives off reserve. In this case, as well, more males live on reserve and more females live off reserve. BC Statistics predicts that forest sector development will be an economic driving force in the future, boosting the region's population numbers by stimulating in-migration that could include First Nations (Statistics Canada, 1996).

### **Kootenay**

The portion of Aboriginal peoples in the Kootenay region, at 3,985, is small, making up less than 3% of the general population of the region and less than 3% of the First Nations population in BC as well. Here too, the Aboriginal population is young, with over 51% the population under 25 years old, and younger adults between 25 and 44 making up another 30%. Like the Thompson-Okanagan region, these numbers sharply differ from the demographic trend of the overall population in this region, in which the median age of the population is higher than the provincial median.

A very high proportion (87%) of First Nations here live off reserve. Of the less than 13% who live on reserve, the male/female ratio is about even. Although there is hope that in

migration will contribute to population growth in the future, it is predicted that the coal mine closures will instead lead to an exodus of working people (Statistics Canada, 1996).

### **North Coast**

The numbers of people living in the North Coast region who are Aboriginal is 18,320, or almost 27% of the total area population, and about 13% of the total Aboriginal population of BC. Over half of all Aboriginals living in this region are under 25 years old and a third are between 25 and 44. Almost 54% of the Aboriginal population here live on reserve (second only to the Nechako), and 53% of those living on reserve are male (Statistics Canada, 1996).

### **Vancouver Island / Coast**

The Vancouver Island / Coast district is home to 30,195 Aboriginal people, almost 22% of all Aboriginal peoples in BC, yet this makes up less than 5% of the total BC population in this region. Again, there is a strong population of retirees in the total population in this region, but almost 52% of all Aboriginals living here are under 25 years old. Another 32% are between 25 and 44. Thirty-eight per cent of the Aboriginal population of this region live on reserve, more than half are Aboriginal males. Overall, the existing population in this region will age due to the large retirement population, but in migration and growing numbers of Aboriginal youth should compensate for this (Statistics Canada, 1996).

### **Mainland / Southwest**

Thirty-one per cent of all Aboriginal peoples in BC, or 42,655 people, live in the Mainland/Southwest district. Most by far (31,140 Aboriginal people) live in the Greater Vancouver district. Although this large constituency of Aboriginal peoples is the core Aboriginal population of the province, it makes up only 2% of the total population in this heavily populated region. Almost 48% of all Aboriginals living in this region are under 25 years old. Almost 36% are between 25 and 44. The on/off reserve split mirrors the Kootenay district, with less than 14% of the Aboriginal population of this region living on reserve. Slightly more than half of those living on reserve are male. An expansion of the rapid transit system to outlying areas of this region is expected to have a major impact on overall population distributions and growth patterns (Statistics Canada, 1996).

## **THE BC ECONOMY**

There are a number of ways of analyzing the economy in the various BC regions. One is to examine the relative numbers of businesses and labour force participants in each sector; another is to look at economic returns. For the most part, this section will look at the concentrations and sizes of businesses in the regions, but to round out the picture BC Statistics conclusions about economic contributions will be included. Finally, results of a survey of Aboriginal Economic Development Organizations administered by Western Economic Diversification in 1999 will be used to compare with regional statistics regarding sector importance, providing some indication of the degree of similarity between the Aboriginal and non-Aboriginal economies in these regions<sup>3</sup>.

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<sup>3</sup> Note: This survey had a limited number of respondents and should not be considered conclusive evidence.

## **Nechako**

The overall economy of this region is heavily biased in favour of the primary industry sectors, particularly mining, forestry and agriculture. In fact, primary industries make up 25% of the total number of businesses in the area and 19% of the labour force (Statistics Canada, 1998). The construction and transportation sectors make up another quarter of the businesses, showing that more than half of the employment in the region is in low knowledge work. The retail and accommodation sectors make up over 18% of the businesses, suggesting that tourism is also a positive economic influence. Businesses related to services in business, finance, government and personal matters are poorly represented.

A recent survey of Aboriginal EDOs shows similar activity. It suggests that logging, gas bars, grocery stores, silviculture, sawmills and single mills, printing, transportation (e.g. taxi), construction, crafts, and tourism are areas of business activity within Aboriginal communities (WD, 1999).

It is notable that 92% of all businesses in the region are small, with less than 20 employees. Seven out of the eleven largest firms, those with more than 200 employees, engage in manufacturing. In 1998, both the unemployment rate and the dependency rate [all those who depend upon either E.I. or Basic BC Benefits] in this region were approximately 10%.

The forestry sector is expected to grow over the next few years due to a recent decision to triple the Annual Allowable Cut [AAC] of the Cassiar Timber Supply area. This suggests that a significant number of people could migrate to the area, particularly if processing facilities are built. With that in mind, BC Statistics predicts that by 2026, more than 60,000 people will be living here compared with the 43,000 living here now, thus greatly increasing the workforce (DIAND, 1999b).

## **Northeast**

The Northeast has a fairly diversified economy. It is rich in natural resources, thus, like the Nechako region, the overall economy is heavily biased in favour of the male-dominated primary resource industries, particularly coal mining, oil and gas exploration and forestry. Primary industries make up one quarter of all businesses in the area, with construction and transportation coming close to this in numbers. Retail and wholesale operations, many related to tourism, number nearly a fifth of all businesses and varied business services constitute almost 12% of the businesses.

Aboriginal EDOs confirm that heavy construction and resource-based industries are the most significant sectors in their communities. Gas stations, Native handicrafts, security, guiding, and tourism are also important (Western Economic Diversification, 1999).

Again, almost 90% of employment in the area is within firms of less than 20 employees. Within the largest companies of over 200 employees, industries related to educational, health and social services far outweigh any other economic activity, except for the nearly 17% involved in the primary sector.

The unemployment rate is particularly low in this region at only 4%, yet the dependency rate grows to 10%, suggesting that long-term unemployment has not led to more work, but

instead, to reliance upon the social safety net. It is suggested that the introduction of new mills and energy projects will strengthen the economy of this region into the future, although current lay-offs in the mines could offset any economic growth in the short term (DIAND, 1999b).

### **Cariboo**

The economy of the Cariboo is well diversified as well. Although the strongest sector continues to be forestry, other significant sectors include tourism, agriculture and mining. Construction and transportation contribute almost 23% of the businesses in the area, and varied business services constitute more than 13%, many of these established in the main service centre of Prince George. Agriculture plays a strong role in the economy in the rural areas of the Cariboo, the most prominent being cattle ranching and mixed farming activities (DIAND, 1999b).

The Aboriginal economy in this region seems to follow suit. EDOs suggest that logging and silviculture, construction, transportation, tourism and hospitality (hotels and restaurants), gas stations and corner stores, sawmills, retail (e.g. hardware, video), ranching, arts and crafts are areas of Aboriginal business activity (Western Economic Diversification, 1999).

Again, almost 90% of employment in the area is within firms of fewer than 20 employees. Within the largest companies, manufacturing industries are by far the strongest, making up almost 60% of the economy within business with over 200 employees. The unemployment rate in the Cariboo is particularly high at almost 15%, with a dependency rate of 12%, reflecting the significant impact of recent mill and mine closures in the area. BC Statistics suggests that forest sector development will drive the future economy, and although two mines have closed in the last year, there is speculation that new ones will be established (DIAND, 1999b).

