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Bold Approaches: Taxing for Growth

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About the Author



Alex Ross

Alex Ross was born and raised in Sudbury, Ontario. After graduating from Laurentian University with a B.A. (Hons) in Economics in 2010, he completed a Masters Degree in Economic Policy from McMaster University. Alex joined NPI after working as a trust officer in the wealth management industry, and he has past non-profit experience as well as international work and travel experience in Thailand. Alex's areas of interest include labour market analysis, community and economic development, cost-benefit analysis, and environmental sustainability.



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Bold Approaches: Taxing for Growth

In September 2018, Northern Policy Institute held its second annual State of the North conference in North Bay, Ontario. This event drew a wide range of participants from across Northern Ontario, including community partners, planning boards, federal, provincial, and municipal levels of government, Indigenous leaders, policymakers, and the general public.

The topic of last year's conference was "Bold Approaches: Taxing for Growth" and it included an examination of and discussions about the use of tax incentives, special economic zones, and changing tax systems to better grow regional economies. Speakers included notable experts such as Dr. Jack Mintz, the President's Fellow at the University of Calgary's School of Public Policy, who led the capstone discussion, and Mikko Annala, the Head of Governance Innovation at Demos Helsinki in Finland. The first panel, a discussion of specific tax ideas and experiments, included Kevin Milligan from the Vancouver School of Economics, Toby Sanger, the Senior Economist with CUPE, and Fred O'Riordan with Ernst & Young LLP. The second panel focused on Indigenous taxation and profit sharing, with Chief Commissioner Manny Jules from the First Nations Tax Commission and Dwayne Nashkawa, the CEO of Nipissing First Nation. Like the previous year, the conference kicked off with a presentation on the state of Ontario's northern regions from NPI's CEO Charles Cirtwill.

After each panel discussion, presentation, and capstone speaker, the audience was given an opportunity to participate in a series of table discussions. Each table had between eight and 10 participants, including a notetaker, and Chatham House Rules were applied to all discussions in that no individual participant was identified in the notes of the discussion, but all understood that their replies were subject to public disclosure.

The purpose of this report is to create a compilation of the conference discussion results, with key points highlighted from each topic. NPI views the content of these discussions as invaluable for both policymakers and researchers in Northern Ontario. It should be stressed that the views and comments collected here are those of various State of the North participants and do not necessarily reflect the opinions of Northern Policy Institute, its Board of Directors, or its supporters. The comments were made in response to the following questions, which were posed at audience tables following each speaker / panelist group presentation.



Topic 1: State of Ontario's Northern Regions

Question 1: Have things gotten better or worse in Ontario's northern regions within the last 5, 10, 20 years? Why?

This section will first examine what participants felt were improvements in Ontario's Northern regions and then assess the struggles that have made the North worse off in recent years. It will also examine the drivers of these improvements / declines.



Presenter Charles Cirtwill

I. Improvements

Some participants said that the northern regions need to be well prepared for the opportunities that will open up in Northern Ontario. The northern regions are seeing improvements from increased access, commuting, and travel ability, thus creating more connected communities. In general, some participants felt that, in the last 20 years, things have gotten better, and are more vibrant. Infrastructure investment is accelerating after being ignored since the 1970s. Others indicated that, although the population is declining, salaries have increased, small businesses are making a comeback, and there are many opportunities. There were also many positive comments regarding the Northwest in particular. Participants noted considerable improvements in the Kenora and Rainy River Districts. In addition to some of the general comments above, participants highlighted notable improvements in key areas:

Economy

Some attendees said that the forestry sector is reviving from the downturn that occurred more than a decade ago. The Indigenous population is building this sector back up, and more mills are opening in Rainy River and the Northwest. Participants also said that the forestry sector is a sustainable pillar of the northern economy.

There were some attendees who noted that despite the closure of many gold mines since the 1990s, Rainy River just received approval to build another one, and others have been built in recent years. Some said that in Wawa, as the forestry sector decreased, mining activity and revenue increased. ("We are better off today in that sense, but are concerned about the future, as gold mines don't last forever.")

Labour Force

Some participants felt that the workforce is now more adaptable and mobile in Northern Ontario than ever before. For example, workers were able to make quick shifts from forestry to mining jobs. Others said that Francophone communities are very versatile - services and support can be offered in both languages, which is a great asset.

II. Struggles / Declines

Participants identified four key areas where our northern regions faced declines and/or struggles: the labour market, the economy, health care, and transportation infrastructure.

Labour Market Challenges

Participants at multiple tables identified several labour market challenges. Chief among them is the growing labour shortage due to an aging population, and some participants were particularly concerned that the Francophone population is aging rapidly. There was considerable concern about the future implications of these challenges.

