

For immediate release:

Ottawa discloses documents on subsidies to banks, credit unions

Winnipeg (Jan. 18, 2011) – Federal lawyers have disclosed as evidence internal documents sought by Tribal Wi-Chi-Way-Win Capital Corporation (TWCC) in its application for judicial review of \$15.5 million in loan guarantees given to non-Aboriginal banks and credit unions to subsidize loans to First Nation businesses.

But the federal government wants to keep the documents – which spell out what Ottawa has in mind for the future of Aboriginal financial institutions (AFIs) – out of the hands of the media and the public.

Some of them are already on the public record, said TWCC Chief Executive Officer Alan Park.

It has been just over a year since TWCC, a Winnipeg-based Aboriginal financial institution, went to Federal Court to stop the subsidies. AFIs are not eligible for the subsidies.

Disclosure of the documents, first ordered by the Federal Court in September, is a major step for TWCC in finally getting its day in court after months of government delaying tactics, said Mr. Park.

“Finally, we have accomplished a major step in resolving a bad policy in the interests of Aboriginal economic development and taxpayers in general.”

TWCC and other AFIs believe the loan guarantees bestowed in late 2008 on five mainstream lenders around the country under the Loan Loss Reserve (LLR) initiative threaten the future viability of the Aboriginal institutions.

This is because the AFIs won't be able to offer borrowers interest rates that are as attractive as those available with the select group of five non-Aboriginal lenders, Mr. Park said.

“It is patently unfair,” said Calvin Helin, a prominent lawyer in Aboriginal affairs and bestselling author of two books on Canada's Aboriginal policies, *Dances with Dependency* and *The Economic Dependency Trap*.

“There is no reason why the AFIs should be excluded.”

It has never been clear how the five lenders were chosen from a pool of 22 non-Aboriginal institutions that were asked to submit proposals, Mr. Park added.

Each of the five non-Aboriginal institutions was given designated territories:

- Affinity Credit Union, Saskatchewan.
- Assiniboine Credit Union, Manitoba.
- Business Development Canada, Ontario and British Columbia
- Desjardins Group, Quebec and Atlantic Canada.
- First Nations Bank, Alberta..

In documents filed in Federal Court on Jan. 7, 2010, TWCC said Indian and Northern Affairs Canada (INAC) broke its own rules by excluding AFIs from the loan guarantees, which are intended to stimulate lending to Aboriginal businesses.

TWCC also argued that INAC did not fulfill its duty to consult with Aboriginal groups under the Constitution Act.

AFIs were first formed 20 years ago with \$200 million in seed capital to provide loans to small and medium-sized businesses in First Nation, Métis, and Inuit communities around the country. Since then the 57 AFIs have provided well over \$1.5 billion in loans to Aboriginal businesses, with more than \$110 million worth in 2009 alone.

Over these two decades, this money has created 36,000 Aboriginal businesses across the country with a very respectable default rate of 6.37%.

In short, the AFIs represent a highly successful federal program that can show documented return on investment. Chuck Strahl, the former minister of Indian Affairs, acknowledged this in a speech before the Empire Club in Toronto.

“This access to capital has been – and continues to be – critical to long-term Aboriginal economic self-sufficiency,” Mr. Strahl said in May 2008.

By contrast, the LLR generated just five loans worth little more than \$3 million in 2009, the first year of the program’s operation.

Mr. Park said the AFIs would have done far more with federal help like that because they know their communities and the business outlook in Aboriginal Canada.

“The \$15.5 million set aside for subsidies to non-Aboriginal lenders represents money sitting in a bank account and not helping anyone. This is money originally earmarked for Aboriginal development. It is as good as wasted when it is not being used.”

Still, Mr. Park stated, a lot has been accomplished on this issue in the past year.. Last February, the Conservative Aboriginal Caucus of MPs and Senators asked the government to include AFIs in the LLR program subsidies. The injustice has also been raised in the House of Commons by Opposition MPs several times.

Even the National Aboriginal Economic Development Board, a cabinet-appointed advisory board of prominent Aboriginal leaders, unanimously motioned to send a letter to the Minister opposing the program.

“Here are the government’s own MPs, Senators and advisory board telling them the program is unfair and wrong” Mr. Park said. “We know we have supporters on all sides on Parliament Hill and we are grateful.”

The LLR initiative is now under internal review at INAC.

Mr. Park added TWCC and other AFIs are willing to work in good faith to resolve this issue.

Founded in 1993, TWCC has grown from 20 employees in 2006 to 150 today thanks to a revenue increase of 220 % in the past three years. It has written loans worth \$35 million in 45 communities in Manitoba.

For further information, contact:

Gord McIntosh

613-724-1478

gord@110percent.ca