### **Thompson-Okanagan**

The productive land and agreeable climate of the Thompson-Okanagan have made agriculture a strong component of the economy here. Along with forestry and tourism, this makes up the primary economic activity. The construction and retail trade sectors contribute to the economy as well, each maintaining almost 15% of the businesses in the area. Manufacturing and the educational, social and government services sectors are also making fair contributions. The latter is particularly true for firms with more than 200 employees, who report greater than 45% of their business activity within government and social services. For firms with fewer than 20 employees, the construction and transportation, business services and retail/wholesale sectors are particularly well represented.

Mining has traditionally been an important part of the economy in this area for some time, particularly with Kamloops being home to the largest mine in the province. The recent mine closures, however, have impacted the economy greatly, with more mines expected to close in the future. The unemployment rate in this region is over 8%, with the dependency rate just under 10% (BC Statistics, 1999).

The Aboriginal population engage in similar economic activity. The Western Economic Diversification survey shows that the four major areas of Aboriginal business activity in the

region are: forestry/logging, agriculture (cattle ranching, hay sales and fruit production), accommodation (e.g. campgrounds) and education (WD, 1999).

### **Kootenay**

As with most economies of BC, with the exception of urban centres, the main economic engine in the Kootenays is primary industry, particularly in forestry and in mining, with five major coal mines in this region. Retail and accommodation make up more than a quarter of all businesses in the area, particularly within the smaller firms. The construction sector, particularly because of work from hydro-electric projects, has also created a significant amount of business. Unfortunately, resource depletion has caused the shut down or restructuring of the coal mines in this region. Subsequently, this has led to an out-migration of the population, particularly of workers who are young and single, leaving a higher proportion of mature residents with families. The unemployment rate in the Kootenay region is over 12%, and the dependency rate is just under 9% (DIAND, 1999b).

### **North Coast**

The primary industries and tourism make the greatest contributions to the economy of the North Coast. The centres of Kitimat, with Alcan's aluminium smelter, and Prince Rupert, with its large fish processing facilities, support a great deal of employment in the region, but the greatest proportion of firms within the primary sector, is by far, in logging. Most large businesses of more than 200 employees, on the other hand, are in manufacturing, or in government supported service industries. Healthy tourism is reflected in the numbers of retail trade and accommodations firms, which occupy almost one fourth of all businesses in the area, mainly smaller businesses with less than 20 employees. The unemployment rate is just under 10%, and the dependency rate is almost 13% in the North Coast region.

Aboriginal EDOs suggest that, like non-Aboriginal communities in the region, Aboriginal entrepreneurs are active in the primary industries (fishing and forestry, including silviculture). Also significant are gas stations, retail stores, construction, fast food and art (WD, 1999).

It is expected that in the near future in this region, the economic situation for all, including Native British Columbians, will undergo various changes, triggered by several factors. These include the Nisga'a land claims settlements, development of new mines, further restrictions on the fishery to maintain salmon stocks, a new aluminium smelter in Kitimat and the substantial increase in timber cutting that will be allowable [the AAC] (DIAND, 1999b).

### **Vancouver Island / Coast**

This district contains the Capital district, which houses government services, which in turn support the local economy in this area. At the same time, the Capital has tourist and retirement appeal, a factor that supports much of the retail, hospitality and personal service industries. Outside the capital we see a different circumstance, in that forestry, and in some areas, fishing, are the primary economic strengths.

The Aboriginal business sector is similar to the overall economy of the area. The Western Economic Development study indicates that grocery stores, gas stations, drug stores, fast food restaurants, convenience stores, logging, fishing and Band-run corporations are the most significant areas of Aboriginal business activity within the region (WD, 1999).

Businesses with fewer than 20 employees outnumber all others by far, amounting to 90% of all businesses in the district. The predominate businesses, in construction, business services and retail/wholesale are fairly evenly distributed, each occupying almost twenty percent of the market. Businesses in government, education and health and social services make up over 50% of businesses with more than 200 employees. The unemployment rate is just under 10% and the dependency rate is 9%, some of which can be included in the relatively high senior population.

Reductions in the ACC are affecting the most important industry outside the Capital district, the forestry industry. Although the Clayoquot Sound area has received the most press, several others are similarly restricted, leading to predicted job losses unless alternatives can be found to replace the timber operations (BC Statistics, 1999).

### **Mainland / Southwest**

With over half the total population of the province, this area, containing the Greater Vancouver district, represents the “economic heart of the province” according to BC Statistics. As might be expected, there is great diversity among business sectors. Within the Greater Vancouver area, manufacturing, trade and business services prevail, whereas the outlying regions depend upon agriculture and forestry. There are many smaller businesses in this region that are involved with business and financial services, construction/transportation and retail/wholesale operations. Tourism is economically important throughout. Over 90% of the immigrants to the province are received into this region, and contribute to its population growth.

Overall, businesses in the wholesale/retail, construction and transportation and business services sectors dominate the market in the general economy. Within the Aboriginal economy in particular, EDOs suggest that tourism and resorts, fishing-related ventures, First Nations art, catering and culinary arts, convenience stores, property development and management, landscaping, consulting, graphic arts and retail are significant areas of activity (WD, 1999).

Businesses in government, education and health and social services make up over 25% of businesses with greater than 200 employees in the region. Businesses with fewer than 20 employees outnumber all others by far, amounting to 88% of all businesses in the district. The unemployment rate in the Mainland/Southwest district and the dependency rates are lower than other areas in the province, at 8% and 7% respectively (Department of Indian and Northern Affairs Canada, 1999b).

## **THE ABORIGINAL ECONOMY IN CANADA AND BC**

Recent history in Canada reflects an Aboriginal economy with low labour force participation rates, low incomes, high levels of dependency and a level of business development well below the Canadian average. Unemployment and dependency on social assistance are still alarmingly prevalent among the First Nations peoples, particularly those living on reserves. In 1981, the dependence rate was almost 38% compared with the national average of 5.7% (DIAND, 1999b). The recent Royal Commission on Aboriginal Peoples, looking at unemployment among the Aboriginal population, showed that little had improved in the ten years following that study. They offered a breakdown of Aboriginal unemployment using 1991 statistics, and showed that the average total Aboriginal unemployment rate in 1991 was 24.6% compared with 9.9% of the non-Aboriginal population. Moreover, for Aboriginals 15 and over, unemployment was highest among males, particularly those on reserve (Royal Commission on Aboriginal Peoples, 1996).

Rates of poverty are higher too among Aboriginal people. What is seldom recognized, however, is the degree to which First Nations peoples engage actively in an informal economy to compensate. The Royal Commission on Aboriginal Peoples found that in urban centres from Winnipeg to Vancouver, between 17% and 25% of the Aboriginal population engaged in the informal economy.

