

Yukon Development Corporation Role Comparison: A Discussion Paper

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Yukon Development Corporation Role Comparison

1.0 Introduction

The Yukon Development Corporation (YDC), a Crown corporation of the Government of Yukon, was established in 1986. While YDC's mandate has always contained a requirement to promote employment and business opportunities for Yukon residents, two quite different interpretations of this element of the YDC mandate have been exercised in YDC's first 14 years of existence. Prior to 1993, YDC's role was held to allow for strategic and direct interventions in the general Yukon economy through a variety of investment measures. Post 1992, the mandate of YDC was narrowed to restrict new initiatives to only those which were clearly energy related.

In 1998, in response to the move to direct management of the Yukon Energy Corporation and the recommendations of the Cabinet Commission on Energy, the YDC Board of Directors initiated a governance review. The purpose of the review is to clarify and realign the mandates of both YDC and YEC to better fit with the Yukon's current energy and economic circumstances. While YEC's role in the Yukon energy sector has become much clearer in the last year, the corresponding role examination exercise for YDC remains outstanding.

With the need to further define YDC's role comes an opportunity to examine, with the benefit of some (short) amount of corporate history, role options for YDC. Accordingly, the purpose of this paper is to identify and examine roles currently being exercised by other development corporations and to compare them to YDC's current role array. The following four development corporations were selected for the purposes of the comparison:

- Crown Investments Corporation of Saskatchewan
- New Brunswick Regional Development Corporation
- Alaska Industrial Development and Export Authority
- Greater Peterborough Development Corporation

The methodology used in preparing the paper is described in section 2.0 and the scope of the analysis is presented in section 3.0. The activities undertaken by YDC and the four development corporations chosen for comparison are outlined in section 4.0. The paper concludes in section 5.0 with comparisons of YDC's current role with the roles of the four development corporations chosen for analysis.

2.0 Methodology

The main methodology employed in the identification and comparison of role options was in the form of a literature review. The holdings of the libraries located at the Department of Indian Affairs and Northern Development, Yukon Economic Development and Yukon College were surveyed and the information found in paper-based sources was supplemented extensively with information found via research on the world wide web.

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3.0 Scope

3.1 Development Corporation Structures

Contained among the many economic development agencies currently in operation in Canada are a variety of examples of how to structure organizations with general economic development mandates. In the field of community economic development, for example, organizational structures can include economic development associations, community enterprises, cooperatives, enterprise centres and community development corporations. Similarly, among economic development agencies which are structured as corporations a variety of examples also exist, including business corporations, societies (or, non-profit corporations), joint ventures, cooperatives and Crown corporations.

While each of the corporate models listed above have their own advantages and disadvantages, discussion about alternate corporate forms for YDC is outside of the scope the project at hand. It is worth noting, however, that the corporate structure which has been defined in the *Yukon Development Corporation Act*, is one of the more flexible alternatives. The *Act* provides that YDC is to be a for-profit business corporation with certain minor restrictions imposed by other legislation including the *Public Service Commission Act* and the *Financial Administration Act*.

3.2 Geographic Footprint

Concerning the geographic footprint of YDC operations, the intent of the *YDC Act* appears to be to ensure that the activities of the corporation take place within the boundaries of the Yukon. Section 4 of the *Act* speaks of the “economic development of the Yukon”, the “development of Yukon resources” and the “continuing and adequate supply of energy in the Yukon.” With that said, however, the *Act* does not appear to expressly prohibit the corporation from becoming involved in activities which span borders as long as the activities serve to achieve the objectives for which YDC was established. In practice, then, YDC could conceivably become involved in joint activities with other organizations located outside the Yukon where those activities have clear links back to the economic development of the Yukon. For example, investment in a project like the Surprise Lake hydro-electric development (located in northern British Columbia) which would supply electricity to the Yukon market would be well within the scope of YDCs legislated objectives.

Similarly, since the *YDC Act* does appear to contain any limitations on the geographic scope of activities *within* the territory, new initiatives need not be limited to improvements to or expansions of the existing WAF and Mayo grid systems. Thus, for example, investments in new energy-related projects located in regions of the territory not currently served by the Yukon Energy or Yukon Electrical would also appear to fall within current YDC objectives.

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3.3 A Note on Public Goods

Experience with direct intervention in the Yukon economy by YDC in the early 1990's has shown that general agreement has not been reached among Yukoners on the appropriate level of government involvement in the economy. At the same time it would appear that most Yukoners would concur that the Yukon economy is very small and has a greater relative need for the provision of public goods by governments than do larger economies. While the economic development mandate of YDC is clearly spelled out in the YDC Act, future YDC endeavors which seek to supply public goods will bear the scrutiny of this "Yukon public goods debate". Accordingly, the decision mechanism used to identify projects for YDC involvement should recognize that the debate remains alive and well and should allow for input and comment by the general population.

