FIRST NATION COMMERCIAL LAND DEVELOPMENT, COMPETITIVE ADVANTAGE

by

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Executive Master of Business Administration

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ABSTRACT

This paper explores the competitive advantages possible to First Nations developing reserve land for commercial purposes. The First Nation is introduced as a competitor to neighbouring municipal governments within a regional environment. The unique history and relationship of First Nations to land is established.

Through a review of current municipal government practices related to commercial land development an industry analysis is undertaken. The author uses the analysis of municipal government practices to establish a benchmark of industry organization and best practices. A model of preferred relationships for a local government wishing to develop land for commercial purposes is established.

A case study of two First Nations compares the organization and practices of First Nation commercial land development against the municipal benchmark and preferred relationship model. The key success factors and model limitations are offered as a general guide to other First Nations considering the commercial development of reserve land.
DEDICATION

To my father, John "Sonny" Dorff, an educated truck driver indeed; and to the Penster and Patricia.
ACKNOWLEDGEMENTS

This paper would not have been possible without the assistance of Indian and Northern Affairs Canada officials, including Pennie Libby and Linda Kerr. In addition, the paper relied on the cooperation of people like Chris Scott of the Osoyoos Indian Band Development Corporation and members of Bands who are neither referenced nor quoted.

Meegwitch.
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**GLOSSARY**

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<td>A group of Indians for whom a reserve has been set aside, or for whose benefit moneys are held by the Federal Crown, or which is declared by the Federal Government to be a band for the purpose of the Indian Act (s.s. 2(1))</td>
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<td>DIAND</td>
<td>The Department of Indian Affairs and Northern Development</td>
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<tr>
<td>First Nation</td>
<td>See Band, used interchangeably with Band, also represents the community, i.e., the Reserve</td>
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<td>Indian</td>
<td>A person registered as an Indian under the Indian Act and recorded in the Indian Register</td>
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<td>INAC</td>
<td>Indian and Northern Affairs Canada, common name of DIAND</td>
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<td>OIBDC</td>
<td>Osoyoos Indian Band Development Corporation</td>
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<td>PWGSC</td>
<td>Public Works and Government Services Canada</td>
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<tr>
<td>Reserve</td>
<td>A tract of land, legal title to which is held by the Federal Crown, which has been set aside for the use and benefit of a Band or First Nation</td>
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<tr>
<td>Status Indian</td>
<td>An Indian person registered under the Indian Act and recorded in the Indian Register</td>
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1 INTRODUCTION TO THE ISSUES

1.1 Objective of the Project

This project explores the strategic issues surrounding commercial land development as it relates to First Nations. Developing First Nation\(^1\) or Band reserve land for commercial use is a means to introduce own source revenue\(^2\) to the First Nation and improve socio-economic conditions on reserve. First Nations have a long and specific relationship with their land and a newer relationship with non-First Nation neighbours. Any community deciding to generate revenue from the commercial development of land will find themselves in competition with neighbouring communities. The objective of this project is to determine if the First Nation has competitive advantage in the commercial development of land within a regional context. To do this, the project looks first at the relationship of First Nations and their land;\(^3\) second, it analyses the existing industry of municipal government sponsored commercial land development; third, it studies First Nation experience with commercial land development using the Squamish and Osoyoos Bands as case studies; and then comparing First Nation case studies against the existing municipal industry, looks at the areas where the First Nation could possess or develop competitive advantage. Finally, the project presents generic findings for First Nations wishing to compete against neighbouring municipal governments and generate own source revenue from commercial land development. All First Nations are acknowledged to be unique in the aspect of

\(^1\)“First Nation” will be used throughout this project when referring to Indian bands defined under the Indian Act of Canada. Although not a legal term, it has become accepted usage among Aboriginal Peoples/Indians when referring to their community and is used interchangeably with the term “band”. The term “Indian” will be used only where legal usage dictates.

\(^2\)“own source revenue” refers to incoming cash-flows other than direct federal funding from Indian and Northern Affairs Canada.

\(^3\)This project assumes that First Nations have legal entitlement to the reserve they inhabit. Section 35 of the Constitution Act, 1982 provides for these rights. Recent decisions by the Supreme Court of Canada have supported First Nation legal entitlements.
location, history and culture. This project analyses the economic aspects of commercial land development and First Nations specific to the Lower Mainland and the Southern Interior of British Columbia (BC), acknowledging that not all lessons learned can be applied to all First Nations, however certain general conclusions may assist First Nations wanting to make decisions around commercial land development.

It is important to note that a core issue surrounding commercial development of reserve land is the question of whether land development is in the best interests of the First Nation. I acknowledge that this question must be addressed whenever commercial land development is considered. Developing reserve land for commercial use is one method for establishing sources of revenue for the First Nation however, there are other means of generating own source revenue including timber and permit revenue. Due to the unique history, cultures and locations of First Nations, the question of merit of land development should be posed by every First Nation and the answer might be unique to each First Nation with few generalities to be projected to the greater population. However, this policy question is beyond the scope of this paper and will not be addressed.

1.1.1 First Nation Land

Discussion concerning First Nation use of land is often clouded with emotion and misunderstanding. When analysing First Nation land development issues, this project considers only the land recognized under Canadian legislation as reserve land. This project uses Indian and Northern Affairs Canada’s (INAC) definition of reserve; “a tract of land, the legal title to which is held by the Crown, set apart for the use and benefit of a Band.” The identification of land for First Nation use pre-dates the creation of Canada. King George III of Britain issued a royal proclamation in 1763 that preserved land for the tribes that Britain had signed treaties with. The

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treaties that followed granted certain land as designated reserves, which were to be solely used by First Nations. INAC defines a Band as a "body of Indians for whose collective use and benefit lands have been set apart or money is held by the Crown, or declared to be a Band for the purposes of the Indian Act. Each Band has its own governing Band council, usually consisting of one chief and several councillors. Community members choose the chief and councillors by election, and/or sometimes through custom. The members of a Band generally share common values, traditions and practices rooted in their ancestral heritage." This project uses the INAC definition of a Band or First Nation.

1.1.2 Indian and Northern Affairs Canada

With the passage of the British North America Act, Canada became a country in 1867. The British North America Act gave the Canadian federal government the authority to make laws about First Nation peoples and lands reserved for them. The Indian Act of 1876 created Indian Affairs, a branch of the Secretary of State. In 1880 it became a branch of the Department of the Interior and in 1880 the Department of Indian Affairs became distinct department. Each of the forms of Indian Affairs allowed the government broad powers including the legal means to deal with First Nations of Canada. Government appointed Indian Agents, working for Indian Affairs, were the first government representatives charged with making decisions concerning First Nations peoples on reserves.

The Department of Indian and Northern Affairs Canada (re-named in 1966) is the current arm of the Canadian federal government that most affects First Nations. Other federal government departments that provide funding to First Nations include Health Canada and Industry Canada. In addition, First Nations also interact with Public Works and Government

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5 Ibid.
6 Adapted from Wilson Duff, "The Indian History of British Columbia", (Royal British Columbia Museum 1997), 89
7 Ibid. Based on information on the INAC web site including "Mandate, Roles and Responsibilities", (2003)
Services Canada, Canada Mortgage and Housing Corporation, Heritage Canada and Department of Justice. The Department of Indian and Northern Affairs is commonly referred to by two different acronyms, DIAND and INAC. This project uses only the acronym INAC. The department was created to help the Canadian federal government fulfil the lawful obligations to Aboriginal (Indians, Inuit, Métis) peoples arising from treaties, the *Indian Act* and other legislation. The department has primary responsibility to meet the federal government’s constitutional, treaty, political, and legal responsibilities to First Nations.

The INAC mandate is complex and the range of responsibilities is broad. INAC negotiates land claims and self-government agreements; delivers services including housing, education and community infrastructure to Status Indians on-reserve; administers Indian reserve lands and elections of First Nation councils; registers entitlement to Indian status and First Nation membership; administers First Nation funds and the estates of individual status Indians; and provides social assistance payment to Status Indians on-reserve. In addition, INAC is the compliance body for the Indian Act. Although these services are often delivered in partnership with First Nations, in practice, INAC controls or touches almost all aspects of life in the First Nation. For children of First Nations, INAC determines if the child will receive status as an Indian and will register them as Indians (in accordance with the requirements prescribed in the Indian Act) and will also handle the estate of many status Indians in death. (The minister in charge of Indian Affairs has complete jurisdiction over on reserve Indian estate matters unless other provisions in the Indian Act apply.) In 2003/2004 INAC’s budget was $5.57 billion. Direct INAC transfer funding is the primary sources of revenue for most First Nations.

While INAC and the Indian Act (and their predecessors) have controlled life on many First Nations for years, the Department does acknowledge the need for change in their stated

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program objectives. The Indian and Inuit Affairs Program’s objectives includes “to support Indians and Inuit in achieving their self-government, economic, educational, cultural, social, and community development needs and aspirations…”

1.2 Development of the Project

Chapter two introduces First Nation connection to land in Canada. The historical, cultural, and legal facets of First Nation reserves result in forces that do not fit neatly within the traditional, non-native business environment.

Chapter three establishes the non-native, municipal sponsorship of commercial land development as an industry. The industry is then analysed using Michael Porter’s Five Forces model for industry analysis.

Chapter four further develops the successful practices of non-native municipal governments and proposes an ideal relationship model for government or community based commercial land development organizations. The analysis in chapters three and four establishes a non-native benchmark.

Chapter five contains a case study of the Osoyoos Indian Band and its practices related to commercial land development. The chapter concludes with a comparison (to the ideal established earlier) relationship model diagram.

Chapter six contains a case study of the Squamish First Nation and its practices related to commercial land development. The chapter concludes with a comparison (to the ideal established earlier) relationship model diagram. Both First Nations are known for their considerable experience with developing reserve land.

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9 Ibid.
Chapter seven compares the First Nation case studies against the non-First Nation municipal industry analysis benchmark, commenting on Porter's five forces model where applicable. As the First Nation does not always fit within the five forces model, the practices of First Nations are also compared against the practices of municipal governments examined in chapter four. The comparisons result in key findings applicable to First Nations considering commercial land development on reserve.

Chapter eight summarizes the key findings that First Nations need address in order to establish competitive advantage in commercial land development within a regional context.
2 FIRST NATION CONNECTION TO LAND

This chapter introduces First Nation connection to land in Canada. The historical, cultural, and legal facets of First Nation reserves result in forces that do not fit neatly within the traditional, non-native business environment. The stewardship of land, a brief history of reserve creation in Canada, and a review of the legalities surrounding reserve land, allow the reader to better understand how the commercial development of First Nation land differs from that of non-First Nation land.

2.1 Stewardship

“Our people have been stewards of this land for thousands of years.”10 This simple statement summarizes a unique aspect that must be considered when discussing First Nation land development. Archaeological theory is that First Nation peoples arrived in North America at least 12,000 years ago:

“…via a land bridge known as Beringia, the land surrounding what is now the Bering Strait…people have occupied this part of the Americas for at least 12,000 years, and perhaps for 20,000 years or more…”11

Archaeologists Sylvia Gonzalez, Dave Huddart and Mathew Bennett recently offered evidence that humans colonized the New World at least 40,000 years ago. In a recent article in the Globe and Mail newspaper, the archaeologists shared evidence of “269 human footprints

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preserved in ancient volcanic ash."\(^{12}\) The volcano is located 120 kilometres from modern day Mexico City.

First Nation creation stories vary in detail, however there is a central theme involving a sense of sacred trust and connection to the land which was imparted by the Creator or God. This connection to the land underpins any discussions involving the use of land. Non-First Nation culture may view land as an exploitable resource, something to be used for business and profit; First Nations people see the land as a sustainable partner in existence, not a commodity. This distinction between owning land and being stewards of land is fundamental to understand.