The Commission suggested that in order to understand the Aboriginal economy, we should recognize that there are three distinctly different Aboriginal economies: 1) the reserve and rural Métis economy, 2) the urban Aboriginal economy and 3) the Northern economy. Individuals living on reserves are largely isolated from surrounding economies, except as consumers. They are often neither suppliers nor employees, and local development agencies for the most part ignore this constituency. Furthermore, most reserves and rural Métis communities are established in economically deprived areas where the existing economies are built on natural resources and manufacturing, areas that are now economically battered due to changes to these sectors.

Some things are changing, but do not seem to have effected the economic situation of on-reserve First Nations significantly. There is a growing number of Aboriginals working in occupations related to the public sector due to the Aboriginal Procurement Program, for example. This program was launched by the federal government to encourage Aboriginal businesses and joint ventures to bid on government contracts in areas such as housing and construction, health and education. While this program has expanded economic opportunities to some degree, the on-reserve private sector remains weak. In part, this is due to the relatively small local population it serves, which lessens the viability of businesses on reserve (Royal Commission on Aboriginal Peoples, 1996).

The greatest concern with this situation has to do with the substantial leakage of wealth from Aboriginal communities. Without a strong private sector on reserves, considerable funds that flow into the community flow out again to the surrounding non-Aboriginal businesses. A good example of this is found in BC's Shuswap Aboriginal community. It is estimated that only 20% of the members' financial resources is spent on the reserve, and even then it is in the form of wages, benefits and school allowances. In the end, much of this 20% soon

leaves the reserve for institutions and businesses outside, in effect increasing the leakage rate to something closer to 90% (Royal Commission on Aboriginal Peoples, 1996).

Although a larger part of the Aboriginal labour force is engaged in urban rather than rural/reserve business activity, urban Aboriginal economies are still far weaker than their non-Aboriginal counterparts. The Royal Commission concludes that one of the reasons for this is weak institutional development, particularly for Aboriginals in urban areas. Community Development Corporations are more focused on rural efforts, so urban Aboriginal entrepreneurs use agencies and programs developed for the general population that may not serve their needs adequately.

The Northern economy is different still. Given its expansive territory, it continues to be based on the traditional sectors of hunting, gathering and fishing, yet Northern Aboriginals also engage heavily in an informal economy. In the end, whether rural, urban or rural economies, employment levels and incomes for Aboriginals in Canada continue to lag far behind Canadian averages (Micro-Economic Policy Analysis Branch and Aboriginal Business Canada, 1998).

On a positive note, DIAND (1999) points out that the purchasing power of Canada's Aboriginal population improved by 150% from 4.5 billion dollars in 1986 to 11.35 billion dollars in 1991. Aboriginal communities today comprise a multi-billion dollar market for goods and services. This is due to a per capita rise in income, to economic development efforts and to ongoing land claims. Astute corporations are seeing this ready market and are providing various Aboriginal strategies, opening special Aboriginal divisions, and/or hiring Aboriginal employees to take advantage of this rich and growing market. Increased purchasing power also fosters a rapidly growing number of Aboriginal business opportunities.

## **ABORIGINAL ENTREPRENEURSHIP**

“There is a perception in the Aboriginal and non-Aboriginal communities that Aboriginal people lack the skills and temperament to be effective entrepreneurs. I challenge that assumption...The personal skills and resources they bring to their businesses are the same as those which allowed our ancestors to survive in a traditional Aboriginal economy.”

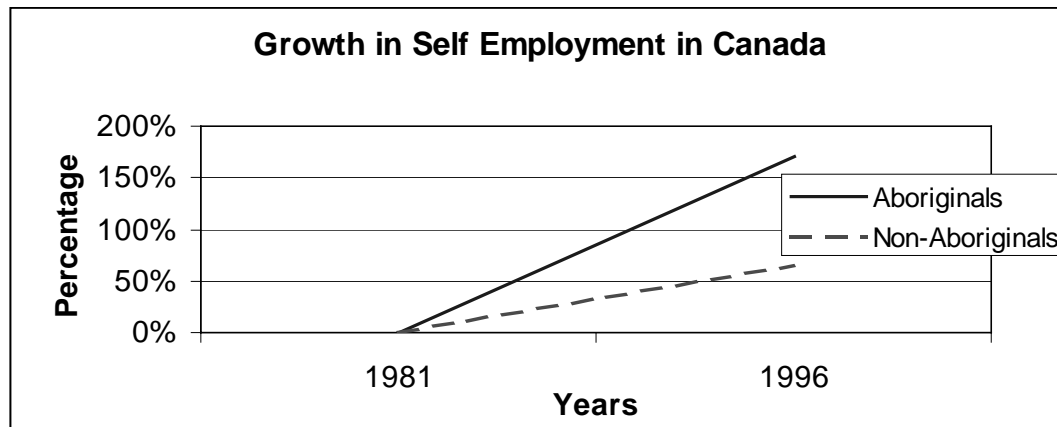
Ron Jamieson, a Mohawk from the Six Nations Band,  
and V.P. of the Bank of Montreal (Royal Commission  
on Aboriginal Peoples, 1996).

Having looked at the Aboriginal economy in general, this section looks particularly at the growing trend in Aboriginal entrepreneurship in Canada and BC. Whereas there are several excellent sources of information about Aboriginal entrepreneurs in Canada, there is a dearth of literature focused on BC. What is available for BC is primarily anecdotal information

about various entrepreneurial ventures. Key features of Aboriginal entrepreneurship Canada-wide and, where available, in BC are discussed below.

### **Growth**

Between 1981 and 1996, entrepreneurship among Canadian Aboriginals grew more than two and a half times faster than among the Canadian population at large. Self-employment among Aboriginals rose by 170%, compared with only 65% throughout all of Canada (Micro-Economic Policy Analysis Branch and Aboriginal Business Canada, 1998). This is an astounding rate, but it should come as no surprise. Chiste (1996) quotes Kenneth Thomas as saying, “Aboriginal people have always been traders and are no strangers to the world of commerce. Today in Canada, there is a re-emergence of interest in these endeavours” (p.5). Perhaps more than anything else, entrepreneurship, paired with on-going land claims, can be a route to regaining self-reliance, and can offer great hope for empowering both individuals and communities.



In the 1996 census, 20,195 Aboriginal Canadians indicated that they operated their own businesses; that is about 2.5% of the total Aboriginal population in Canada. In BC alone, there are 4,715 Aboriginal businesses, almost one-quarter of the total Aboriginal businesses in Canada (Micro-Economic Policy Analysis Branch and Aboriginal Business Canada, 1998). Aboriginal Business Canada predicts that growth rate in Aboriginal entrepreneurship throughout Canada will continue (Goss Gilroy, 1996).

### **Youth entrepreneurs**

It is clear that entrepreneurship is becoming an acceptable work alternative for young Aboriginals in particular. In 1996, the proportion of Aboriginal self-employed workers between the ages of 15 and 24 was far greater than the national average. Crone (2000) notes that Aboriginal entrepreneurs under 30 made up 19% of all native self-employment, nearly double the 10% for Canadians in general. In combination with the fact that the Aboriginal youth population is booming, we are witnessing a large cohort of youth eager to engage in the market economy by creating their own work. Yet Crone notices too that youth entrepreneurs are distinctly different from older entrepreneurs. They tend to have different business objectives, are more committed to profitability and their companies seem more likely to be growing. Their businesses are not as focused in the traditional sectors, and more likely to be un-incorporated, to be off reserve and to use innovative strategies. Interestingly,

youth value government help more than older entrepreneurs, but they are more likely to get financial help from family and friends.