4.0 Development Corporation Activities

4.1 Activity listing

The following list of activities is an itemization of the activities undertaken by development corporations operating in Canada under a variety of corporate structures. The list has been divided into two subgroups which differentiate between activities which are either financial or operational in nature.

Financial Activities

- FA.1 banking (debt in the form of loans at market rates, loans at low or no interest, loans from revolving funds and loan guarantees)
- FA.2 investing (equity ownership including joint ventures, minority ownership, etc.)
- FA.3 bond issues
- FA.4 grants or 'forgivable loans'
- FA.5 guaranteed purchase contracts

Operational Activities

- OA.1 creation and incubation of agent corporations
- OA.2 supervision of agent corporations
- OA.3 program delivery
- OA.4 applied research and development
- OA.5 policy and planning
- OA.6 advocacy
- OA.7 technical assistance
- OA.8 training and employment
- OA.9 intergovernmental relations

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4.2 Current YDC Activities

Readers familiar with the operations of YDC will recognize that many of the activities identified above are already being undertaken by the corporation. Specifically, YDC is currently in the business of providing the following financial and operational services:

- ⇒ *FA.2 investing (equity ownership)*: YDC is the sole owner of YEC assets
- ⇒ *FA.4 grants or 'forgivable loans'*: examples of this type of activity include the Rural Electrification Support program
- ⇒ *OA.2 supervision of agent corporations*: as the parent company of YEC, YDC is responsible for the overall supervision of YEC
- ⇒ *OA.3 program delivery*: both the Residential and Commercial Energy Management Programs, delivered under contract by the Yukon Housing Corporation are examples of YDC program delivery activities
- ⇒ *OA.4 applied research and development*: examples of YDC involvement in this type of activity include the Haeckel Hill wind turbine projects
- ⇒ *OA.5 policy and planning*: an activity which could be expanded beyond current strategic and business planning activities to include initiatives such as long term infrastructure planning for future electricity generation
- ⇒ *OA.7 technical assistance*: YDC provides technical assistance through initiatives such as the Canada/Yukon Energy Solutions Centre
- ⇒ *OA.9 intergovernmental relations*: an example of YDC activity of this type is the implementation of the energy related provisions of the Yukon land claim agreements

4.3 Development Corporation Profiles

Now that the current activities of YDC have been identified, the next task at hand is to identify and present activities which are undertaken by other development corporations in fulfillment of their general economic development mandates. Four development corporations thought to be reasonably representative of the major models of development corporations currently in operation are profiled below.

Profile 1: Crown Investments Corporation of Saskatchewan

Source: <http://www.gov.sk.ca/deptsorgs/overviews/?39>

A Crown corporation of the Government of Saskatchewan which operates as a holding company under authority of *The Crown Corporations Act, 1993*. As of December 31, 1999 CIC had a consolidated asset base of \$7.3 billion and a staff of 65. The CIC is self-sustaining with dividends payable to the Government of Saskatchewan's general revenue fund.

The mandate of the Corporation includes the following elements:

- to provide strategic direction to subsidiary Crown corporations
- to provide direction to Crown corporations on the Government of Saskatchewan's public policy expectations
- to optimize the return from CIC's portfolio and protect CIC's financial self-sufficiency while supporting the government's fiscal objectives
- to foster economic growth throughout Saskatchewan through Crown corporations and new investment opportunities

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- to administer the pension plan for employees of most Saskatchewan crown corporations and other related entities

In addition to ownership of the province's major Crown corporations (SaskPower, SaskTel, SaskEnergy and Saskatchewan Government Insurance), CIC either wholly owns or has equity and debt interests in 18 other corporations some of which in turn own, or at least partially control, other subsidiary corporations.

CIC's subsidiary Crown corporations include:

- Saskatchewan Opportunities Corporation
- Saskatchewan Water Corporation
- Saskatchewan Transportation Company
- Saskatchewan Development Fund Corporation
- Saskatchewan Government Growth Fund Management Corporation (a.k.a. Immigrant Investor Program)

Business ventures in which CIC has invested (through joint ventures, partnerships and loans) include:

- HARO Financial Corporation (life insurance)
- Meadow Lake Pulp Limited (forestry)
- Saskferco Products Limited (fertilizer)
- holdings of the former Saskatchewan Economic Development Corporation
- Cornwall Centre Mortgages
- Genex Swine Group Inc. (pork production)
- Western Canada Beef Packers Inc. (beef slaughter and food processing)
- FarmGro Organic Foods Inc.
- Canadian Western Bank debenture
- Cameco Corporation (mining)
- Newgrade Energy Inc. (heavy oil)

Profile 2: New Brunswick Regional Development Corporation

Source: <http://www.gnb.ca/rdc/index.htm>

The New Brunswick Regional Development Corporation is a Crown corporation of the Government of New Brunswick and operates under authority of *Regional Development Corporation Act*. Program expenditures for the current year were estimated at \$42 million in the 2000/01 New Brunswick budget. The corporation has a staff of 23. The Corporation's main source of funding is the Canada/New Brunswick Regional Economic Development Agreement (REDA). Funding is also provided by the Government of New Brunswick.