With the arrival of Europeans in North America, First Nations resisted giving up sovereignty over the lands they inhabited. From the first encounters with white peoples until the present day, First Nations have maintained a consistent message for the British, French and Canadian governments wishing to control the land. A Mi'kmaq chief is quoted as issuing the following declaration to the British:

"This land, over which you now wish to make yourself the absolute master, this land belongs to me, just as surely as I have grown out of it like the grass, this is the place of my birth and my home, this is my native soil; yes, I believe that it was God that gave it to me to be my country forever."\(^{13}\)

In 1881, the Chiefs and the peoples of Fort Simpson wrote a letter to the Indian Reserve Commissioner, advising:

"The whole country from the Naas River, has been in the possession of our nation from time immemorial. No treaty has ever been made with us, and we

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\(^{12}\) David Keys, "Prints show humans got early toehold in Americas", appearing in The Globe and Mail newspaper, July 5, 2005

\(^{13}\) Neil McDonald and Trevor McDonald, "Aboriginal Peoples: Past and Present", (Cross Cultural Consulting Inc), 5
earnestly hope that the Government will not deprive us of our ancient rights, and
wrest from us the lands which God gave to our fathers..."14

In 1887 Nisga’a Chief David Mackay (Sim’oogit Axhlaawals) explained his views in the
following statement to a Royal Commission:

“What we don’t like about the Government is their saying this: “We will give
you this much land.” How can they give it when it is our own? We cannot
understand it. They have never bought it from our forefathers. They have never
fought and conquered our people and taken the land in that way, yet they say now
that they will give us so much land—our own land. These chiefs do not talk
foolishly, they know the land is their own; our forefathers for generations and
generations past had their land here all around us; chiefs have had their own
hunting grounds, their salmon streams, places where they got their berries; it has
always been so. It is not only during the last four or five years that they have seen
the land; we have always seen and owned it; it is no new thing, it has been ours
for generations. If we had only seen it for twenty years and claimed it as our own,
it would have been foolish, but it has been ours for thousands of years. If any
strange person came here and saw the land for twenty years and claimed it, he
would be foolish.”15

2.2 First Nations Are Not Going Anywhere

As well as possessing a stewardship view of the land in place of a typical ownership view
of land, First Nation people have to live with their land use decisions for longer than non-First
Nation peoples. The typical land owner can develop land, sell his or her land, move elsewhere
and continue. Simply stated, First Nations are not going anywhere. Relocation of a reserve is
highly unlikely and has not been undertaken except for unusual circumstances. While some status
Indians do leave the First Nation to live in urban environments, it is more likely that members of
the First Nation will live with the outcomes of land development decisions for a very long time.
This aspect is an important consideration when the First Nation is evaluating economic
development proposals.

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14 “Letter to Indian Reserve Commissioner Peter O’Reilly from the Chiefs and People of Fort Simpson”,
October 5, 1881, (Union of BC Indian Chiefs Internet site), accessed on June 28, 2005,
http://www.ubcic.bc.ca/print/Resources/landquestion.htm
15 Ibid, 1887 Statement of Chief David Mackay to the 1887 Royal Commission
First Nations peoples must consider the long lasting effects of their land development decisions as their children and the generations that follow them will live with the consequences of their decisions. Much as the history of First Nations is something that is not negotiable, that they have been stewards of the land from time immemorial, it is also a burden that is unique to the community they will be stewards of the land for the future. First Nations peoples do not realistically have the option of developing the land of the reserve and moving elsewhere should the conditions or impacts of the development make it unattractive to continue living in the community.

2.3 Reserves

In North America the British (and later the Canadian government) began a practice of making treaties with First Nation tribes as European settlers moved across the country. First Nation peoples received tracts of land for reservations and compensation in the form of money, services and annual payments in exchange for ownership of land. The location and size of reserves varied greatly. First Nations were allotted reserves ranging from 160 to 20 acres per family.\(^\text{16}\) The actual amount of land per family is difficult to establish as First Nation populations were in flux (due to the impact of European disease and the disruption of First Nation trading practices) during the middle of the nineteenth century, Reserves in BC were rarely surveyed and may have been marked by the positioning of stakes in the ground. There is evidence that the size and location of reserves were changed (sometimes more than once) at the will of the government officials in charge. Finally, there is no consistent understanding of how treaties were undertaken and perceived by signatories. Language barriers and cultural divides separated the two peoples and in some instances the threat of violence may have preceded any negotiation.

\(^{16}\) Ibid, Wilson Duff, 93
The treaty process was sanctioned by the Royal Proclamation of 1763 and essentially, stated that Indian lands could only be ceded to the crown. As suggested above, the recognition of aboriginal title or possession of land and the ceding of title was not viewed in the same manner by the First Nations peoples and the British (and later Canadian) governments and is still not fully resolved. In addition, even the practice of treaty making was not consistent throughout Canada and there are First Nations on reserves that have never signed treaties.

2.4 Legal Entitlement

There is no statutory provision addressing the legal status of a First Nation. A First Nation is not a “person” for legal purposes and cannot be held to the provision of a legal contract. However, the rights of a First Nation are clearer. The Canadian constitution of 1982 formally entrenched First Nation rights into the law of the land. Section 35 of the Canadian Constitution states¹⁷:

"35(1) The existing aboriginal rights of the aboriginal people in Canada are hereby recognized and affirmed.

(2) In this Act, “Aboriginal Peoples of Canada” includes the Indian, Inuit and Métis Peoples of Canada.

(3) For greater certainty, in subsection (1), “treaty rights” includes rights that now exist by way of land claims agreements or may be so acquired."

The Supreme Court of Canada has revisited the issue of Aboriginal title to land on more than one occasion; perhaps, the most significant case to date is Delgamuukw vs. British Columbia, 1997. In the Supreme Court ruling, the Court wrote that Aboriginal title arises out of prior occupation of the land by Aboriginal people and that Aboriginal title is a right of land which

¹⁷ Adapted from Bruce McNight; Bob Joseph; Bill McIntosh; Dan Jepsen, “Mining and Aboriginal Community Engagement: A Guidebook for Minerals Exploration and Mining (Draft)”, (BC & Yukon Chamber of Mines 2005)
encompasses the right to exclusive use and occupation of the land for a variety of purposes, which are not restricted to Aboriginal practices and customs.

Former Chief Justice, Antonio Lamer of the Supreme Court of Canada, supported Aboriginal rights when he wrote:

"In my view, the doctrine of aboriginal rights exists, and is recognized and affirmed by (the constitution) because of one simple fact: when Europeans arrived in North America, aboriginal peoples were already living here, living in communities on the land, and participating in distinctive cultures, as they had done for centuries. It is this fact above all others, which separates aboriginal peoples from all other minority groups in Canadian society and which mandates their special legal, and now constitutional, status."\(^{18}\)

It is important to note that, although the constitution and Supreme Court rulings confirm Aboriginal land rights, First Nation people do not individually own the land on reserves.\(^{19}\) Status Indians are legally distinct from other Canadians and are subject to Indian Act legislation. They possess but do not fully control the land on reserves. The Crown holds legal title to reserve land. Only the Minister of Indian Affairs and Northern Development (through INAC) has the authority to complete a lease on reserve land. In some cases, the Minister or the Governor in Council may delegate authority to a First Nation to manage reserve land, which has not been designated, Where this occurs, the First Nation can sign leases on behalf of the Minister.\(^{20}\)

Section 89(1) of the Indian Act essentially, makes real property on reserves not subject to charges, fees, mortgage, levy, seizure, provincial regulations or zoning regulations. As First

\(^{18}\) Ibid. Neil McDonald and Trevor McDonald, 20
\(^{19}\) Note: Locattee Land or Certificate of Possession land provisions allow a Band Council to pass a Band Council Resolution to allocate a parcel of reserve land to an individual Band member(s). This must be approved by the Minister of Indian Affairs and is issued by the Indian Lands Registry.
\(^{20}\) Adapted from: “Understanding the Regulatory Environment for On-Reserve Lending – Frequently Asked Questions”, (Indian and Northern Affairs Canada May 1999)
Nation peoples on reserves do not own, cannot sell, and cannot mortgage the land they live on,
i.e., have no collateral, two unique factors arise; they possess little security for loans, and the
entire community has a collective interest in the land of the reserve. In practice, the economic
development of land on reserve must be supported by the First Nation, as no single person has the
authority to make land use decisions and INAC, as the government still controls many land use
regulations.

An example of regulation that controls the lease of reserve land is the land designation
process. Land designation is a form of zoning, specifying what the land will be used for. Land
designation must be voted on and approved by the Band membership before INAC will sign a
lease for Band land. Designations can be either specific or general. A specific designation will
specify the use and/or lessee corporation. General designations only specify general use such as
commercial or industrial and do not specify a lessee corporation. Once the designation is in place,
the land can be leased for a range of purposes more than one leasing corporations.

The Band must first support a land designation. Fifty percent of the Band must vote on
the land designation and 51% of those voting must approve the designation. Often there is more
than one vote to earn Band support. Land designations are registered in the Indian Lands
Registry.

Once approved by the Band the land designation process shifts to INAC, There are
several conditions that must be met; Natural Resources Canada must approve a survey of the land
in question, Public Works and Government Services Canada (PWGSC) must conduct an appraisal
of the land, INAC must complete reviews including environmental assessments, and insurance

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21 Note: In some cases members of a First Nation are able to take out a mortgage on a house on-reserve (but
not the land) and can sell the house. In these cases the market for resale is extremely restricted and has
limited economic value.
22 adapted from Sto:lo Nation Lands Department, Internet site, accessed July 4, 2005,
http://www.snlands.com
must be secured. Once these conditions are met, INAC officials will draft the lease in conjunction with the land developer. The draft lease is returned to the Band for Band Council resolution.

As the land designation process to lease land is mired in bureaucracy, it is often difficult to find a developer willing to wait for the time periods involved (which can easily exceed one year for designation approval). In addition, should a developer find other land or find different opportunities during the designation process, the process has to be started again. Manny Jules, former Chief of the Kamloops Indian Band summarizes the complexity of land entitlement coupled with the legality involved, “The Indian Act was simply never designed for and never even contemplated the kinds of development possibilities we see on reserve lands today…Ask yourself, what kind of economy would Canada have if it was frozen in time, locked into the way things were done in 1867?”

23 Don Cayo, “New power to tax, borrow huge for go-getter bands”, appearing in the Vancouver Sun Newspaper, July 5, 2005
3 COMMERCIAL LAND DEVELOPMENT, INDUSTRY ANALYSIS

This chapter establishes the non-native, municipal sponsorship of commercial land development as an industry. The industry is then analysed using Michael Porter's Five Forces model for industry analysis. Porter's model is used to determine if the industry is attractive to entry by a new competitor and to seek sources of competitive advantage in order to develop a competitive strategy for a new entrant.

3.1 Introduction as Industry

In order to demonstrate that differences can exist in commercial land development under varying local governments commercial land development in municipalities is analysed first. Officials in the City of Surrey, BC24 (located in the Lower Mainland of BC) and the town of Cochrane, Ontario25 (Located in Northern Ontario) agreed to be interviewed for this analysis. The research findings are represented in aggregate form in this portion of this project.

The location of land and the access to infrastructure such as water, sewer, power and roads, are strong determinants for the value of land and the viability of commercial land development. Few governments can enter an industry where no market exists. This industry analysis assumes a regional view of marketplace with multiple local governments able to compete.

24 Mary Ann Smith, Senior Economic Development Officer, City of Surrey, British Columbia, interview, July 7, 2005
25 Jean Pierre Ouellette, Clerk and Community Development Manager, Town of Cochrane, Ontario, interview, June 23 and 24, 2005
For this industry analysis, the focus is on the governments that have land and the power to develop it. As the focus is on the industry of government supported commercial land development, private sector, corporate land developers are considered customers or buyers. Upon first glance, this may not be considered a traditional industry but this project develops the argument that it does have all the characteristics necessary for analysis as an industry. The product of this industry is the economic benefit of the land itself and the relationship established and maintained with the sponsoring government.

Historically, responsibility for land use, zoning, and land development standards has been delegated by the higher levels of government to the smallest regular units of government, i.e., cities, towns, and regional municipalities. Today there may be local, provincial and federal government regulations governing land use. Urban population is increasing and the land available for residential and commercial use is becoming scarcer in urban areas. In addition, there is an anti-growth sentiment among the general public that is often demonstrated by not-in-my-back-yard (NIMBY) community activism when land development is considered. These factors contribute to making the economic development of land for residential and commercial use challenging and potentially competitive.

Despite the challenges many communities desire the perceived economic benefits of commercial development of land. Economic development professionals and municipal officials generally accept that new commercial and residential land development will enhance the economic base of the community and expand the tax base. Governments eager to ensure the perceived benefits of increased tax base, job creation and spin-off revenue are available to their constituents; pursue economic land development as a government platform. Within an urban area there are often several municipal governments competing for the same market of land development. This is true in many areas of Canada.
For example the City of North Vancouver’s Official Community Plan seeks to “encourage commercial development within appropriate land use designations to generate employment and provide the services and conveniences needed to support our population.”\textsuperscript{26} The city recognizes that other municipalities will seek similar goals as the plan later states, “The city could be expected to capture a significant, but limited amount of this development. Competition from other parts of the region will also affect the pace and success of this development.”\textsuperscript{27} A public policy forum at the University of Illinois confirmed that municipal governments “might want to use development initiatives to compete with other municipalities in bidding wars for new development.”\textsuperscript{28} Governments can compete for commercial land development through the use of incentives such as:

- Selling or leasing land at below market cost,
- Providing infrastructure to previously unserviced land,
- Providing no-cost business consultation services
- Fast tracking land zoning changes,
- Municipal permit processing assistance, and
- Direct capital funding

Like other industries, the commercial development of municipal land for economic gains has members and professional associations to serve the members. In Ontario, the Economic Development Council of Ontario (EDCO) has a mandate to “enhance the professional development of its members; advance economic development as a profession and promote, assist and foster economic prosperity within our municipalities.”\textsuperscript{29} EDCO also has a long history, indicating that the industry has been recognized for many years.