## **Gender**

The Royal Commission shows that currently Aboriginal males are more likely to be business owners than females. Of the businesses examined in this study, males owned 71%. However, the publication *Aboriginal Entrepreneurs in Canada* indicates a trend towards increased female participation in business enterprise, confirming that the sharpest growth in Aboriginal self-employment is among Aboriginal women. In fact, the number of self-employed Aboriginal women is over double that of the national average (Micro-Economic Policy Analysis Branch and Aboriginal Business Canada, 1998).<sup>4</sup> Although greater in number, male entrepreneurs are not necessarily more successful.

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<sup>4</sup> Two of the most important reports referred to in this literature review differ in terms of trends within women Aboriginal entrepreneurs. The two reports are *The Road Less Travelled* and *Aboriginal Entrepreneurs in Canada*. The results of these two studies are undoubtedly at odds. The following histories of these two studies can help to explain why this is so.

*The Road Less Travelled* reported that about 30% of Aboriginal business owners were female in 1996, compared with 37% in 1991. These figures showed an apparent decline that the authors attribute to more frequent failures among Aboriginal female-owned businesses and significantly lower performance than in Aboriginal male businesses. *Aboriginal Entrepreneurs in Canada* shows a very different picture. It reports that between 1981 and 1996, the numbers of Aboriginal women entrepreneurs actually grew by 406%. Furthermore, this growth rate was double the rate of women in general, which was 183%, and 3.6 times greater than that of Aboriginal men, which was 114%. Also, this study reported that for female entrepreneurs, the 15-24 age group had the greatest growth rate of all age groups.

To explain, following the 1991 Census, Statistics Canada conducted the Aboriginal Peoples' Survey (APS), sampling those from the census who indicated an Aboriginal origin or registration under the Indian Act. Then, working with Industry Canada in 1997, and using the APS results, they conducted a follow-up telephone survey to create a database of Aboriginal entrepreneur characteristics. These results were used for the Aboriginal Business Survey (ABS). Subsequently, in June 1998, Industry Canada published a Working Paper called *Aboriginal Businesses: Characteristics and Strategies for Growth*, based on the findings of the ABS.

The Aboriginal Business Survey (ABS), as reported in *The Road Less Travelled*, reported some "systematic biases" with the data (p 21). The first was that the APS eliminated any band and/or community-owned businesses. Secondly, responses from some large reserves were also missing because they chose not to participate in the 1991 APS. The third also had to do with the pool of data, the APS, that it used for its survey and subsequent analysis. Since this original survey, the APS, did not include entrepreneurs less than 15 years of age, it thereby eliminated any young entrepreneurs starting business between 1992 and 1997. This would include elimination of the young women referred to as the fastest growing group in the report *Aboriginal Entrepreneurs in Canada!*

*Aboriginal Entrepreneurs in Canada* uses a number of sources, primarily the 1981 and 1996 Census data, the 1998 Working Paper, *Aboriginal Businesses: Characteristics and Strategies for Growth* and the 1996 Royal Commission on Aboriginal Peoples. The authors note that in the 1981 census, one question asked for ethnic origin, whereas in 1996, the question asked for Aboriginal identity. (In the 1986 and 1991 censuses, respondents were asked both questions, and the answers were at variance). This report too explained some biases. It noted that a growing number of Aboriginals are identifying themselves as such, whereas previously they might not have done so. In addition to this, the 1996 census did not enumerate approximately 44,000 First Nations' individuals from 77 Indian reserves.

This literature review recognizes these discrepancies and favours the results of *Aboriginal Entrepreneurs in Canada* over *The Road Less Travelled* because it includes more diverse studies that are relevant, it reflects larger numbers of Aboriginal entrepreneurs, and most importantly, because it includes those entrepreneurs in the fastest growing segment of the aboriginal population, between 15 and 24 years of age.

*Aboriginal Entrepreneurs in Canada* looked at survival rates of businesses, and found that firms owned by a husband/wife partnership are more likely to survive than men alone or women alone (Micro-Economic Policy Analysis Branch and Aboriginal Business Canada, 1998).

### **Education**

There is debate over the role that education plays in the success of Aboriginal business. The Goss Gilroy study (1996) examined a number of firms assisted by Aboriginal Business Canada. It noted that of the 200 firms in the study owned and operated by someone with a post-secondary degree or diploma, 88% survived. The report mentioned that these firms are the least likely to close, and one-half of them are currently profitable. This seems to contradict the Royal Commission study finding that firm owners with elementary or less education were actually more viable than those whose owners had secondary or some post secondary education. Furthermore, they noted that management teams with the least education had the smallest proportion of business closures and the highest proportion of safe and profitable businesses. Goss Gilroy (1996) offers a partial explanation. They suggest that within communities with a strong history of entrepreneurship, small business skills are often passed on from generation to generation, as happens in the Beace, Quebec region and the Acadian region of Nova Scotia. In these areas, entrepreneurial skills flourish, and it is this factor that contributes to the success of the ventures. In both cases, entrepreneurial skills, whether learned at school or through mentors, are necessary for a viable business.

### **Ownership**

In spite of the rapid growth in Aboriginal businesses over the last decade, however, the prevalence of Aboriginal ownership is still very low at 3.9% of all Aboriginal adults fifteen years and over, compared with 7.9% of the comparable Canadian population (Micro-Economic Policy Analysis Branch and Aboriginal Business Canada, 1998). Aboriginal firms in Canada are owned by individuals, bands, tribal councils, and in partnerships with other Aboriginal or non-Aboriginal groups. Vodden (1999) reported a tendency for Aboriginals to take a collective approach, noting that many ventures are operated by Aboriginal governments and organizations and providing several anecdotal accounts of collaborative ownership structures such as co-ops and joint venturing.

Many non-Aboriginal businesses are also interested in joint venturing. This can mean a win-win situation. Joint ventures offer hope of new opportunities and community cohesion for Aboriginal partners, and can be suitable structures for groups or communities with limited skills and resources. These structures are common for entrepreneurs in the forest industry. Both partners contribute capital and share the benefits. The benefits for First Nations entrepreneurs are learning opportunities, industrial experience, employment and revenue. Non-native partners may gain access to valuable land and resources and a local labour force.

However, a look by Caldwell and Hunt (1998) at types of Aboriginal business ownership shows that sole proprietorships are not only numerous in the Aboriginal economy but they far exceed the numbers in the total population of Canada. Three quarters of all Aboriginal enterprises examined in this study were operated by sole owners, compared with 54% in the general Canadian business population (Micro-Economic Policy Analysis Branch and Aboriginal Business Canada, 1998). Only six of the 723 businesses surveyed were owned by

the band or Aboriginal community. The Goss Gilroy study, however, found 47% sole proprietors and 16% community or band owned businesses.