The main role of New Brunswick's Regional Development Corporation is to provide financial and administrative management for all joint federal/provincial and N.B.-only economic development agreements and programs. The actual delivery of programs and projects is the responsibility of a variety of line departments. The corporation is also the lead agency in the planning and negotiation process for federal and provincial arrangements and works with the Atlantic Canada Opportunities Agency on a range of regional economic development projects. Specifically, the corporation's mandate is to:

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- administer and manage development agreements between the Province of New Brunswick and the Government of Canada
- assist in the establishment and development of enterprises and institutions operated by corporations, trusts, partnerships, societies and individuals
- assist in the establishment and development of facilities relating to tourism and recreation
- assist municipalities in planning and developing works or projects of benefit to the general public
- prepare plans for regional development
- make recommendations to Cabinet concerning provincial economic development priorities
- co-ordinate and guide regional development

A variety of programs are sponsored by the corporation including:

Regional Economic Development Agreement: the largest program administered by the NBRDC, the Regional Economic Development Agreement is comprised of a series of sub-agreements:

- The *Cooperation Agreement on Economic Diversification* provided funding for the Northern Business Assistance Program to help encourage entrepreneurship and economic development in Northern New Brunswick. In addition, the agreement contributed to the development of aquaculture through a program aimed at the commercial development of new finfish and shellfish species.
- The *Cooperation Agreement on Economic Development* makes contributions in support of small and medium size businesses and research and development initiatives. Twelve Regional Economic Development Commissions also receive funding to assist with their operating costs and three centres associated with universities received funding in order to pursue their research from this program.
- The *Cooperation Agreement on Entrepreneurship and Human Resource Development* provides financial support to the development of TeleEducation NB, the province's distance education system. The agreement also contributed to numerous projects aimed at enhancing training and education in New Brunswick.

Action North: a joint federal-provincial program with a mandate to promote sustainable economic development and improve quality of life in northern New Brunswick by encouraging human resources development, job creation, private investment, and entrepreneurship.

Economic Development Fund: established to launch economic development initiatives unable to obtain funding from the Regional Economic Development Agreement or from provincial line departments. A wide range of activities are funded including Crown land silviculture, tourism marketing, agriculture development, fisheries development, mineral development, Film New Brunswick, training in the information technology sector and tourism infrastructure.

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Other Activities: the NBRDC also provides funding for a number of other initiatives, such as the Youth Futures Program, the Development Assistance Program and the Agreements on the Promotion of Official Languages and Intergovernmental Cooperation.

Profile 3: Alaska Industrial Development and Export Authority

Source: <http://www.aidea.org/>

The Alaska Industrial Development and Export Authority (AIDEA) is a public corporation of the State of Alaska. As of June 30, 1999 AIDEA had an asset base of approximately \$1.3 billion. By using income from its investments (cash and treasuries, loan portfolio and development projects) to fund its operations AIDEA operates on a self-supporting basis. AIDEA has, in fact, paid a dividend to the Alaska State General Fund every year since 1996.

The overall goal of AIDEA is to encourage economic growth and diversification in Alaska. The Authority accomplishes its goal by financing projects through various means and by facilitating the financing of industrial, manufacturing, export and business enterprises and facilities within the state. In addition, AIDEA also has the authority to own and operate facilities which advance its overall goal.

AIDEA's role is to encourage new development activity. With regard to debt functions, AIDEA operates as a secondary financial entity and cannot become, for example, a direct lender or provider of grants. With regard to equity participation in projects, AIDEA's role is required to be supportive rather than active.

Major AIDEA projects funded through its equity-based Development Finance Program include:

- Delong Mountain Transportation System (Red Dog Project)
- Skagway Ore Terminal
- City of Unalaska Marine Center
- Federal Express project
- Healy Clean Coal Project
- Seward Coal Load-Out Facility
- Ketchikan Shipyard
- Snettisham Hydro-electric project
- Alaska Seafood International

In addition to its Development Finance Program, AIDEA offers a series of credit based programs including:

Loan Participation Program: under this program, AIDEA purchases portions of loans negotiated by a project proponent with an eligible financial institution. In most cases the interest rate on the AIDEA portion of the loan is slightly lower than the rate on the primary lender's portion. The term of the AIDEA portion of the loan can also be extended beyond the term of the bank portion which results in lower scheduled payments for the borrower.