\textsuperscript{27} Ibid, 16
“EDCO is an independent, non-profit, incorporated association of persons engaged in economic development. The Council was organized in 1957 and incorporated in 1962 as the Ontario Industrial Developers Council Inc. In 1991, the Council changed its name to the Economic Developers Council of Ontario Incorporated to reflect the changing nature of the profession.”

An analysis of the generic industry that is the government-sponsored development of land for commercial use reveals that threat of entry is low; the effect of regulatory government is negative, supplier power is dispersed, rivalry is high, but buyer power is neutral and the threat of substitution is very low.

3.2 Threat of Entry

Viewing the industry of government-sponsored land development, the threat of entry to the industry is from other forms of government or bodies acting as governments. Examining each of the factors that follow it becomes clear that from a general viewpoint of the industry, the threat of entry can be considered to be low.

3.2.1 Initial Investment

The initial investment necessary for the landholder or the sponsoring government body to signal that land is available for economic development is low. In some cases no investment is required. Land developers or major industries (the buyers) looking to expand may locate undeveloped land using their own resources and approach the landowner of their own accord. Even without this direct action of outside land developers small municipalities can enter the industry with very low investments. Most municipalities do have some kind of economic development support. Small municipalities can create economic development organizations as a committee of the municipal council. Typically these committees answer to council in the same manner as a recreation committee. There is no extra salary cost involved in this case. Council

30 Ibid
members and/or community volunteers provide the work conducted by the committee. The addition of even a small budget will allow such a committee to hire dedicated staff and better follow the direction outlined by the committee.

Municipalities large enough to have a planning department can assign the duties of economic land development to an employee in that department. In other cases, economic development can be a division or department within city hall. In this case the start up costs are similar to any administrative operation, including staffing and minor capital equipment. Some municipalities do invest considerable start up costs in order to create stand-alone commissions or corporations charged with economic development; however, this is by choice; it is not a requirement to enter the industry. The low investment costs encourage entrants to the market.

3.2.2 Market Growth

The customer for this industry is anyone wishing to develop land for a financial return on the investment necessary to develop the land. These customers are typically established land developers, therefore, there are few new users of the product (economic benefit from land) which is a factor that encourages stability in the market. Additional users are limited to those land developers with access to sufficient capital to build residential, light commercial or industrial facilities. Each of these industry segments has unique market attributes and market analysis.

For example, during the condominium boom years of the 1980s and early 1990s the residential development market in the Lower Mainland of BC was a growth industry. Following the public outcry over numerous leaky condominiums, a provincial commission reported in 1998 "The residential construction industry in British Columbia is highly competitive. It presents few barriers to entry, and has been characterized as volatile. It has a high rate of business failure; a tendency for "low bid/low quality" construction; and builders who exhibit a wide range in skills and abilities from very low to very high. Many developers who have not maintained a long-term
presence in the market are simply investors who create numbered companies for each project, and leave when project is complete.”\textsuperscript{32} Growing consumer sophistication and tightening government policies have changed the Lower Mainland (BC) market. The residential and commercial land development industry has consolidated. Major land developers, particularly residential condominium developers, are now well established in the Lower Mainland and the land available for economic development has geographic limitations, in that in order for land to provide sufficient return on investment it must have ready access to infrastructure. Much of the available land, i.e., land that is close enough to infrastructure to be profitable, has already been developed. A recent article in the Vancouver Sun newspaper outlined that land supply is a restraint for the residential market. The article quoted a Canada Mortgage and Housing Corporation analyst as saying, “the biggest and best sites have already been taken, so many developers now are keen on brownfield sites—former industrial sites...today they represent some of the largest sites that are close to urban areas.”\textsuperscript{33}

Light commercial development exists in the form of strip malls, regional shopping centres, and neighbourhood commercial centres. The growth of the market for this type of development depends mostly on the availability of access to the market for the commercial enterprises. In other words, if a large underserved commercial market exists, the market for light commercial land development is one of growth. If developers determine that a large population base is underserved, there is the potential to purchase existing land including the development already present and re-develop the land to extract higher rents than are currently generated by the land. This market is evident in downtown Vancouver where existing profitable businesses and


\textsuperscript{33} Bruce Constantineau, “Land, skills shortage drive up home costs” appearing in the Vancouver Sun Newspaper, July 12, 2005
buildings are demolished regularly to re-develop higher revenue commercial (and higher density residential) projects.

Industrial development does not require the immediate access to markets that residential and light commercial land development does. Industrial development requires access to sufficient qualified labour to operate the facility, access to services such as electricity and water to produce the product, and access to transportation infrastructure to distribute the product. The market growth of industrial land development is low due to the significant capital investment required to undertake such projects.

The overall, long-term market growth should not be confused with the short-term market swings of particular areas. The City of Surrey currently finds itself in a hot market for light commercial land development such as the Campbell Heights business park. There are several factors that affect the current market upswing. A primary factor raised by the industry professionals is the perceived stance of the current Provincial and Municipal governments. If the Provincial and Municipal government are viewed as business and development friendly, buyers (land developers) are willing to undertake additional projects. Should this perception change, due to a change of government direction or a change of government, the market will cool. Another factor affecting market swings is the shift in local demographics. If the population increases in a geographic locale, land that was once not cost effective to develop (due to its distance from markets) may become more attractive. Both these factors can introduce local areas of industry interest and in some cases introduce market growth. However, overall the industry is limited by the availability of product, and when viewed over the long cycle, the industry has low growth characteristics.

Regardless of nuances and distinction all areas of the market for government-sponsored land development share commonalities. The product itself is not new nor is the market new. As
such, the marketing strategy for any competitor is recommended to be a market penetration strategy. Figure 1 demonstrates the relationship of preferred market strategies to the existing products and markets.

Figure 1: Market Growth Direction

![Market Growth Direction Diagram]

*Source: Adapted from Bukszar, Ed, EMBA Strategy Seminar MBA 607 (Simon Fraser University 2004)*

Established, market-knowledgeable customers will be willing to make additional purchases only if product costs and the capital investment justify a sufficient return on investment. As the commercial development of land requires longer timeframes than other product purchases to return investment costs, it is not reasonable to expect purchasers to use the product more frequently (as a method of growing the market). The growth trend of this market is stable and the product life cycle is long. Therefore, the market is best characterized as low growth.

Interviews with officials of economic development organizations confirm that the market growth for the industry is best described as a low growth, mature industry. The mature industry typically lowers the threat of entry.
3.2.3 Learning Curve

In order to develop land for residential and commercial use, a government must undertake activities that may not normally be found in a typical municipal administration. These activities include feasibility studies, market research, industry analysis, and developer recruitment. If the municipality is assuming responsibility for regulatory compliance, these skills must also be considered part of the learning curve. Acquiring these new skills and undertaking these activities could be considered a significant learning curve for any administration. Due to the popularity of the industry, an Internet search will uncover numbers of consulting companies willing to undertake these activities on behalf of a local government. As the learning curve can be easily overcome, the threat of entry is increased.

3.3 Regulatory Government

There are significant aspects of government regulations affecting the land development industry. The potential requirement for environmental assessments including public hearings and the need to comply with zoning requirements add significant barriers to all commercial land development. These factors contribute to a negative impact on the commercial land development industry.

3.3.1 Environmental Assessment

The general public is very aware of the environment and support for environmental issues is particularly high among Canadians. A recent poll indicated, “...protecting the environment (76%) comes first among three items that Canadians say should be a priority for the new federal government.”34 Most new land development will require an environmental assessment before receiving the authority necessary to break ground. In BC, the Provincial Agricultural Land

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Commission (crown agency) is the body that regulates the development of agricultural land. Any local government must make an application to develop land. As well as paying the application fee the local government must hold a public hearing. The requirement to meet government regulations such as a complete environmental assessment process is a cost that must be borne by the supplier, buyer or by the competitor (municipality). If borne by the competitor, the extra costs will reduce the threat of entry.

3.3.2 Other Regulatory Compliance

The existence of federal, provincial, and municipal laws and regulations affecting zoning and other restrictions coupled with industry regulations is a considerable barrier for most land developers to overcome. The government sponsor should be prepared to aid the land developer (buyer) in this area. The economic development corporation for the town of Cochrane indicated that it would provide regulatory consultation and assistance commensurate with the need of the developer. This may result in a shift of the buyer’s challenges to the sponsoring government. In some cases the sheer number of regulations and the necessary (other) government and public consultation that must be completed prior to any land development will reduce the threat of entry.

3.4 Supplier Power

The suppliers to the industry can include:

- Financial institutions (suppliers of capital),
- Government Agencies (suppliers of capital, development advice),
- Private land owners (suppliers of additional land),
- Building supply companies
- Equipment rental companies
- Labour
- Consultants
- Professional services
Supplier power is not concentrated in the industry. There are multiple suppliers (even in the example of government grants there are competing federal and provincial programs) for a municipal economic development organization to broker with and the relatively dispersed nature of the various aspects of supply ensures that supplier power can be viewed as dispersed.

3.4.1 Threat of Forward Integration

Supplier power increases if the supplier has a credible threat of forward integration. In other words, if the supplier could enter into the same business or buy out the firm in question, the supplier can use this threat to exercise power. In the government sponsored commercial land development industry the firms are the municipal governments themselves. The suppliers to this industry have no credible threat to forward integrate, i.e., become a municipal government. Therefore, supplier power is reduced.

3.4.2 Federal and Provincial Agencies

There are numerous federal and provincial agencies such as FedNor, Northern Ontario Heritage Fund, Western Economic Diversification, with a mandate to encourage or promote economic development in Canada. This promotion activity can include the provision of business advice and direct funding through grants or loans. The service and financing becomes a supplier to the industry. Although a local community will only have one federal and one provincial government, there may be several distinct government agencies or sub agencies with financing available to a local economic development organization. In some instances, these government agencies may be in competition to supply services and financing to a local government.

The suppliers are limited to the federal or provincial government, and therefore, cannot be described as fully dispersed. However, the mandate of the government agencies (encourage or promote economic development) should ensure that they are unlikely to exercise supplier power within the industry. Shifting government priorities and bureaucratic changes to programs mid-
year do result in occasional instability related to government funding, however there is no
evidence that this instability is the result of a supplier (as described by Porter) exercising power.
As such, for the purposes of this project, the supplier power is established as low to medium.

3.4.3 Environmental Assessors

Large-scale commercial and residential land development will usually require some
degree of environmental review prior to any permit issuance. The level and sophistication of the
environmental review will depend on the location of the land in question and the size of the
development project. “British Columbia’s Environmental Assessment Act (the Act) requires that
certain large-scale project proposals undergo an environmental assessment and obtain an
environmental assessment certificate before they can proceed.” Environmental assessors and environmental consulting companies are readily available to assist with meeting the regulations should an environmental assessment be required. The lack of consolidation in the environmental assessment industry and the fact that assessments are not always necessary reduces the supplier power.

3.4.4 Labour

Labour is a significant supply component for commercial land development. The major
labour requirements such as construction workers are also a component of the developer’s
industry. A Canadian Federation of Independent Business survey conducted in 2001 raised a
concern that Canadian employers fear a shortage of labour, including construction trades, will
come at a price to the individual firm. “The end result is a higher number of jobs available than

people with proper qualifications to fill them.” Municipalities encouraging land development need to consider if labour availability is a negative or positive incentive in their value proposition for land developers. In general, as long as there is sufficient labour in the area to allow a land developer to hire locally (eliminating travel or re-location costs) supplier power is not affected. Should there be insufficient labour the government will have to prepare for the increase of supplier power foisted upon the land developer. If there is an abundance of labour available the government should be aware that this reduction of supplier power will allow the developer to offer lower wages. This should then become leverage for the municipality when competing for land development.

3.4.5 Building Supplies

Building and construction supplies are a significant supply component for commercial land development. They are also a component of the developer’s industry. Municipalities encouraging land development need to consider if the availability of building and construction is a negative or positive incentive in their value proposition for land developers. In general, as long as there is sufficient access to materials and suppliers are not concentrated supplier power is not affected. There has been considerable consolidation within the building supply industry in recent years within Canada. The top four retailers now account for 34.4% of building supply sales. When considering the industry within an urban environment, it is safe to assume that there are adequate numbers of suppliers and adequate supplies to the developer. This may not always be the case in more rural areas. Few building suppliers in rural areas would view a significant contract for a commercial land develop project as an opportunity to exercise supplier power. Overall, building suppliers are viewed as dispersed and will not contribute to buyer power.