### **Profitability**

Caldwell and Hunt (1998) reported that most Aboriginal businesses in Canada are profitable. In 1995, 61% made a profit, although a closer look shows that 40% of these earned less than \$10,000 annual income before taxes. Only 8% earned more than \$90,000. Goss Gilroy (1996) also looked at profitability, and found that firms with annual revenue less than \$200,000 were unlikely to be profitable. In this income group, 68% actually lost money. The most profitable were those whose business revenues were between \$200,000 and \$499,000.

While they are often profitable, Aboriginal business earnings in Canada lag behind the Canadian average. Aboriginal self-employed earnings are, in fact, 34% lower than the Canadian average. The average self-employed earnings in 1995 were \$18,947 for Aboriginals, and \$29,897 for all Canadians, although urban entrepreneurs earned slightly more than rural business owners (Micro-Economic Policy Analysis Branch and Aboriginal Business Canada, 1998).

### **Other motives for business ownership**

Entrepreneurial ventures give First Nations peoples a sense of self-reliance and pride. Self-employment is more than an issue of gaining economic parity with the rest of Canadians. It is about reviving a peoples' identity and self-reliance. Even though some entrepreneurs, particularly in northern or remote areas, must supplement income with part-time employment or the informal economy, they still experience a satisfaction that only comes with owning one's work (Caldwell and Hunt, 1998).

Caldwell and Hunt (1998) found that for many Aboriginal businesses, particularly those whose owners were older, the motivations for establishing their own businesses were more about gaining stability and employment for themselves and the community. Younger entrepreneurs, on the other hand, were more interested in making a profit. The younger business owners were also more inclined to be mobile. Many moved to the urban areas to establish their firms.

### **Size**

Like most Canadian entrepreneurial ventures, Aboriginal businesses are usually quite small. The success of Aboriginal firms, however, can be measured by more than revenue and size. Several studies indicate that a large proportion of Aboriginal enterprises have successfully contributed to further employment through hiring into their businesses. The Goss Gilroy study, for Aboriginal Business Canada, found that almost half of the businesses they studied hire additional help. In fact, they suggest that the 964 firms in the study have provided the equivalent of 5875 full time jobs, most for Aboriginals and many to youth (BC Statistics, 1998). The Royal Commission on Aboriginal Peoples (1996) and the 1996 census (Statistics Canada, 1996) also shows that unlike other Canadian entrepreneurs, Aboriginal small business owners are more likely to hire at least one other full time person.

## **Markets**

The markets of various enterprises are another important aspect of Aboriginal entrepreneurship. Caldwell (1998) reports that the local community is the main market for 74% of the Aboriginal businesses in Canada. Furthermore, a full one-quarter depends upon sales to Aboriginal clients exclusively. The export market is also important to the Aboriginal entrepreneur, with six per cent reporting exports as their primary market. Looking at this rate, one would think that export markets are weak within Aboriginal business. Yet this share is greater than the 4% of Canadian businesses whose main focus is export. Many Aboriginal businesses are actively developing exclusive markets with and for indigenous peoples around the world. According to the report, "Aboriginal Entrepreneurs in Canada" (Micro-Economic Policy Analysis Branch and Aboriginal Business Canada, 1998), almost 20% of Aboriginal businesses are engaged in export activity to some extent, and a limited study at Trent University found that 29% of those studied were actually involved in exporting (BC Statistics, 1998).

Businesses located on reserves are the most reliant upon the local economy, as are rural businesses, according to the study by Caldwell and Hunt (1998). Yet the Royal Commission (1996) notes that there is a limited local market for those wishing to start a business in an isolated region. There are some advantages as well. Besides having a lower cost of living, entrepreneurs can produce high value-added products, for which the costs of transportation to distant markets can be absorbed into the product price.

## **Locations**

There is some disagreement in the literature about the mix of Aboriginal business locations. Most sources indicate a higher proportion of off-reserve, urban enterprises than rural, on-reserve business ventures. However, almost 60% of the businesses noted in the Royal Commission are located on reserve. Of these, most are in rural locations and in low-knowledge sectors, and three-quarters are home-based. Yet *Aboriginal Entrepreneurs in Canada* finds the opposite (Micro-Economic Policy Analysis Branch and Aboriginal Business Canada, 1998). They report that the proportion of Aboriginals who are business owners and self-employed is generally higher off reserve and in the southern more urban areas. In 1996 in BC, there were slightly more entrepreneurs working in urban than rural settings. Goss Gilroy (1996) finds that firms in rural areas are nearly twice as likely to incur significant losses, than were urban enterprises.

## **Financing**

Financing entrepreneurial enterprises presents a unique situation for the Aboriginal community. Since the Indian Act prohibits Aboriginals from using their land as collateral or equity, and given their already low income levels, the First Nations are challenged to find creative ways to finance their businesses. In their examination of Aboriginal businesses, Caldwell and Hunt (1998) found that 61% of Aboriginal businesses used more equity than debt to start or acquire new businesses, in spite of being in a low equity situation. Eighty-eight percent used personal investments and fully 45% had no debt whatsoever. For many Aboriginal businesses that needed to borrow, banks and trust companies were the preferred sources of capital. Only 24% borrowed from Aboriginal Development Corporations.

Faced with their unique challenges, First Nations have created their own financial mechanisms ranging from micro-lending to a new national bank. A number of Aboriginal owned and controlled financing organizations have also been formed, including loan funds, banks and Capital Corporations. Today 33 Aboriginal Capital Corporations offer \$5 million each in revolving loan capital. Peer lending is also popular among some groups of small business owners, and Community Futures Development Corporation provides loans and government financing (Vodden, 1999).

### **Other business characteristics**

Goss Gilroy (1996) offers us more information about the characteristics of businesses studied. They note that about a quarter of the businesses in their study, which were funded by Aboriginal Business Canada, had closed and all of these had been in business from one to four years. Closure rates for on reserve businesses were slightly higher than off reserve, but on reserve were also more likely to be profitable. Vodden (1999) cited a study of 70 enterprises based on traditional renewable resource industries and noted that 73% were still in operation 2 to 25 years later.

Goss Gilroy (1996) also found that 52% of the active firms examined used a computer, but used it mainly for word processing and accounting. Only 40% had a modem.

## **SECTORS OF ABORIGINAL ENTREPRENEURSHIP**

### **Primary industry**

The labour-intensive, low knowledge pursuits in the primary industries, construction and retail sectors are over-represented in Aboriginal business in Canada. In particular, growth exists within the transportation, retail, fishing, trapping, construction, agriculture and recreation/personal services sectors. BC is not an exception. Here, over 60% of all Aboriginal entrepreneurial activity is within the primary, recreation/personal, construction and transportation sectors (Caldwell and Hunt, 1998; Micro-Economic Policy Analysis Branch and Aboriginal Business Canada, 1998).

Vodden (1999) found that fishing, in particular, accounted for the greatest proportion of Aboriginal business in BC, many in the commercial fishery. In fact, in 1995, 29% of all ownership and employment within BC's salmon fishery was found within the First Nations businesses. Forestry and agriculture are still important in BC's Aboriginal business as well. Yet after years of a focus on logging, Aboriginal business owners are now engaging in more diversified, value-added enterprises. Log hauling, restoration, reforestation, nurseries, Christmas trees and processing are fast becoming alternatives to extraction alone.