Business and Export Assistance Program: a program designed to assist small to medium sized Alaskan businesses by guaranteeing loans made to eligible Alaska

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business enterprises for real property, tangible personal property, working capital and export transactions.

Conduit Revenue Bond Program: under this program AIDEA facilitates bond-financed projects by acting as a conduit for the issuance of taxable and tax-exempt bonds. (Under provisions of the United States Internal Revenue Code certain projects may qualify for tax exempt status whereby the interest earned on the bonds is not subject to income tax). Under the terms of the program, AIDEA charges an "issuance fee" calculated as a percentage of the principal amount.

Small Business Economic Development Loan Program: a low interest loan program which targets projects that diversify the economy and create jobs. The program has recently been used to provide assistance in Western Alaska communities struggling from low salmon runs. The maximum loan amount available under the program is \$300,000.

Profile 4: Greater Peterborough Economic Development Corporation

Source: <http://www.gpaedc.on.ca/>

The Greater Peterborough Area Economic Development Corporation (GPAEDC), formed in 1998, was the product of a merger of five organizations operating the Peterborough area all with economic development related mandates. The merging organizations included:

- City of Peterborough Economic Development Department
- County of Peterborough Economic Development Department
- Peterborough Kawartha Tourism and Convention Bureau
- Peterborough Industrial Development Corporation
- Greater Peterborough Economic Council

With direction provided by a volunteer Board of Directors the organization is funded mainly by the budgets of the former Economic Development Departments of the City of Peterborough and the County of Peterborough together with some funding from the private sector and other levels of government.

The mandate of the GPAEDC is to sustain and develop existing and potential economic interests for the City and County, embracing all aspects of economic development including industry, tourism, agriculture and other commercial activity. The specific goals of the organization are to:

- make the GPA a prosperous modern community that is able to generate economic activity with better paying and more secure jobs
- expand the economic base of the GPA
- maintain existing employment and create new employment by:
 - encouraging new employers to locate in the GPA
 - assisting current employers with expansion
 - expanding the tourism industry and increasing the flow of tourism dollars to the area
 - actively engaging a network of business expertise and volunteers in the task of developing economic activity for the GPA
 - fostering strategic partnerships between public and private sectors

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- developing relationships with key strategic investment players on a municipal, provincial, federal and global basis

4.4 Development Corporation Profile Summary

		Yukon Development Corporation	Crown Investments Corporation of Saskatchewan	New Brunswick Regional Development Corporation	Alaska Industrial Development and Export Authority	Greater Peterborough Economic Development Corporation
FA.1	banking (debt)		✓		✓	
FA.2	investing (equity)	✓	✓		✓	
FA.3	bond issues				✓	
FA.4	grants	✓		✓		
FA.5	guaranteed purchase contracts					
OA.1	creation/incubation of agent corporations		✓			
OA.2	supervision of agent corporations.	✓	✓			
OA.3	program delivery	✓		✓	✓	
OA.4	applied research & development	✓	✓			
OA.5	policy and planning	✓	✓			✓
OA.6	advocacy			✓		✓
OA.7	technical assistance	✓		✓	✓	✓
OA.8	training and employment			✓		
OA.9	intergovernmental relations	✓	✓			✓

5.0 Role Comparison Synopsis

Crown Investments Corporation of Saskatchewan

In many ways the structure and activities of the Crown Investments Corporation and the current form of YDC are quite similar. Both entities own and supervise agent corporations, are involved in applied research and development, provide policy and planning services and are responsible for intergovernmental relations. Within these similarities, the most striking difference between the two is, of course, scale. While YDC owns but one subsidiary, CIC has interests in more than two dozen. A second difference is that CIC has responsibility for the administration of Saskatchewan's Immigrant Investor Funds.

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New Brunswick Regional Development Corporation

The New Brunswick Regional Development Corporation is essentially a program coordination agency. The Corporation has no asset base and does not appear to be involved in financial activities other than the granting of project funding. The type of role represented by NBRED is already being exercised by YDC in the form of such initiatives as the Energy Solutions Centre.

Alaska Industrial Development and Export Authority

The Alaska Industrial Development and Export Authority is a development corporation which operates much more as a merchant bank than as a delivery agent for economic development programming. It provides a variety of examples of financing methods including the innovative tax exempt revenue bond program. Some of AIDEA's programs, such as the Loan Participation Program, already exists in a similar form in the Yukon (i.e., Economic Development's Venture Loan Guarantee Program).

Greater Peterborough Economic Development Corporation

The Yukon equivalent of an organization like the Greater Peterborough Area Economic Development Corporation would be an amalgamation of City of Whitehorse Economic Development Department, the Tourism Industry Association of the Yukon, the Yukon Chamber of Commerce, parts of Yukon Economic Development and YDC. While such a model might work in Ontario, it would make for truly strange bedfellows in the Yukon.