37 Rachel Roth, “Consolidation in the Distribution of Residential Building Products”, Joint Centre for Housing Studies, (Harvard University 2003)
3.5 Buyer Power

Buyers in this industry are private sector entrepreneurs, land developers, large-scale commercial developers (Wal-Mart, Home Depot, Canadian Tire) and industry (Toyota, Alcan, ContainerPort Group). As access to large amounts of capital is necessary to be a buyer and buyers require considerable expertise in the market, buyer power is relatively concentrated in this industry. In addition, the investment necessary to undertake commercial land development is significant enough to potentially add to buyer power. A buyer requiring a large labour supply will carry even more buyer power. For example, an automobile manufacturer offering local jobs will be able to extract concessions from local governments.

However, buyer switching costs are high. Regardless of the ability to demand concessions from local governments, buyers are left with large capital investments and long-term return on those investments. These factors introduce switching costs for the buyer that ultimately reduces the buyer's power.

In order to further reduce the potential of buyer power within the industry the local government can introduce an economic development corporation. An economic development organization at arm's length from the governing council allows the local government to separate business interests from governing interests. The greater the freedom the economic development organization has to pursue commercial land development without the constraints of short-term political influence, the greater is the potential to reduce buyer power. The use of an incorporated legal body staffed with salaried economic development professionals further increases the real or perceived distance from the potential of government concessions.

Considering the consolidation within the buyer market, the high switching costs and the ability of the local government to mitigate the buyer power through the use of arm's length
development corporations, overall buyer power within the industry is best characterized as neutral to medium.

3.5.1 Commercial Land Developers

Major land developers, i.e., those with sufficient experience, equipment and capital to undertake larger projects are relatively concentrated. BC based developers such as Bosa Development Corporation are not only large players in the regional market but are multi-national and compete for development and construction contracts on a national or global level. The size of the land development project will determine the concentration of suppliers to a certain extent. Small to medium developments will attract local or regional land. Large land developments may attract regional and global land developers. The scale of the development may attract different size buyers (developers), however, regardless of the scale the bargaining power of the buyer is concentrated.

3.5.2 Significant Investment

Potential land developers view commercial land development projects as significant investments. Before a land developer is able to respond to a government bid or enter into negotiation with a local government, considerable research must be conducted on most aspects of the project. This research is necessary for the land developer to estimate their costs and potential return. Once a land developer is awarded the contract to develop the land, the investment grows. Equipment, labour, transportation and building supply costs vary with the size of the project but are significant enough to increase the buyer power.

3.5.3 Bidding Process

The potential concentration of land developers is offset somewhat by the bidding process that many municipalities offer. Some municipal economic development corporations use a
Request for Proposal (RFP) process that allows anyone meeting the prescribed conditions to submit a bid. Bids are compared for relative merit and some type of review board will select the winning bid. A bidding process can be used to encourage competition among interested suppliers. The bid process will reduce supplier power regardless of development size.

3.5.4 Switching Costs

Once the land developer (or major tenant in the case of retail development) is contracted to the land development project their switching costs are high. The cost associated with stopping construction or moving from occupied space is significant. In addition, the potential damage to reputation must also be considered as switching costs. The high switching costs serve to reduce buyer power.

3.6 Industry Rivalry

Government sponsored commercial land development is highly rivalrous. Municipalities located in the same geographic region are in direct competition with each other when pursuing economic development opportunities. A rivalrous industry reduces the attractiveness of entry. With the exception of product differentiation, all aspects analyzed below will increase rivalry.

3.6.1 Competitor Concentration

Economists typically measure industry rivalry using indicators of industry concentration. A high concentration of a market share by the largest firms (usually few firms) indicates a concentrated industry. With few firms dominating a market and holding a large market share, the competitive landscape has less competition. A larger number of firms, none with significant market share is said to be fragmented or highly competitive.

The number of competitors in the government sponsored commercial land development industry differs from region to region. The size of the regional market is not the sole determinant
for the number of competitor governments. Some Canadian cities have amalgamated many smaller municipalities into one regional government while others have not. The Lower Mainland of BC is a large urban centre that has a number of municipal competitors and could best be described as fragmented or highly competitive. Other regions may have only one or two municipalities and could be classified as concentrated. Each region must be examined independently in order to determine the impact the concentration of competitors has on industry rivalry.

3.6.2 Industry Growth

Land development in Canada has been expanding primarily through expansion of residential and commercial development. Geographic expansion has natural limits as developers require access to infrastructure such as transportation, services and markets. In urban markets this means land development is reaching natural limits as further expansion introduces costs that exceed returns. Canada is growing exceedingly urban and urban inhabitants demand services. Land developers wishing to provide these services are not restricted by demand but rather by the supply of cost effective land.

The various municipalities in Canada are well established and relatively few new municipalities have emerged in recent years. The strengths and weaknesses of each municipality are well known (or can be learned) by the development community. As a result of the above conditions, there is some growth within the industry but it should be considered low growth.

This lack of industry growth is usually viewed as a factor that reduces rivalry. However the emergence of First Nations (such as the Squamish and Osoyoos First Nations) as self-governed entities entering the government-sponsored economic development of land industry has resulted in industry growth as “new” land has been brought into the market. This has
subsequently encouraged land developers. This addition of new and previously unknown players increases the rivalry in the industry.

### 3.6.3 Product Differentiation

The product in this industry is the available land and the relationship with the municipal government. The relationship with the land developer is an important segment of the product. A good track record or the industry perception of a positive working relationship with developers will differentiate the government’s product. An example of a perceived challenging working relationship would be the recent applications for big box retail outlets in the City of Vancouver. “Vancouver has a reputation outside of the province of being a municipality that is difficult to deal with, said Jock Finlayson, a vice president with the Business Council of British Columbia. City hall has numerous regulations and requires a lot from new business, he said.”

The physical characteristics of the land, including accessibility to markets, accessibility to infrastructure and services, view, soil composition etc, make every piece of land different. The fact that the governments can control the relationship with land developers and that each piece of land possesses different attributes, ensures tremendous product differentiation within the industry. This product differentiation reduces the rivalrous nature of the industry.

### 3.6.4 Exit Barriers

The literal exit barriers for a government to leave the industry of competing for economic land development are low. The government simply stops actively offering incentives to commercial and residential land development. There may be some Economic Development Officers on staff or some consulting contracts to terminate but there are few capital assets involved. In reality the exit barriers for a government are intangible but significant. The political

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38 Robert Matas, “Council defends rejection of Wal-Mart” appearing in the Globe and Mail Newspaper, June 30, 2005
implications for any government admitting that they were exiting the industry of actively supporting economic development in their community are significant. In some cases municipal politicians are reluctant to campaign on a platform of passive or non-support of economic land development. By extension, few civil servants are willing to risk their careers by leading the exit from the economic development business.

When joint commercial ventures between the local government and a buyer (developer) are involved the local government’s involvement and obligations exceed the initial investment. In these cases there is an ongoing connection to the commercial land development. In addition, the product of the industry (land on which development occurs) has a long lasting, highly visible, effect on the community. This ensures commercial land development projects are undertaken with the long-term in mind. The exit barriers in the government sponsored land development industry are high and contribute to rivalry.

3.6.5 Cost Structure

Governments have different cost structures to consider when encouraging commercial and residential land development in their communities. The cost of land, whether through outright sale or through lease, is affected by the market rate for land. Choosing the price to offer to land developers is a major decision for a government. Taxation rates (mil rates and corporate tax rates) are not normally within the control of the local municipal government and are a major factor in determining a government’s value offer to potential land developers. The availability and salary rates of the potential labour market are a component of the cost structure that is not completely within the control of the government but do vary from municipality to municipality and will affect the cost structure of the competing government. The availability of infrastructure such as roadways, water, sewer, natural gas and electricity are a component of cost structure that varies significantly from location to location. Governments can and will subsidize the addition of all
infrastructures to a development location and have also been known to subsidize the ongoing rate of utilities for preferred economic developers. The variance in cost structures (that a government can offer a rent-seeking land developer) increases the rivalry of the industry, as they are not controlled by strictly economic conditions.

3.6.6 Non Perishable Goods

Land is non-perishable and in most cases increases in value over time within major urban areas in Canada. The relationship the local government establishes and maintains with the land developer can be viewed as subject to change as government officials change through election. This change could be considered to make this aspect of the product perishable. Although the land is not perishable but there is potential for the relationship to be perishable. Therefore, this aspect of rivalry can be viewed as increasing or decreasing.

3.6.7 Elected Officials

Politicians are elected to lead local governments. The term of the government is finite. The term of local governments in Canada is typically two to four years. All government officials are subject to removal from office if the electorate (or the party leadership or the community) do not approve of the elected government officials’ ability to achieve the sought after local goals. This contributes to a relatively short term planning process for the local government and an emphasis on making deals and public announcements. This short-term motivation of local governments contributes to rivalry within the industry.

3.6.8 Development Corporations or Commissions

As discussed above, elected official have mandated terms and short-term motivations that do not align with the interests of the business community. In addition, elected councils may experience lobbying or pressure from the existing business community to reduce competition that
might result from new developments or to introduce competitive forces that are not in keeping with free market conditions. In order to offset the political nature of local governments’ control of land development, a governing council can choose to create a separate organization to handle land development. Incorporating a new entity solely for the purpose of economic land development, legally separate and distinct from the municipality or governing council, can create the perception of independent thought and direction removed from the political influence of governing councils. Many towns and cities in Canada have created such organizations but it is by no means a standard practice nor is the creation of such an organization determined by the size of the municipality.

In addition to creating a stand-alone economic development corporation, staffing the economic development organization (whatever form it takes) with salaried employees at arm’s length from the governing council will help ensure the politics associated with the governing council are distanced from the business of economic development. Fiscal Realities, Economists offer a further explanation:

“When jurisdictions compete for investment, they essentially provide assurances that they will provide good quality services relative to tax rates. Investors will be reluctant to put their money at risk in any jurisdiction where this does not hold. The reassurance that investors require is a good track record, readily understandable and accessible financial reporting, clear rules and processes for decision making and commitments that are enhanced through a jurisdiction’s own policies and laws and even performance measures.”

This ability (and perception in the buyers mind) for economic development officials to “stay the course” regardless of election results offers a distinct advantage. This approach to land development as a business somewhat offsets the detrimental influence of the elected council.

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3.7 Threat of Substitutes

There are very few, if any, substitutes for land. Developers wishing to build new condominiums, office buildings or shopping malls must do so on available land. If the overall economy does not support economic growth, the market for land development slows or stops but there is no substitute in place. There is simply the absence of a market. For the purposes of this industry analysis, the threat of substitution is low.

3.8 Industry Analysis Model

In this industry analysis, the City of Surrey and the town of Cochrane were studied to form a municipal industry benchmark. The focus is on governments that have land and the power to develop it. As demonstrated, in the industry of government supported commercial land development, private sector, corporate land developers are considered buyers; federal and provincial government agencies, environmental assessors and labour are considered suppliers; and other governments sponsoring commercial land development are considered competitors.

The rivalry among competitors can be classified as high or rivalrous; there is industry growth, the exit barriers are high, the cost structures can vary, and elected officials can be key decision makers. All these factors contribute to high rivalry among competitors. These factors are offset somewhat by the product differentiation that is possible, the non-perishability of one component of the product, and by the introduction of arm’s length development corporations. The former factors are not sufficient to change the rivalrous nature of the industry. The rivalry makes the industry less attractive to potential entrants.

The threat of new entrants to the industry is low. The initial investment required by a new entrant is limited; however, the market growth is very limited and the possibility of industry clusters further discourages entrants. As new entrants are essentially new governments, few new industry entrants are expected. This makes the industry attractive to a new government.
The bargaining powers of industry suppliers are dispersed. There is no credible threat of forward integration on the part of suppliers. The federal and provincial agencies that supply services and financing are unlikely to exercise bargaining power. In addition, the environmental assessors supplying services and the building supply industry supplying material are too dispersed to exercise power. The supply of labour depends somewhat on the nature of the land development initiative and thus has a neutral effect on the supplier power. The dispersed nature of suppliers makes the industry attractive to entry.

The bargaining power of customers is neutral to medium. The concentration of commercial land developers and the high investment costs increase the bargaining power of the buyer. However, the use of a bidding process such as an RFP and the high switching costs offset the power, reducing it to near neutral.

The significant industry impact and influence of regulatory government will discourage other industry entrants. The requirement to hold public hearings or complete environmental assessments or meet zoning requirements is a heavy regulatory burden. This is a financial and time burden to the industry.

The threat of product substitution is almost non-existent. Other than changing end consumer patterns there is no substitute for land. This lack of a product substitute threat makes the industry attractive to entry.