Several forestry ventures today involve a tenure and core company controlled by an Aboriginal organization such as a Tribal Council, affiliated partner or joint venture. Self-employment of small contractors and sub-contractors is then encouraged in the community (e.g. Gitksan and Wet'suwet'en EDC, Meadow Lake Tribal Council). Joint ventures have also been common among First Nations ventures in the forest sector. Examples include: Siska and Cook's Ferry Bands, Burns Lake Development Corporation/Babine Forest

Products, Ne-Du-Chen Forest Company, Iisaak Forest Resources and Kyah Wood Products. (See also sae.ca/nafa/ - National Aboriginal Forestry Association).

Agriculture and farming remain an attractive choice for many Native entrepreneurs in British Columbia, in a variety of ventures from livestock to exclusive produce. A good example can be seen in the Osoyoos First Nations band, where they can lay claim to the first vineyard in Canada with 100% First Nations ownership. The study by Aboriginal Business Canada (Ai, et al, 1998) noted that survival rates varied by sector, but the greatest survival rate in the agriculture sector. Vodden (1999) offers examples of other niche markets developing by First Nations, such as specialty food sales in eels, lobster, moose, wild game, caribou and arctic char.

In summary, primary industries remain important within the Aboriginal economy, offering entrepreneurs opportunities to work in industries compatible with First Nations' culture, traditional practices and environmental stewardship. Within the primary sectors, First Nations' entrepreneurs are increasingly diversifying their enterprises.

### **Tourism**

Aboriginals have long been involved in tourism particularly through outfitting and sales of Aboriginal art. There are today over 1500 Native British Columbians employed in tourism, and it is estimated that there are over 250 First Nations businesses directly related to tourism in BC (Indian and Northern Affairs Canada, 1996). The health of this sector is reflected in *Aboriginal Entrepreneurs in Canada*, which reports that Aboriginal entrepreneurs in Canada are currently yielding \$270 million in revenue from tourism alone. As with the primary sector, Aboriginal entrepreneurs are diversifying into outdoor activities, cultural and historical tours, educational programs and adventure expeditions in hunting and fishing. Furthermore, they are establishing resorts, museums and restaurants to cater to tourist interests. The establishment of two organizations specifically for Aboriginal business indicates a serious interest in tourism. The Aboriginal Tourism Association of BC was formed to take advantage of the growing interest in Aboriginal culture and heritage, and in March of 1998, industry and government set up Aboriginal Team Canada to coordinate tourism activities and to implement appropriate strategies (Micro-Economic Policy Analysis Branch and Aboriginal Business Canada, 1998; Vodden, 1999).

### **Fine art and crafts**

Aboriginal arts and crafts stimulate both tourism and export markets. Nineteen percent of Aboriginal firms in Canada are involved in some export, reflecting a special international appeal for many Aboriginal products and services. This sector is expected to expand even more internationally (Chiste, 1996; Micro-Economic Policy Analysis Branch and Aboriginal Business Canada, 1998).

### **Technology**

Noticeably, the 'new economy' businesses are under-represented, yet these are also the most rapidly growing. Crone (2000) notes that although the primary sector still dominates Aboriginal business, the greatest growth was in the knowledge-based industries. The knowledge economy is increasing in popularity particularly with regards to the multimedia

and computer-related businesses, yet many of these new businesses are within the public sector (BC Statistics, 1998; Crone, 2000).

### **Other**

Several other sectors are showing signs of growth within the Aboriginal business community. The communications and health and social services grew by 16% between 1981 and 1996; the business services sector grew by 9%; the educational sector by 12%; and personal and recreational services, including casinos, grew by 19%. The activities of several firms, as well, are involved with addressing environmental problems. Oil and gas enterprises included joint ventures, contracting and revenue sharing agreements. As with all of Canada, BC Aboriginal small business is underrepresented in the business services, financial, insurance, real estate sectors (Vodden, 1999). A recent survey of Aboriginal EDO's in British Columbia (WD, 1999) suggests that small retailers (e.g. grocery and convenience), gas stations, food service, and land development are also significant areas of Aboriginal business activity in BC.

## **SUCCESS FACTORS AND CHALLENGES**

### **Capacity**

In researching the factors that contribute to the success of Aboriginal businesses, several contributing factors were identified related to the capacity of Aboriginal business owners. Strong management stood out as one of the key influences in achieving a firm's goals. Similarly, successful companies were able to write strong business plans, and were committed to skill development for themselves and for their employees. Successful and growing companies were also more likely to have had computer training, and those who experienced failures believed that such training would have prevented the closures. Chiste (1996) warns that the general devolution of responsibility from the Canadian government to the Aboriginal firms, through the Aboriginal Procurement Program, presents a great opportunity, but only if small businesses are prepared.

The recent survey, *Aboriginal Entrepreneurs in Canada*, indicated the following top priorities for improvement in Aboriginal business: management skills (89%); improved productivity (88%); innovation (76%); financing (74%); employee training (67%); and expansion of markets (67%) (Micro-Economic Policy Analysis Branch and Aboriginal Business Canada, 1998). Further studies confirm that business performance improves with higher levels of owner education (Industry Canada, 1999b).

Several Aboriginal entrepreneurs are concerned with the preparedness of youth, particularly in light of the low success rates in provincially or federally run high schools and post secondary programs. There is a clear understanding that basic education is a necessity for successful business.

### **Business practices**

A determination to innovate was also rated as a major influence in success of Aboriginal entrepreneurs. In fact, most successful companies actively introduced new processes and products, and worked hard to expand their markets. Clearly, the young entrepreneurs were

more willing to innovate and find new markets than were older entrepreneurs and Aboriginal women (Ai et al, 1998).

There are several illustrations of success related to diversification of business ventures. Vodden (1999) cites examples of diversity among the Aboriginal fishing-related ventures. Both individuals and organizations fish commercially for other species and are involved in various fishing related ventures like guiding, aquaculture and fish processing.

Marketing was mentioned as one of the greatest challenges in Aboriginal business practices. Evidence showed that many businesses relied upon the Aboriginal community within their reserves as their primary or only market. Women in particular, tended to engage in businesses within marginal sectors that had limited activity. For communities with little or no tradition of entrepreneurship, marketing and business networking were an essential part of business planning (The Royal Commission on Aboriginal Peoples, 1996; Vodden, 1999).

One particular challenge has to do with interpersonal relations. Some successful entrepreneurs were faced with hostility within their communities. They were seen as being too independent, and apart from the collective. Conflict arose within a First Nations community on the BC Central Coast, for example, as a result of opposing views about logging. The disputes revolved around logging ecologically sensitive areas, unresolved land claims and logging methods and practices (Vodden, 1999).

### **Communications and information technology**

The introduction of information technology is fairly recent within most Aboriginal businesses. Many of the successful firms examined in the Caldwell study noted that they used a computer, or were open to doing so. Apparently, the most popular technological tool was voice mail for most Aboriginal firms. Although the interest is there for many, it is the youth who are particularly committed to using the computer (Caldwell and Hunt, 1998).