Overall, other than the rivalrous behaviour among the existing competitors, all other factors analysed would indicate that this is an industry that is attractive to enter. A government sponsored commercial land development organization, which is prepared to address competitor rivalry, should be able to find success within the industry.
Figure 2 visually demonstrates the forces discussed in this chapter and the impact of the forces within the industry of municipal government sponsored commercial land development.

Figure 2: Government Sponsored Commercial Land Development

Source: Adapted from Buksz, Ed, EMBA Strategy Seminar MBA 607 (Simon Fraser University 2004)
4 STRUCTURE AND PRACTICES OF MUNICIPAL ECONOMIC DEVELOPMENT ORGANIZATIONS

As First Nation commercial land development cannot always be compared directly to Porter’s model, this chapter further develops the successful practices of non-native municipal governments in order to better compare municipal and First Nation commercial land development. The chapter concludes with a proposed ideal relationship model for government or community based commercial land development organizations. The analysis in chapters three and four establishes a non-native benchmark.

In order to establish a benchmark of existing municipal economic development organizations structure and practices, officials in the City of Surrey, BC and the town of Cochrane, Ontario were interviewed. Their responses are amalgamated to form this portion of the project. The city of Surrey (population 347,825) is located in the metropolitan area of BC known as the Lower Mainland. The population of the Lower Mainland is approximately two million. The town of Cochrane (population 4,000) is located in the rural James Bay Lowlands of Northern Ontario.

4.1 Relation of Economic Development Organization to Governing Council

Where they exist, there are three economic development structures, each with a distinct relationship to the governing municipal council. The first is a committee, established by the council, answering to the council and receiving direction from the council. Typically this type of committee is formed by existing members of the governing council and may be supplemented by

40 Ibid Mary Ann Smith, City of Surrey
41 Ibid Jean Pierre Ouellette, Town of Cochrane
volunteer members of the community. This is an inexpensive method for smaller municipalities to enter the land development industry. The second is an arm of the existing Planning Department or a stand-alone division or department reporting to the Planning Department or City Manager. The third is a distinct corporation or commission, perhaps established as a not-for-profit corporation under provincial legislation. The letters patent granted by the province outlines all responsibilities and authorities of the corporation, distinct from the municipality. As the corporation has the independent authority to hire staff, purchase equipment and land and enter into legal agreements, there are advantages to the corporation including the perception of independence (from the governing council) and the freedom from doing business in a politicized forum. This type of organization allows the municipality to approach economic development in a free market environment.

Outside business interests and land developers generally seek potential partners with stable management policies as capital investment typically requires time periods of five to ten years to allow for sufficient return on investment. With this mind, municipal economic development corporations hire managers and staff unrelated to the individual members of the governing municipal council. The terms of employment in the corporation follow general business practices and are not tied to election cycles. Ideally, this separation of elected officials and economic development staff allows for a continuation of direction for the corporation that outlasts changes resulting from elections. In practice, staff of the economic development organization is not truly exempt from political influence as they remain employed by the municipality and the affairs of the municipality are influenced by the elected governing council.

Another relationship of the economic development organization to the governing council that is important to clarify is the point of entry for buyers with development proposals. Ideally potential buyers approach the economic development organization with development proposals and not the governing council. A land developer approaching the governing council first is clearly
signalling that the political connection to the elected officials is more important than the “free market” conditions that the distinct economic development organization promotes. The interviews conducted did not conclusively demonstrate that all land development proposals were initiated through the economic development organization.

4.2 Relationship to Competitors

Both municipalities interviewed saw neighbouring municipalities as direct competitors for the customer. There is indication that the municipalities would cooperate in some areas (tourism promotion was quoted) where economic gains would be enjoyed by more than one municipality. Commercial land development is competitive as the surrounding community or municipality receives the majority of the economic gains.

4.3 Evaluation of Economic Development Opportunities

Economic development organizations frequently use a formal established process to evaluate opportunities. There can be limits to the variances of the opportunities as municipal land use is bound by zoning restrictions. Where there is an abundance of available land for development and limited interest from prospective buyers, the evaluation process is simply confirming that the land developer conforms to the existing regulations for land use and has the necessary permits in place. In this case, the free market is evaluating the available economic development opportunities.

Municipalities often prioritize the types of business opportunities available and will seek only those opportunities that are thus identified. Typically this prioritization is communicated in a business or community development plan. Each development proposal is evaluated on its own merits relative to the desired benefits. The Community Development Corporation (CDC) of the town of Cochrane follows a Municipal Land Disposition process that is established by a
municipal by-law. This process allows developers to submit a bid to the RFP process. The City of Surrey has invested considerable resources into an Official Community Plan map that identifies the desired type of land development (suburban, urban residential, multiple residential, commercial, business, industrial) in specific areas of the municipality.

Once the bid submission or application for development process is completed the merits of each development opportunity is compared to a pre-established list of municipal priorities or regulations. Smaller communities located in economically depressed regions will pursue municipal priorities and rate job creation possibilities above revenue generation through taxes. Larger cities located in high economic growth regions benefit from greater interest from land developers. The City of Surrey is in a high growth region and can afford to pursue municipal priorities such as reducing smokestack industry and increasing high tech industry.

Who reviews the economic land development opportunities is as important as the evaluation methodology and the municipal priorities. In many municipalities including Cochrane and Surrey, the governing municipal council reviews and evaluates the RFP bids or zoning changes that would allow land development and renders a decision. This step politicizes the evaluation of economic land development. The potential of political influence over development decisions was brought to light in a recent Vancouver decision to reject approval for a Wal-Mart store. In this example, the developer Wal-Mart purchased land and completed a development bid that was supported by the non-elected staff of the economic development organization in the municipality, including the Director of Current Planning and the Director City Plans43. The governing city council rejected the development proposal43.

4.4 **Subsidy to the Buyer**

Municipalities are limited in their abilities to provide any preferential treatment to business due to public processes created for fairness. In Ontario the Province governs the activities of a municipality. Unless specified in the Municipal Act, or other legislation, municipalities are not allowed to compete or operate in the private sector. However, some legislation does authorise a municipality to enter into a variety of ventures. The Cochrane CDC is incorporated under the Business Corporations Act of Ontario, and is not subject to the same stringent legislation as the municipality. The CDC has natural person powers. It is a corporate entity that can operate under the same regulations as other corporations. As a not-for-profit corporation, without share capital, any profits derived from its activities must return to provide the services it is mandated to do. The CDC is able to encourage development and provide incentives to existing or new industry to stimulate development.

Economic development organizations can do more than simply prepare to enter the industry, they can subsidize the industry. As outlined earlier economic development organizations are prepared to provide services for potential land developers, which in practice, will lower the cost of investment for the buyer. Depending on the development opportunity and the benefit for the community, the Cochrane CDC will provide:

1. Business consultation services,
2. Information on provincial or federal government grants available and application assistance,
3. Municipal permit (approval services) processing,
4. Information and guidance to meet Provincial or Federal regulations, and
5. Direct capital funding

The City of Surrey does not go to this extent (nor does it have to) to subsidize the industry but it will also assist buyers with business advice and municipal permit assistance.
In addition, the economic development organization can provide land at below market costs. Should the municipality own land, this subsidy is often used. It must be noted that not all municipalities own land. One method of accomplishing this is to offer unserviced land (land without water, sewer, electricity, or road access) to the developer at market rates, but then provide the infrastructure to service the land at reduced or no cost to the land developer. Another method to provide land at below market cost is simply to offer potential developers free or nominally priced land ($1 per acre) in order to subsidize the development and encourage the buyer.

4.5 Sources of Capital

If the economic development organization is willing to consider subsidies or to enter into joint partnerships it must have ready access to capital. The Cochrane CDC does have access to small amounts of private capital but typically applies for provincial or federal grant funding. There are other government programs such as The Northern Ontario Heritage Fund and Fednor, which will provide grants to encourage land development in northern communities. Larger municipalities may have collateral or current revenue streams to borrow against or be able to issue bonds or may simply have sufficient revenue from a tax base.

4.6 Use of Outside Consultants

The technical requirements (industry specific knowledge, requirement to meet strict federal environmental conditions) of the economic development proposal often require the participation of individuals with specific knowledge, skills, or expertise. If the economic development organization does not have staff with the necessary skill-set, outside consultants must be engaged. The Cochrane CDC and the City of Surrey Economic Development Office use outside consultants on an as needed basis, and are used for cost or time saving, for technical advice and to maintain an arm’s length relationship with the project. As the use of consultants increases the cost of delivering the product, they are used sparingly. The cost of the consultant
may be passed on to the buyer, if the developer hires the consultant, or the cost may be a subsidy to the product if the economic development organization absorbs the extra costs.

4.7 Joint Ventures or Partnerships

When encouraging or considering a land development opportunity, the economic development organization might encounter a situation where the developer is willing to offer partial ownership in the land development project in exchange for a reduced initial investment on the part of the developer. This can occur when the developer does not have sufficient capital to undertake the project alone, or does not wish to assume all the risk of the development alone, or the economic development organization is seeking part ownership or a joint venture.

The City of Surrey entered into a partnership of sorts with the Campbell Heights Business Park. The development of former agricultural land into a business park could not rely on a buyer or land developer alone. The City of Surrey owned some of the land in the area and entered into a development partnership with land developers to realize the development opportunity. The city was able to provide infrastructure services to the land (incurring $22 million in costs to the city) which enabled the developer to invest resources into further development and ultimately resulted in selling 260 acres to end users within eight months.

In smaller economic centres such as Cochrane, the economic development organization may have priorities to provide local employment or to generate cash flow or to assume risk for projects in order to encourage economic development. When the conditions are right for the developer and the economic development organization, joint partnerships will be undertaken. The economic development organization must be clear on the desired amount of equity sought in these arrangements. Obviously 51% of a joint venture will allow the holder to control the actions and decisions of the joint venture. While joint ventures can be a desired outcome of the economic development organization, from the industry viewpoint they could be a direct subsidy. If the
developer is unwilling or unable to provide sufficient capital to develop the land and the economic development organization provides additional capital, this is an industry subsidy.

4.8 Measures of Success

Communities approach economic development of land for different reasons. Although the same basic benefits are sought, e.g., enhance the economic base of the community and expand the tax base, each community may prioritize the specific benefits in order to address the most pressing local need.

The Cochrane CDC indicates that the first priority for an economic development project is job creation. The other factors of success that are measured annually are indices that measure the community's economic health such as; housing market prices, rental occupancy rates and new housing starts.

4.9 Relationship Model

In order for the economic development organization to be competitive in the commercial land development industry the relationships between the development organization and the governing council, the decision making process, the access to financing, and the competitor municipalities must be appropriate. Figure 3 visually models the ideal relationships.
Potential buyers (land developers) prefer to deal with officials who approach land development with business motivations, not political motivations. In addition, potential buyers prefer to deal with officials with a sufficiently long time frame to return value from the investment. As the governing council is politically motivated and is elected to short terms, neither condition is met in the viewpoint of the buyer. The further the development corporation can distance itself from the governing council the better positioned it is to be competitive. The distance can be accomplished by staffing the development corporation with non-elected officials, not related to the governing council. Ideally, the development corporation should not turn over staff following an election change at the governing council level.

In order to evaluate development projects, the development corporation requires a solid decision making process. It has not been shown that one model of decision making is preferred over another, however, the decision making process should be clear to the buyer, and must be as
close to the development corporation as it is distant from the governing council. In other words, the decision making process should remain business oriented (to appeal to the buyer) and not become politicized by the governing council.

Subsidy in the land development process has been shown to exist within the industry. Governments will practice and/or encourage this practice in order to benefit from political gains. Any development corporation wishing to remain competitive must be willing to subsidize the process. Subsidization requires access to finances. In addition, certain land development options will require access to capital. In order to visually represent the preferred easy access to financing and a means to subsidize, Finance and Subsidy is closely situated to the development corporation.

As with any industry there are competitors. In this industry other governments or municipalities are competitors for the development corporation. In the ideal world, your competitors will not engage in competitive practices that result in a reduction of the overall market. There are opportunities for competitor municipalities to work closely together to ensure the market continues to grow and this relationship is visually demonstrated by decreasing the distance between the development corporation and the competitor municipalities.

Figure 4 offers a visual representation of the non-preferred relationships between the development organization, the governing council, the decision making process, the access to financing and the competitor municipalities.
The development corporation is closely linked to the governing council; there is little separation between the elected council and the business of the corporation. In addition, the decision making process is distant from the development corporation and is closely linked to the governing council, making the evaluation process politicized. The development corporation has no easy access to financing and it also unable to subsidize. Finally, the development corporation has non-existent or poor working relationships with competitor municipalities.
5 OSOYOOS INDIAN BAND – CASE STUDY

This chapter contains a case study of the Osoyoos Indian Band and its practices related to commercial land development. The chapter concludes with a comparison (to the ideal established earlier) relationship model diagram.