Unfortunately, technology is not used to its potential in most Aboriginal firms. Caldwell noticed that less than half of urban entrepreneurs used a computer and even fewer used one in rural areas, where it could be of great benefit. Furthermore, the use was usually limited to word processing and accounting. Only 22% of those firms examined had access to the Internet, and only 9% of Aboriginal businesses used the computer to access the federal government market through the Open Bidding System. More than three quarters were not even aware of the federal government's Aboriginal Procurement Program, yet 83% were interested in getting that information (Caldwell and Hunt, 1998)

The challenges cited to getting computers included lack of money, lack of skilled employees to use the computer programs and 25% said they lacked information on what was available. This issue is particularly crucial for rural and remote communities. Geography creates distance from markets and assistance and it creates isolation. Technology can reduce isolation by allowing greater participation of Aboriginals in the knowledge economy, and by connecting various individuals and groups with others sharing an interest. It can also reduce costs of doing business, by providing access to contacts, services and information, through phone and fax rather than through travel. It can also open up wider markets. Yet technology is only effective if the advisors providing information and support at a distance

are familiar with the isolated firm and its needs (The Royal Commission on Aboriginal Peoples, 1996; Micro-Economic Policy Analysis Branch and Aboriginal Business Canada, 1998).

### **Government policy, procurement and resource access**

There are many ways that government policies influence the Aboriginal economy and Aboriginal entrepreneurship in Canada. Among them are procurement strategies, economic development programs and resource management policies. Each is discussed briefly below.

The Aboriginal Procurement Program was launched by the federal government to help Aboriginal firms do more contracting with the federal departments and agencies. It was designed to increase the number of Aboriginal businesses and joint ventures bidding for federal government contracts. Aboriginal firms are given the first opportunity to supply the goods and services in contracts servicing Aboriginal communities. Public sector jobs are created and Aboriginal needs are served by those who best understand their issues. Aboriginal women, however, are less able to take advantage of these opportunities because they tend to create businesses in marginal sectors, like retail, making them less able to compete for government service contracts. They are also less likely to look for government help (Ai et al, 1998).

The Federal Procurement Program for the most part works well, but it has not always been to the advantage of the Aboriginal businesses. A case in point involves a joint venture based on reserve between a tribal council and a non-Aboriginal company to build small boats for the Canadian military. The work was conducted on reserve, but in order to prevent any alienation from other non-Aboriginal contractors, the Council chose to deduct income taxes. The bidding and subsequent work was a success, but when the federal officials discovered the voluntary deduction, they forced the council to refund the tax. In short, federal policy forced an advantage that the council declined so that it could continue to compete in the marketplace (Indian and Northern Affairs Canada, 1998).

The economic development policies of the federal and provincial and territorial governments have tended to treat Aboriginal economics like the non-Aboriginal economies. But they are really quite different. Policy makers and the general public have tended to assume that the economic problems of the Aboriginal community can be solved through direct strategies administered externally. Thus, welfare programs, skills training, loan and grants and relocation assistance is provided to them, supposedly to help them access employment within the larger society. Unfortunately, this ignores the value of relationships that is incorporated into the basic tenets of Aboriginal society, those of family, community and land (The Royal Commission on Aboriginal Peoples, 1996).

### **Financial issues**

The first year of business operation and financial difficulties were most often cited as the major hurdles to overcome by Aboriginal entrepreneurs. Over 50% of Aboriginal businesses perceive that they have inadequate access to capital (Industry Canada, 1999b). Financing requirements for Aboriginal business range from complex import/export financing to micro-lending (Newhouse, 1999). There are two main reasons for this dilemma, lack of collateral for loans, and lack of community-based financial institutions. The former

is a barrier due to section 89 of the Indian Act. Under this act, First Nations' peoples are unable to use their land, buildings or equipment as loan collateral because the real and personal property of a Native person living on a reserve cannot be seized or mortgaged by anyone but another Aboriginal. The unanticipated result in recent years has been that an Indian on a reserve cannot pledge his or her hard assets as security for a loan (Vodden, 1999). This obstacle, added to the lack of local financial institutions, prevents Aboriginal Canadians from establishing a business and a credit record.

It comes as no surprise that equity financing is a problem given not only the legal impediments referred to above, but also income discrepancies. Aboriginal Canadians, whether employees or self-employed, have substantially lower income levels than Canadians at large. In 1995, Aboriginals averaged an annual income of \$17,382 while the Canadian average was \$26,474. Aboriginal women it seems are even more vulnerable to these influences (The Royal Commission on Aboriginal Peoples, 1996; Micro-Economic Policy Analysis Branch and Aboriginal Business Canada, 1998).

More recently, however, Aboriginal entrepreneurs have developed creative ways of addressing their needs for financial capital and services. Working with established financial institutions and Band Councils, they are finding ways to legitimately sidestep conditions of Section 89 of the Indian Act. For example, banks have hired Aboriginal employees, 1093 full time and 300 part-time at the six major banks, which can, therefore authorize seizure or mortgages. An estimated 47% of aboriginal businesses borrow from banks. However, accessibility is still a major barrier, as many remote communities do not have banking facilities (Vodden, 1999).

The "Kamloops Loophole" provides second way to circumvent Section 89. Passed in 1988, it allows Indian bands to designate a portion of reserve lands for commercial development. The land is no longer subject to the Act and can be offered as security on mortgages. The Westbank band in Kelowna, BC, slipped through the "Kamloops Loophole" with the help of the Bank of Montreal. A referendum decided to designate a parcel of forty acres to build 250 houses. The Crown then leased the land back to a band-operated development company (Windspeaker, 1994).

Thirdly, a Band Council or individual can obtain a mortgage with two documents: mortgage insurance issued by the Canadian Mortgage and Housing Corporation, in the case of social housing, and a ministerial guarantee to back part or most of the loan in case of default. The guarantee is obtained from the band, by way of the Department of Indian Affairs. The Campbell River First Nations will provide guarantee of up to \$50,000 for housing (Awa'k'wis, 1994).

First Nations are also taking steps to create their own financing mechanisms such as loan funds, banks and Capital Corporations, and have access to government funding through agencies such as Aboriginal Business Canada, Department of Northern and Indian Affairs' Opportunities Fund, First Nations Forestry Program and the Province of BC's (Ministry of Aboriginal Affairs) First Citizen's Fund (Vodden, 1999). The Royal Commission on Aboriginal Peoples (1996) recommended investing up to \$2 billion more per year for the next 20 years in capacity building and economic development (Bone and Anderson, 1999). The Commission suggested a focus on economic development as one of the top priorities

for spending over the next five years, followed by a focus on treaty settlement over the next ten years.

## **IMPLICATIONS FOR PROVISION OF SERVICES AND INFORMATION**

The challenges facing Aboriginal entrepreneurs in British Columbia vary. Yet several issues stand out that have consequences for kinds of services and information provided to Aboriginal entrepreneurs and the means by which they are provided.

### **Rural exodus**

One critical issue has to do with the trend for young Aboriginal entrepreneurs to move to urban centres. As more and more Aboriginals move off reserves and into mainstream society, there will be a personal impact on them as urban residents, and there will be an impact on the rural communities they left. Although the city offers more jobs than rural or reserve communities, it is expected that migrating Aboriginals could face pervasive racism and little change in the income or low employment rates they have known. Maclean's magazine revealed that many natives who move from their native communities face criticism from community members who see them as selling out and rejecting their heritage. These people are caught in conflict, finding it both difficult to leave and also to return. They are torn between two worlds – the traditional native world and the urban western world. Aboriginal Canadians who choose this option require sensitive help in helping them adjust to this very significant transition (Wallace, 1999).

The impact on Aboriginal communities of the loss of their young people is a disconcerting trend. In losing their youth, communities are losing the connection between their roots and their future. Families are disintegrating; people are losing that connection with their lands, cultures and roles as stewards. Many Native elders fear that this disconnection is not only unhealthy, but also fatal to the traditional culture.

Urban-rural migration and interventions into this situation must recognize a number of serious questions. Will Aboriginal peoples be increasingly assimilated into eurocentric urban economies? Where are the supports for a rapidly growing number of youth and young families in urban centres? What do we do about the health of the small Aboriginal communities that are left after the exodus? Further research is needed into these questions.

### **Childcare**

A corresponding critical issue given the strong population growth and incidence of single parenthood is the requirement for childcare. This may have particular implications for young, female entrepreneurs and for those designing programs for this segment of the Aboriginal population. Where single parents and young families are living in an urban and/or an off-reserve environment they may have left the very source of built-in social supports that were available on their home reserves. Women, particularly single mothers, will require the financial and social supports necessary to adequately care for their children while they pursue work and further education.

## **Networks**

Given the large numbers of youth moving to cities, networks could be established among the entrepreneurs that would allow them to share their concerns and seek common solutions. Entrepreneurial programs for youth in rural and reserve communities may also provide an ability for Aboriginal youth to stay in their communities. Program and service performance indicators should include qualitative measures and be holistic. They must look systemically at the impacts of provision, and always keep sight of their goals.

## **Diversity**

Despite some commonalities in issues and circumstances, this review has presented a picture of diversity within the Aboriginal economy. Clearly a “one size fits all” approach will not work in the provision of services. Although there are similarities in many of the situations that Aboriginal entrepreneurs face, there are far more differences, across gender, age and regions. Approaches must be contextual and address the particulars of each situation (e.g. location, demographics), and these solutions must originate from the users of these services. Aboriginal business people have personal assets that can only enrich their efforts. They bring traditional knowledge and values, skills in building consensus and a respect for others.

## **Collaborative efforts**

Providers must also be prepared and willing to work together in collaboration with other providing agencies to address the needs of this population. The previously mentioned incident involving withholding income tax from workers is a case in point. Furthermore, multi-funding efforts run the risk that certain needs will fall through the cracks, or certain efforts will create new problems. Each provider has a specific mandate to address a certain issue, such as small business training. Unfortunately, dealing with one issue alone, even if “successfully”, such as setting someone up in a business in the heart of the city has implications for other aspects of this client’s life. Provision must be a collaborative effort among appropriate providers who take a holistic approach to addressing the issues.

## **Expanding markets**

On the heels of the Delgamuukw decision and future land claims, more land, resources and cash benefits will be available to encourage economic development for the First Nations. Many large corporations and institutions are recognizing the vast ‘market’ that is opening up for their services and products. Rather than feeding these commercial enterprises, providers would better serve the Aboriginal population by helping them create their own enterprises to provide their own services and goods, stopping the critical leakage from their communities – leakage of dollars and people. Programs and services to facilitate Aboriginal entrepreneurship can play a key role.

## **Training and development**

As the Aboriginal population increases its effort, and indeed its passion, for engaging in entrepreneurial ventures, it will need further business education and training and stronger support systems. The northern and rural areas, in particular, which have traditionally relied solely upon the primary industries, will need help in expanding economic opportunities. Business skills, particularly in management, are required, along with information about the services and business opportunities that are available. It became clear that only a few Aboriginal entrepreneurs have taken advantage of the Federal Aboriginal Procurement

Program due to lack of awareness about it. Information must be comprehensive, understandable and accessible.

### **Accessibility**

Many Aboriginal entrepreneurs, or would-be entrepreneurs, do not have the basic tools and requisite skills that would allow them to access the information and resources that could assist them in their efforts. Technological capacity can be especially important to businesses in small and remote communities, offering access to markets, information and services, but also opportunities for work from Aboriginal communities in areas such as business consulting and global marketing. Furthermore, it can connect business people, allowing them to share ideas and issues. What this requires then is basic computer hardware and software, an adequate communications infrastructure and proper training to use the tools.

### **Burgeoning youth population**

Perhaps the most important implication for any intervention by providers has to do the rising numbers of youth as this relates to both health and employment. The Royal Commission strongly recommended the creation of recreational and other support facilities set up especially for youth to combat the disturbing and pervasive problem of youth frustration, lack of confidence and substance abuse. At present, Canada's native community faces unemployment at 24% compared with the national average of 10.1%. Average incomes too are also lower than the Canadian average. The Royal Commission on Aboriginal Peoples (1997) indicates that at the growth rate we are witnessing within the Aboriginal population today, 50% more jobs will be needed by the year 2016. The issue of work for the Aboriginal population could reach crisis proportions if it is not planned for and acted upon. What is encouraging, however, is that many Aboriginal youth are embarking on entrepreneurship as an alternative to becoming employees, and in doing so, are grasping an opportunity to advance their careers and to create their own futures.

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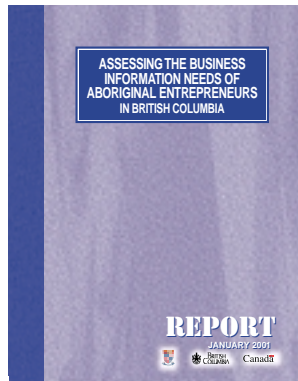
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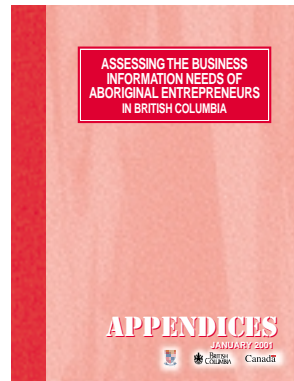
## Report Documents

The analysis of the business information needs of Aboriginal entrepreneurs, undertaken by the Community Economic Development Centre at Simon Fraser University, is comprised of four elements. For ease of reference, the analysis has been divided into four separate documents: Report, Appendices, Literature Review, and Best Practices.

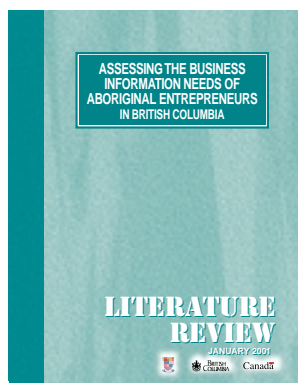
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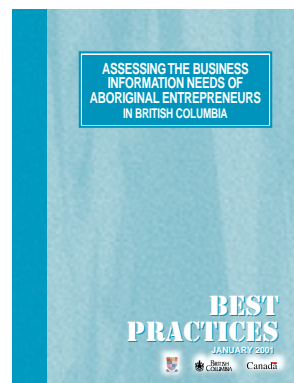
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