In order to compare the First Nation against the established benchmark of existing municipal economic development organizations, officials in the Osoyoos Indian Band Development Corporation (OIBDC) were interviewed for this project. The responses are summarized and quoted to form this portion of the project.

5.1 History of the Osoyoos Indian Band

"Excavations in Osoyoos show that the Okanagan Indians were here for many centuries. They depended absolutely on nature for their livelihood, and storing supplies for winter. They were survivalists, making their own medicine from roots, herbs, and balsam wood. Our people still follow these traditions today, which help to keep us strong and free of disease." The Osoyoos state that according to their history and tradition, they were rulers of what is now the Okanogan valley. Their traditional territory stretched from Vernon to Brewster (Washington) and from Princeton to the Arrow Lakes.

5.2 Existing Reserves

INAC lists 13,052.3 hectares on two reserves under control of the Osoyoos. The reserve was allotted November 21, 1877. This includes Osoyoos Reserve No. 1, which is described as

44 Chris Scott, Chief Operating Officer, Osoyoos Indian Band Corporation, interview June 26 and 27, 2005
12,987.6 hectares "at the head of Lake Osoyoos" and Osoyoos Reserve No. 3, which is described as 64.7 hectares "on Mica Creek ½ mile east of I.R. No. 1,3 miles Northeast of Osoyoos." INAC has devolved community and economic development including the development of economic strategic plans to the Osoyoos Indian Band.

5.3 Osoyoos Commercial Land Development

"Chief Louie means business." The economic development section of INAC's own web-site recognizes Chief Clarence Louie and the Osoyoos Indian Band for their approach to economic development of First Nations land, putting it at the top of the economic development list. "Aboriginal people should be able to design their own future," states Chief Louie. "We are business people much like yourself." "Our goals are basically the same as your goals, to build a strong future, to pursue the good life, prosper from our investments and earn our place in the local economy, thereby earning our freedom."

To meet their economic development goals, which include reducing dependency on government funding through own source revenue generation, the Osoyoos Indian Band created the OIBDC. The mission statement of the OIBDC reads:

"The Osoyoos Indian Band is committed to achieving economic self-sufficiency within its businesses by the year 2005. This will be achieved through the training and education of our people which ensures that Pride of Heritage will guide us in developing our resources optimally both in socio-economic terms and for the benefit of future generations."

The OIBDC is lead by Chief Operating Officer Chris Scott. Chris Scott oversees the nine different businesses that operate on the reserve. The OIBDC seeks further commercial land

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48 Ibid
development opportunities including resort complexes, single and multi-family residential units, and manufacturing and service facilities.

5.4 Relation of Economic Development Organization to Governing Council

The OIBDC is a provincially (BC) incorporated company. The OIBDC owns one share of each of the businesses under the OIBDC umbrella. The Osoyoos Indian Band is the sole owner of the OIBDC and all other businesses. The Chief and Council hold the shares in trust for the Band. The elected Chief and Council as well as past Councillors make up the Board of Directors for the OIBDC. The Chief Executive Officer (CEO) of the OIBDC is the elected Chief of the Osoyoos Indian Band (Chief Clarence Louie). Figure 5 shows the organization of the OIBDC. Should Chief Clarence Louie lose the next election, the new Chief and Council would pass a resolution to remove the previous Board of Directors. The term of the Chief and Council is two years. The Chief Operating Officer (COO) of the OIBDC is employed without a specified term of office.

Commercial development of Band land is a both an economic and political issue for the Osoyoos Indian Band. The current organization structure is the result of Chief Louie’s vision for business development on the reserve. A new Chief and Council could dismiss further development of Band land. The support for land development and addition of own source revenue to the reserve is the recent direction set by Chief Clarence Louie.

The promotional literature and Internet site of the Osoyoos Indian Band clearly direct potential buyers (land developers) to make enquiries to the OIBDC and not with the Band Council. It is not clear if all land development proposals are initiated within the OIBDC.
5.5 Relationship to Competitors

The Osoyoos Indian Band maintains a close, cooperative relationship with the two municipalities that are nearest the reserve. Chris Scott describes the relationship with the town of Oliver and the town of Osoyoos as "remarkable". The towns and the Osoyoos Indian Band share council meetings, business meetings and planning sessions. When marketing studies are undertaken the towns of Oliver, Osoyoos, and the Osoyoos Indian Band share the costs jointly. The two municipalities are viewed as significant supporters of the Band's economic development initiatives.

Source: OIBDC Internet site (used with permission)
5.6 Evaluation of Economic Development Opportunities

The Band evaluates each development opportunity on a case-by-case basis. Typical business analysis such as internal rates of return and return on capital are evaluation factors. Bankers are also a critical part of the evaluation function as each project the Osoyoos undertake should be bank supportable. In addition to evaluating the development opportunity on a financial basis the employment opportunities (creation of) are important. Youth employment is a critical factor affecting the future of the community. Twenty seven percent of the First Nation is under the age of 14. This demographic is dissimilar to non-native communities.

The Osoyoos are willing to hire and employ non-First Nation employees in the Development Corporation and do so if band members are not sufficiently qualified to carry out the required activities. Chief Louie is outspoken on this subject and all First Nations do not universally embrace his practice of hiring non-band members in key on-reserve businesses.

The culture of the Band enters the decision making process. The Osoyoos have a sensitivity to land development and despite the relative success of land development projects, there is a sense that future development projects may be less land dependant and more capital dependant. Every commercial land development project requires a referendum for community consent.

5.7 Subsidy to Buyer

As outlined earlier, municipal economic development organizations are prepared to provide a variety of services for potential land developers, which in practice will lower the cost of investment for the buyer. The Osoyoos Indian Band is not able to offer the same subsidies to a potential developer. Due to the lack of internal capacity (educated, trained, experienced staff) the Osoyoos Indian Band is not positioned to offer business consultation services to developers. The
Osoyoos Indian Band has limited access to capital and cannot easily subsidize a buyer in this manner.

Land on reserves cannot be sold so it must be leased. The lease prices of the land can be lower than the non-native market; however, the actual set lease price is determined by outside federal government agencies (PWGSC) using criteria deemed appropriate. Therefore, the economic development organization may be able to provide land at below market costs or may not.

5.8 **Sources of Capital**

Ready access to capital is a critical success factor in any land development initiative. First Nations typically cite access to capital as a key success factor in becoming self-sufficient. The Osoyoos Indian Band Development Corporation does have access to private capital financing on a case-by-case project basis. The access to the provincial or federal grant funding quoted by the Cochrane CDC is also available to First Nations. Bands themselves are not legal entities. Legal entities are individuals, partnerships or corporations. Therefore, the funding is usually only available to a legal entity, i.e., not a Band.

A legal entity within the Band membership, e.g., a corporation, can apply for loans from financial institutions using leasehold interest. The leasehold interest is registered against the title to the reserve in the Indian Lands Registry. The leasehold interest is similar to the leasehold title in Provincial law. Once the First Nation has voted to designate reserve land for lease, the Crown enters into a head lease with a Band economic development corporation for the designated land and the Band Corporation can apply for a mortgage with a financial institution. The leasehold title (interest) is used as security for the mortgage loan.
INAC did provide support for commercial development initiatives including access to capital (Major Business Projects Program, Economic Development Opportunity Fund and Resource Acquisition Initiative) but these specific programs have been discontinued due to federal government expenditure reductions. The INAC Economic Development Program Guide for 2005 identifies the Community Economic Opportunities Program and the Community Economic Development Program as current sources of funding available to First Nations. Access to this type of funding is subject to the significant requirements of a large government regulatory bureaucracy.

5.9 Use of Outside Consultants

The technical requirements (industry specific knowledge, requirement to meet strict federal environmental conditions) of the economic development proposal often require the participation of individuals with specific knowledge, skills, or expertise. As stated earlier the internal capacity of the First Nation determines if there are individuals with the necessary skill-set. The Osoyoos Indian Band relies on internal reports as much as possible but will also use outside consultants on an as-needed basis. As the use of consultants increases the cost of delivering the product, they are used sparingly. The cost of the consultant may be passed on to the buyer, if the developer hires the consultant, or the cost may be a subsidy to the product if the OIBDC absorbs the extra costs.

5.10 Joint Ventures or Partnerships

The Osoyoos Indian Band already has experience with joint ventures. Chris Scott acknowledges that the Band may have made a few mistakes in the past, “JV’s are like marriages and have the same likelihood of success.” Nevertheless, the use of joint ventures provides risk management for the Band and offers outside business management expertise where this expertise is not available within the community. When entering a joint venture the Band will seek 51%
ownership of the venture but is willing to defer management to the other partner if more appropriate. The OIBDC is currently seeking more joint ventures.

5.11 Measures of Success

This First Nation is embracing economic development as an issue of sovereignty and not just a means of introducing own source revenue and internal capacity building. According to Chris Scott the Osoyoos Indian Band identifies the key success factors for economic development projects as:

- A strong, realistic business plan with minimum five years and preferably ten years of cash flows
- Positive external marketing support throughout the project
- Positive internal communication programs, legitimizing the vision within the community
- Support of adjacent communities
- Endorsement from senior decision makers within the First Nation and business people

5.12 Relationship Model

Figure 6 models the relationships discussed in this chapter.
The Osoyoos Indian Band is well positioned when compared to the ideal relationship model. The OIBDC is a separate and legally distinct economic development corporation, with salaried officials un-related to the Band council. This separation of the governing council and business of economic development positions the OIBDC well to compete within the industry. The elected Chief remains the CEO of the OIBDC and the corporation is not free from political influence, however, this lack of distance is common in most cities and towns and the Osoyoos are not unduly disadvantaged. The OIBDC uses a business model to evaluate land development projects modelling the ideal relationship. The close relationship with the neighbouring towns of Oliver and Osoyoos marks the near ideal in the relationship model. The introduction of the entire Band as a decision making body differs from the municipal model established. This cultural view of the community as a whole is unique and important to understanding First Nations.

Acknowledging the importance of community involvement and support, this additional relationship could put the Band at a competitive disadvantage. Finally, the Osoyoos may not model the ideal relationship with access to financing and the ability to subsidize.
6 SQUAMISH NATION – CASE STUDY

This chapter contains a case study of the Squamish First Nation and its practices related to commercial land development. The chapter concludes with a comparison (to the ideal established earlier) relationship model diagram.

6.1 History of the Squamish Nation

“The Squamish Nation is comprised of Salish peoples who are descendants of the aboriginal peoples of the present day Greater Vancouver area; Gibson’s Landing and Squamish River Watershed.”50 The Squamish claim the Lower Mainland of British Columbia (BC) as traditional territory. No treaties were ever signed with the Squamish and thus the title to lands and resources in this territory were never ceded to the crown. The Squamish have entered into treaty negotiations with the Canadian federal and BC provincial governments to establish land title and self-government.

6.2 Existing Reserves

INAC lists 23 reserves under control of the Squamish. This includes Capilano Indian Reserve No. 5, which is described as 155.6 hectares “on North Shore of Burrard Inlet at the First Narrows, North end of Lions Gate Bridge.”51 INAC has devolved community and economic development including the development of economic strategic plans to the Squamish First Nation.

6.3 Squamish Land Development

“Recent decisions by the Supreme Court of Canada have effectively ruled that the provincial and federal governments must consult with first nations before pushing ahead with economic development in their traditional territories. In the Lower Mainland, however, the prospect of high rise apartments on Indian land at the north end of the Lions Gate Bridge has put the shoe firmly on the other foot.”

The Squamish have developed the Capilano Master Plan. The Squamish Nation, much like other governments is eager to ensure the economic benefits of land development are available to their Band members. The Plan indicates 39.5% of the Capilano Indian Reserve No. 5 land area will be proposed for economic development in order to generate revenue for the Squamish.

6.4 Relation of Economic Development Organization to Governing Council

The Squamish First Nation does not have a separate and distinct economic development commission or corporation. The Squamish Nation has 16 hereditary chiefs. Sixteen Band Councillors are elected and the elected Councillors choose a Chief. The Chief then assigns Councillors to various committees. The current Squamish Council has four elected, hereditary Chiefs; Chief Gibby Jacob, Chief Floyd Joseph, Chief Dick Williams and Chief Bill Williams, who is also Chairman of Band Council. A council quorum exists with eight of the sixteen elected Councillors present and the term of Band elections is every four years.

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52 Editorial- “First nations developers are best to get neighbours onside” appearing in the Vancouver Sun Newspaper, (November 30, 2004), A14.
Economic development activity on the First Nation is conducted through the Economic Development Committee and there are three Councillors of the Squamish Nation on this committee. Chief Jacob sits on the committee for land issues and economic development and is the official spokesperson for the Band. Chief Jacob was first elected in 1981 and has been re-elected at every election since.54

Studies published by Fiscal Realities produced a key finding that current First Nation governance has artificially raised the costs of investment projects (when compared to non-First Nation investment projects). Their studies estimated that, on average, it took “four to six times longer to get final approval for a major investment project on-reserve versus off-reserve.”55 This is a competitive disadvantage as it raises professional costs and delays cash flows or returns for investors and they must wait for operations to commence.

Because of the resource limitations of not having a Band owned corporation staffed with arm’s length (from the Band Council) employees, qualified Band Councillors need to perform political and business administrative roles. Potential buyers are left with the perception of political influence on commercial land development projects.

6.5 Relationship to Competitors

When considering the addition of the Squamish as competitor for North and West Vancouver, the Vancouver Sun newspaper concluded, “Whether the North Shore municipalities and their residents like it or not, the Squamish Nation is poised to become a similar entrepreneur and developer. In addition to its prospective development on the Capilano reserve, it is a joint-

54 source biography of Chief Gibby Jacob, Vancouver 2010
venture partner in a deal to develop a $75-million, 430,000-square-foot shopping centre on 18 hectares of aboriginal land at Seymour Creek in North Vancouver.\textsuperscript{56}

In her paper studying the commercial development opportunities for land within the City of North Vancouver, Isabel Gordon (an employee with the City of North Vancouver) wrote,

"...the City geographically surrounds a portion of the Mission Reserve of the Squamish First Nation. With such close proximity, one might assume that the City and the Squamish First Nation were managing many interests in common, but in fact, the relationship is a rather distant one. For historical reasons, the First Nations are oriented towards dealing with the Federal Government, and do not really regard the municipality as their equal...The City has little experience in this area, and while there may be much to be gained from a closer relationship, the City really has little to go on."\textsuperscript{57}

6.6 Evaluation of Economic Development Opportunities

"The rapid growth of Vancouver as an urban centre has presented challenges to the Squamish Nation Council and membership. The strategic location of Squamish reserves near Vancouver has meant that there has been increasing demand for development that has challenged the Squamish Nation Council and administration to adapt rapidly and develop additional capacity in terms of their ability to respond to development proposals."\textsuperscript{58}

Evaluation of economic development opportunities for the Squamish Nation is not a documented process or if the process is documented it is not shared. It is likely the Band Council and/or the Economic Development Committee evaluates each development opportunity on a case-by-case basis. When Westfair (owners of the Real Canadian Superstore) was interested in building a grocery store on Seymour Creek I.R. No. 2, they began with conversations with members of the Squamish Nation Council, and then submitted a written initial proposal to the Band administration office. The Band Council determined if it was an appropriate use for reserve land.\textsuperscript{59} As is required by the Indian Act every commercial land development project that requires

\textsuperscript{56} Ibid Editorial- Vancouver Sun, (November 30, 2004)
\textsuperscript{57} Isabel V. Gordon, "Industrial Site to Tourist Attraction: A Strategic Analysis of Opportunities for "Parcel 9"", (Simon Fraser University 2004)
\textsuperscript{58} Ibid, "Expanding Commercial Activity on First Nations Lands"
\textsuperscript{59} Ibid
a land designation change also requires a Band referendum for community consent. Should the reserve land in question already be designated for commercial use (as was the case in the Real Canadian Superstore development) this step is not required.

6.7 **Subsidy to Buyer**

As outlined earlier, municipal economic development organizations are prepared to provide a variety of services for potential land developers, which in practice will lower the cost of investment for the buyer. The Squamish First Nation is not able to offer the same level of subsidies to a potential developer. Due to the lack of internal capacity (educated, trained, experienced staff) the Squamish First Nation is not positioned to offer business consultation services to developers nor assist the developer in fast tracking regulatory permits. However, the Squamish have significant experience with land development on their reserve land (Seymour Creek Golf Centre, Lynwood Marina, Real Canadian Superstore, Park Royal Shopping Centre, Park Royal Towers, International Plaza, the Village at Park Royal) and are positioned to share this specific knowledge with chosen buyers.

There are the similar institutional impediments that make financing or long term borrowing difficult on the reserve. A discussed earlier, First Nation land cannot be used as collateral (as the lender cannot seize the land in the event of default) in the typical manner, therefore traditional business capital is not available to the First Nation. The First Nation typically has little equity and has challenges raising capital financing. The Squamish First Nation has considerable commercial development, the level of Band ownership of the business interests determine the potential collateral and the ease of access to capital. It is unlikely the Squamish can easily subsidize a buyer in same manner as other governments.
6.8 Sources of Capital

As identified in the Osoyoos case study, notwithstanding the understanding that ready access to capital is a critical success factor in any land development initiative, the Squamish face different legal circumstances and complex arrangement in order to have sufficient access to capital financing. The Squamish First Nation also has access to typical private capital financing on a case-by-case project basis and the access to the provincial funding quoted by municipal governments is also usually available to the Squamish.

As described in the Osoyoos case study, a legal entity within the First Nation can apply for loans from financial institutions using leasehold interest. The leasehold interest is registered against the title to the reserve in the Indian Lands Registry. The leasehold interest is similar to the leasehold title in provincial law. Once the First Nation has voted to designate reserve land for lease, the Crown enters into a head lease with a Band economic development corporation for the designated land and the Band corporation can apply for a mortgage with a financial institution. The leasehold title (interest) or lease revenue can be used as security for a mortgage loan. The use of this type of collateral attracts a higher risk premium which results in increased lending costs (higher interest rates) from traditional financial institutions. Because the Squamish have existing development projects, they are able to guarantee loans using existing streams of income. The Squamish have incorporated under provincial laws, however, the indication is that they are corporations specific to each legal requirement instead of a recognized, transparent development corporation.

The INAC funding quoted earlier in the paper (*Major Business Projects Program, Economic Development Opportunity Fund* and *Resource Acquisition Initiative*) exists for the Squamish as it does for any First Nation. The challenge with this funding is that it follows federal government accounting methodology. The funding requires cost accounting reporting based on the federal fiscal year end of March 31. This type of funding, while perhaps well intentioned,
does not meet the realities of the business world and the entrepreneurial needs of the First Nation considering entry to this industry.

The legal uniqueness of the Squamish Nation distances the Band from easy access to finance capital and may require commercial land development project to be funded from retained earnings rather than debt. This increases the risk and puts the Squamish Nation at a competitive disadvantage as potential buyers shy away from otherwise viable projects.

6.9 Use of Outside Consultants

The technical requirements (industry specific knowledge, requirement to meet strict federal environmental conditions) of the economic development proposal often require the participation of individuals with specific knowledge, skills, or expertise. As stated earlier the internal capacity of the First Nation determines if there are individuals with the necessary skill-set. The Squamish Nation relies on internal resources as much as possible but will also use outside real estate or management consultants on an as-needs basis. The use of consultants increases the cost of delivering the product. The cost of the consultant may be passed on to the buyer, if the developer hires the consultant, or the cost may be a subsidy to the product if the Squamish Nation absorbs the extra costs.

6.10 Relationship Model

Figure 7 models the relationships discussed in this chapter.
The Squamish Nation relationship model does not match the ideal relationship model proposed in this paper. The Squamish do not have a separate and distinct economic development corporation, with salaried officials un-related to the Band council. The Squamish Nation follows a more traditional approach to First Nation business with elected and hereditary Chiefs receiving and determining the relative value of business opportunities. This lack of separation of the governing council and business of economic development does not position the Squamish Nation in the ideal relationship suggested in this paper. The elected Councillors and the hereditary Chiefs remain fully involved in the economic development interests of the Band and the operation is not free from political influence. As previously noted this lack of distance is common in most cities and towns and the Squamish may not be unduly disadvantaged. The Squamish do not have a close relationship with the neighbouring municipalities of North Vancouver and West Vancouver and this distant working relationship is not near the ideal in the relationship model. As required by the Indian Act, the entire Band must vote on the land designation process and this differs from the municipal model established. This cultural and legislative view of the community as a whole
is unique and important to understanding First Nations. Acknowledging the importance of
community involvement and support, this additional relationship could put the First Nation at a
competitive disadvantage. Finally, the Squamish may not model the ideal relationship with access
to financing and the ability to subsidize.
7 KEY SUCCESS FACTORS

This chapter compares the First Nation case studies against the non-First Nation municipal industry analysis benchmark, commenting on Porter’s five forces model where applicable. As the First Nation does not always fit within the five forces model, the practices of First Nations are also compared against the practices of municipal governments examined in chapter four to identify areas of advantage (or disadvantage). The comparisons result in key findings applicable to First Nations considering commercial land development on reserve.

The location of the reserve and the access to infrastructure are determinants on the value of land and the viability of commercial land development. Few governments can enter an industry where no market exits. The findings that follow assume that there is a regional view of marketplace.

7.1 Entry to Industry

This industry of government sponsored commercial land development is attractive for entry by First Nations as the threat of entry is low, supplier power is dispersed, rivalry is high, buyer power is neutral to medium, the impact of regulatory government discourages other entrants and the threat of substitution is very low.

The threat of entry to the industry by other governments is limited to those governments that have not already entered the industry (for example the City of Burnaby in the Lower Mainland of BC has not entered the industry) and potential new governments. In most areas of Canada, governments have already entered this industry. First Nations are essentially “new” governments. The initial investment necessary to signal to the potential buyers that the
government has land ready for development is low. INAC will provide funding for the First Nation to prepare economic development plans and build capacity in this area. Land planning and development is a profession and those First Nations that do not have internal capacity face a learning curve and may be forced to engage outside expertise. However, there are examples where this has been accomplished with great success.

Not all municipal governments own land. Those municipalities that own larger tracts of land feel they have a competitive advantage over those municipalities that do not have as much land as they can offer greater product differentiation and offer more industry subsidies. Regardless of the amount of land under ownership of the municipal government, no municipal government owns all the land within the municipality. First Nations do have control over all the land within the reserve. The ability to offer any of this land to developers as new product gives the First Nation a considerable advantage over neighbouring municipal governments.

With low investment costs and the means to address the learning curve, First Nations should view this as an attractive time to enter the industry as a new competitor and create industry growth as a new supplier of product (land). First Nations should be cognizant that the existing municipal competitors will view this market entry as maverick.

7.2 Addressing Government Regulations

First Nations believe they have an inherent right to self-government and title and jurisdiction over their land. As outlined earlier, First Nations face considerable regulatory government hurdles in order to develop their land. The current land designation process alone introduces barriers that add time and cost to the product offering. In addition, the First Nation faces interaction with numerous federal Departments and Agencies in order to complete land leases. This is a considerable disadvantage that competing municipalities do not face. The unique legal status of First Nations does offer some advantages when addressing government regulations.
The Osoyoos Indian Band lists their lack of requirement to comply with the provincial Agricultural Land Commission as a primary advantage to doing business with the Band.

While First Nations are required by the Indian Act to complete the land designation process, once completed they are not bound by neighbouring municipal zoning restrictions. An example of using this advantage is the Squamish Nation plan to build a 500,000 square foot (45,000 square metre) big-box shopping complex in the Lynnmour area of the Lower Mainland of BC on a parcel of reserve land surrounded by residents of the local municipality (City of North Vancouver). If the land was under the jurisdiction of the neighbouring municipality, it is unlikely that the land would be developed in such a manner. The local non-native residents do not universally support the plans and it is unlikely the municipality would have been able to adjust the zoning to allow for the development. The Squamish Nation is not bound by such zoning restrictions (nor do they need to address non-native concerns).

In addition, there is the aspect of a potential lack of willpower (on the part of regulatory enforcement organizations) to enforce regulations when First Nation economic development is being considered. This may be introduced by “white guilt” over historical events and by a lack of clarity due to the unique legal status of First Nations and ongoing court challenges.

It is clear that First Nations both face significant barriers due to regulatory government and possess some competitive advantage due to the lack of regulatory government. Should the First Nation find solutions to the federal government barriers imposed by the Indian Act, the absence of provincial and municipal government barriers would allow the First Nation considerable competitive advantage.
7.3 Bargaining with Suppliers

As already demonstrated, the bargaining power of suppliers is dispersed within this industry. Even within this environment there is the potential for a First Nation competitive advantage. The limited threat of forward integration explained in the municipal industry analysis is even less of a threat for First Nations. Suppliers will not forward integrate to become a First Nation. First Nations can provide access to a labour market that does not require the land developer to withhold taxes on salary. Status Indians working on reserve are tax-exempt. Training and employment of youth is a goal of many First Nations. First Nations also have a large youth demographic. Theoretically the supply of labour has no bargaining power to adversely affect the industry. On the contrary, the supply of less expensive, abundant labour should provide a competitive advantage for First Nations. Of course, the labour must be trained and willing to work.

7.4 Bargaining with Buyers

As demonstrated the buyers in this industry are private sector entrepreneurs, land developers, large-scale commercial developers and industry with access to large amounts of capital. The buyers are relatively concentrated in this industry. There are few ways for the First Nation to offset the buyer power. Buyers in this industry have not historically interacted with First Nations as industrial partners so the lack of understanding and absence of business relationships does not provide an advantage to the First Nation. Large multi-national companies are positioning their businesses to appear environmentally friendly or green and culturally sensitive. This is to address shifts in public priorities among their customers. Indeed, the corporation best able to position its goods or services as sustainable or low impact might possess a competitive advantage within its own industry. The First Nation does have the potential to offer the buyer the public perception of green or culturally sensitive development when doing business
with a First Nation. There is the potential to lower the buyer power in the industry using this tactic. This is a potential area of competitive advantage.

### 7.5 Addressing the Rivalry

The emergence First Nations as self-governed entities entering the government-sponsored economic development of land industry has resulted in industry growth as new land has been brought into the market that has encouraged land developers. This addition of new and previously unknown players has increased the rivalry in the industry. The number of existing competitors in the government sponsored commercial land development industry differs from region to region. As outlined earlier, few municipalities dominating the market and holding a large market share ensure the competitive landscape has less competition. A larger number of municipalities, none with significant market share is said to be fragmented or highly competitive. Each region must be examined independently in order to determine the impact the concentration of competitors has on industry rivalry. Therefore, each First Nation should determine if they are entering a highly concentrated industry or a fragmented industry. The First Nation is likely to be viewed by the existing competitor municipalities as a maverick firm, seeking a competitive advantage and further displacing the market.

The relationship with the land developer is an important segment of the product. A good track record or the industry perception of a positive working relationship with developers allows the government the ability to differentiate the product. First Nations face a relationship risk that is enhanced by media coverage. First Nation economic development draws the attention of Canadian media more so than municipal economic development. A negative media story has the potential to disproportionately sour the public perception of business relationships with First Nations, An example of the public perception that can challenge the business relationship before it begins was raised by Chris Scott of the OIBDC. He felt the Osoyoos face “public uncertainty of
working land deals with First Nations due to the bad press of Musqueum and Apex.” While it is not clear what, if any, actions a First Nation can take to minimize the media impact of another First Nation’s land use decisions, this reality should be considered as a disadvantage in the aspect of competitor rivalry.

There is evidence that First Nations are approaching land development from more than a landlord viewpoint, i.e., lease land for fees but hold no interest in the commercial development. Joint commercial ventures between the First Nation and a buyer (developer) are now viewed as desirable. The Osoyoos, in particular, seek controlling ownership of development projects on reserve. In these cases there is an ongoing First Nation connection to the commercial land development. The joint venture offers the potential to reduce the exit barriers to the buyers. Providing the financial conditions are right, the First Nation as part owner of the commercial development could buyout the remaining shares of the venture at some point in the future. This option would not be available to most municipalities. The ability to reduce the exit barrier through buyout of the joint venture should be viewed as a potential advantage.

The elected Mayor and Council of the municipality set the tone for economic land development within the community. Mary Ann Smith of the City of Surrey confirmed that the pro-development position of the current Mayor (Doug McCallum) encouraged the Economic Development Office to pursue land development opportunities. This is also true of First Nations. The Chief and Council have a tremendous ability to influence the First Nation’s position in the industry. Chris Scott clarified, “Economic development of Band lands is a political issue as much as economic.” The term of elected governments is finite. All government officials are subject to removal from office if the electorate do not approve of the government officials’ ability to achieve the sought after local goals. Few municipal mayors enjoy multi-term re-election. As discussed earlier, the short-term motivation of local governments contributes to rivalry within the industry. First Nation Chiefs and Councillors often enjoy multi-term re-election. Chief Gibby
Jacob has been elected to Squamish Nation Council continuously since 1981. Hereditary Chiefs never lose their title and their ability to influence the community continues. While it is not proven that this political stability always reduces government rivalry, the potential exists for First Nations to leverage the potential of elected government stability into a competitive advantage.

7.6 Relationship of Economic Development Organization to Governing Council

The interviews conducted in the municipalities studied revealed that officials in the industry generally believed that an arm's length distance from the elected municipal council to a professional economic development organization was advantageous. The separation of governing council and the business of commercial land development sends a positive message to potential buyers that the regulatory environment is transparent, fair and stable. The ability (and perception in the buyers mind) for economic development officials to stay the course regardless of election results and approach land development as a business somewhat offsets the rivalrous influence of the elected council. There was not a consensus that the economic development organization needed to be a distinct corporation in order to be effective, but both officials agreed that the distinct corporate body allowed greater flexibility in land development. Officials in the Town of Cochrane, with a fully incorporated economic development organization, felt this was a distinct competitive advantage for the community. In addition, the lack of legal status of a First Nation limits their ability to do business (a First Nation is not a “person” and cannot be held liable to the provisions of a legal contract). An economic development corporation creates a legal person through which the First Nation can conduct business.

Osoyoos Indian Band has adopted the arm’s length corporate model. The Squamish Nation does not have an economic development organization separate from the elected Council. Both Nations pursue commercial development of reserve land. Potential buyers are directed to the OIBDC to initiate commercial development opportunities. Even land developers with no
knowledge of the Osoyoos area or reserve can access the OIBDC Internet site and be encouraged to contact the Chief Operating Officer of the OIBDC. Buyers are clear that they are dealing with a salaried professional and not with the governing Band Council. Potential land developers interested in Squamish Nation must become familiar with the governing and influential members of the community and approach them with commercial development opportunities.

Similar to the municipal example it is not possible to state concretely that the economic development organization of a First Nation need be a distinct corporation in order to be effective. However, the same argument that favours an arm's length arrangement in the municipal situation is also true on the First Nation. A stand-alone economic development corporation staffed with salaried employees at arm's length from the governing council will help ensure the politics associated with the governing council are distanced from the business of economic development. A fully distinct economic development corporation, as a legal person will provide even greater flexibility for the First Nation to pursue commercial land development. As not all municipalities have a separate corporation or commission, the First Nation with a distinct economic development corporation could enjoy competitive advantage.

7.7 Addressing the Relationship to Competitors

Commercial land development is competitive as the surrounding municipality or community receives most of the economic gains. Municipalities view neighbouring municipalities as direct competitors for the customer. There was no indication that municipalities cooperate in the area of commercial land development.

The Osoyoos Indian Band enjoys a collaborative, cooperative relationship with the neighbouring towns of Oliver and Osoyoos. The towns and the First Nation jointly share the cost of marketing studies and the two communities are significant supporters of the Band's many economic initiatives. It is likely that the municipalities view the First Nation as an economic
engine of the district offering economic spin off benefits for all involved. More important than the reduced costs for the First Nation, the lack of development opposition from the competitor municipalities is invaluable. It is in the best interests of the First Nation to leverage its distinct position within the competitive environment and establish cooperative relationships with neighbouring municipalities. Neighbouring communities can work collaboratively to create regional plans. Long term economic planning as well as the provision of infrastructure (water, sewer, power and roads) is done more efficiently at a regional level versus a local level only.

7.8 **Subsidizing the Buyer**

As established, municipalities will take steps to subsidize the buyer’s costs. The First Nation must recognize this behaviour and examine its own actions in this area. First Nations have distinct legal status (from municipalities) and unique characteristics.

The cost of land on a First Nation can be less than that of neighbouring municipalities. The lower values compared to fee simple land are due to the leased nature of the land. Should a municipality be fortunate enough to own land, choosing the price to offer to land developers is a major decision for the government. First Nations own their own land and should have a distinct price advantage in the market. However, First Nations do not have full control over the lease of lands on their own reserve. As outlined earlier, INAC and PWGSC control the lease process. The competitive advantage First Nations could possess in this area is reduced by the regulatory influence of the federal government. Should the First Nation be released from this regulatory requirement, the competitive advantage of pricing land could be fully realized.

Taxation rates are not normally within the control of the local municipal government and are a key determining factor of a government’s value offer to potential land developers. Taxation rates on reserve land are within the control of the First Nation. The ability to set rates is a considerable competitive advantage.
The availability of infrastructure such as roadways, water, sewer, natural gas and electricity are a component of cost structure that varies significantly from location to location. Governments can and will subsidize the addition of all infrastructures to a development location and have also been known to subsidize the ongoing rate of utilities for preferred economic developers. First Nations, particularly rural ones, are limited in their ability to subsidize the industry with infrastructure.

7.9 Accessing Capital Financing

The issue of First Nation access to capital financing has been raised by many previous studies and the matter was raised in this paper as well. Simply put, the First Nation's inability to access capital financing (adequate amounts at market rates with sufficiently long pay back periods) on a consistent basis is a hindrance to conventional economic growth. Within the context of the industry examined in this paper, government sponsored commercial land development, First Nations are just as disadvantaged. Competitor municipalities have several means of addressing the need for financing. They can use property tax revenue, access provincial government grants, or run deficits. The First Nation has limited access to these sources of capital (deficits are possible but require INAC Ministerial authority).

7.10 Leveraging Joint Ventures

Not all municipalities are willing or able to enter joint ventures with potential buyers. Those First Nations willing to enter joint ventures can enjoy a considerable advantage over municipal competitors. Land developers face risk every time a project is undertaken. They face considerable capital investment with no guarantee of return on investment. A joint venture between the local government and the developer allows the developer to share the investment risk. It also allows the First Nation to enhance new business management skills. First Nations
willing to entertain joint ventures with potential buyers will be able to enjoy an advantage over those competitors not willing to do so.

7.11 Indian and Northern Affairs Canada

This paper is not able to fully address or comment on INAC's policies. However, influence of INAC cannot be ignored. INAC controls and regulates commercial land development on reserves through the legislation of the Indian Act. Examples such as the land designation process and the leasehold interest were provided in earlier chapters of this paper. Interviews with First Nation officials point out that the advocacy of economic development has not filtered down to all layers of the bureaucracy. INAC has legislative/fiduciary obligations that must be completed and this is true regardless of the economic position of the First Nation. It is likely that progressive, commercial development focused First Nations are disadvantaged by the regulatory bureaucracy of INAC.
8 DISCUSSION AND CONCLUSION

This project began with establishing that the local governments that sponsor the commercial development of land development are in fact part of an industry. The industry is well established and there have been no new competitors or supply entering the marketplace until the rise of First Nations as self-governed entities.

First Nations have a historical link and an obligation to the land that is not shared with non-native people. Decisions made by the current generation of First Nation leaders concerning the use of land will be felt by all the generations that follow. Therefore, any decisions regarding the development of reserve land must first address the question of whether commercial land development on reserve land is appropriate. The legal status of First Nation reserves is unique in Canada. The Supreme Court of Canada has confirmed the rights of First Nation peoples with regard to the land. This unique status is deeply complicated by the opportunities and burdens created. Both are realized by the all-encompassing influence of the federal department obligated to regulate the First Nation, the Department of Indian and Northern Affairs Canada.

8.1 Key Findings

When considering the current economic and business realities facing First Nations considering entry to the industry of government sponsored commercial land development several points are clear;

- The industry is attractive to entry by First Nations as new suppliers of product to a low growth market
• Government regulations offer a hindrance and opportunity to First Nations. Should the First Nation be able to avoid barriers imposed by the Indian Act, it would have significant competitive advantage.

• The youthful demographic of First Nations could offer a desirable supply of labour for development projects. At this time, the education and skill level of Band youth may not match the positions required for commercial land development. In order to exploit this competitive advantage, First Nation youth could benefit from training in business or engineering related skills that would benefit the Band in pursuit of subsequent projects.

• First Nations offer potential buyers the opportunity to become associated with cultural goodwill.

• Bad publicity for Aboriginal business in mass media disadvantages all First Nations to an certain extent not found in non-native municipalities.

• Joint ventures build capacity within First Nations, reduce risk for both partners, and offer an advantage of reducing exit barriers for buyers.

• The stability that exists in the governing council of many First Nations could be leveraged into a business advantage.

• A separate and distinct economic development organization, arm’s length from the governing council offers the First Nation a transparent portal to buyers and greater flexibility in business opportunities.

• It is in the best business interests of the First Nation to maintain cooperative relationships with neighbouring municipalities.
• First Nations can subsidize the land development industry through lease prices and taxation rates – this is a substantial competitive advantage

8.1.1 Conclusion

Some First Nations are rising from the economic dysfunction of recent history through economic gains from the use of their own land. Comparing the industry benchmark of municipal governments to land development undertaken on First Nations reveals that there is tremendous potential for First Nations considering commercial development of reserve land. The location of the reserve and the access to infrastructure are determinants on the value of the land and the viability of commercial land development. However, within a regional context, when faced with other local governments, should a First Nation decide that commercial land development is in the best interests of current and future generations, few non-native municipalities would be able to compete with a First Nation that is able to address and leverage the key success factors examined in this paper.
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