At the same time, some participants noted there are labour shortages in the health and services sectors, with many postings going unfilled, creating a dire



need for people who possess these skills. It was also noted - with agreement - that there is rapid turnover of workers, and an inability to attract new outside talent.

Other comments focused on the issue of skills gaps. The audience noted that the skills and accomplishments of applicants do not align with the needs of employers. Many employers in the North are also reluctant to hire anyone who is less than a perfect 'fit.' Additionally, multiple attendees expressed particular concern regarding the gap in skilled trades. Some participants said there is a lack of awareness among people of the full scope of the trades, and the careers potentially available to them. They asked how employers can work together and showcase these opportunities to potential tradespeople.

On the other hand, for some participants, it was increased skill requirements in the North, not labour shortages, that were of concern, and there was a sense among them that there is now more labour market competition than ever.

Economy

Some participants felt that the small improvements that they have seen in the economy are not sustainable, and that many are 'one-offs,' as in a new mill opening in a small town.

Also, multiple comments focused on the impact of the forestry collapse. Some said that the economy has declined significantly in the years since then, but others spoke to the resiliency of the North and how communities adapted as a result.

Further, some felt that online shopping is hurting small community businesses, and that this could reduce the number of local retailers. Participants also indicated that, apart from boutiques or market-specific ventures, it could be tough for a small business to survive.

Finally, some commenters identified bureaucracy as posing challenges in the North. One participant stated that, "Northern Ontario is burdened with bureaucracy and, further, this bureaucracy is designed in Southern Ontario and a "cookie cutter" approach is used in Northern Ontario. This causes negative impacts on the North." Another participant identified that this is particularly true in terms of education. Rural schools do not receive enough attention, and Northern Ontario's needs are being ignored.

Health Care and Communities

Some commenters mentioned that, although there are now more services available in the North than ever before, wait times in Northern Ontario have increased over the last 20 years. Others expressed concerns about higher cancer rates in Northern cities, and \ higher rates of obesity, in addition to other adverse health issues, among Northern Ontarians in general. Further, it was noted that Personal Support Workers' (PSW) salaries are currently too low and that a better system of patient transfer and care is required than the current practice of sending patients to the south for treatment.

Participants raised concerns about worsened social indicators in the North, such as assault rates and alcohol abuse, which are higher than the provincial average.

Issues related to telemedicine access and internet connectivity, particularly for rural and isolated communities, were also raised.



Travel

Participants expressed frustration about transportation in the North. Some say it has worsened considerably, despite transport of people and goods being essential for the economy and social structure. Concerns were raised in particular about rail infrastructure, which has become much worse and needs improvement. Some suggested the situation is so bad that Northern Ontario is similar to a third-world country in this regard, and participants felt that transportation infrastructure should be improved to offer a more modern, affordable, and reliable way to move goods and people.

There were those who noted that Greyhound has pulled out of servicing many communities, and others mentioned that transit is generally becoming increasingly unavailable. As a result, public transportation is a problem and people are not able to travel to jobs.

III. Causes

In general, commenters felt that improvements experienced by the North could be the result of attraction and retention initiatives in larger communities, industry diversification efforts, and positive 'spin-off' effects of Southern Ontario on Northern Ontario (although noting that some of these spin-off effects have also been negative). One participant added that momentum is key to improving the North as it has created a more positive mindset, exemplified by the Transforming Ontario's North summit in Cochrane. Some mentioned that future goals should focus on keeping cities and towns viable without consistently targeting growth.

Other comments regarding causes are categorized as follows:

Southern Ontario and Northern Ontario

Some participants felt we do not have the analytical tools and capacity to help the North improve, and that the political system does not allow such an undertaking, given that we lack the necessary political weight (i.e., Northern Ontario's population of 780,000 compared to Ontario's population of 13,000,000). Some participants felt that all government policies are geared toward Southern Ontario, such as forestry protection policies. Although the North is home to most of the province's forests, it is Southern Ontario policies that protect them, and several seem unnecessary from a northern perspective.

The Changing Face of Small Communities

Some felt that centralization has played a role in key changes in the North. For example, one participant stated that, "A generation ago, people would never leave their community, as they could get anything they wanted in their community. The North is now centralizing and urbanizing, and the hub communities are playing a more and more prominent role in everyday lives, while small communities continue to shrink."

Others said that small communities need to decide for themselves what their strategies are. They need to remanufacture themselves before speaking to bordering municipalities. It was also noted that small communities lack the capacity to put together decent applications for infrastructure grants, especially when each grant requires its own tailored application. Removing application-based funding requirements and replacing them with a simpler system would free up vital resources for smaller communities.

Economic Diversity

There were also multiple comments suggesting diversity is beneficial for small communities, and that there is not enough focus on diversifying the economy. Participants suggested that communities that diversify their industries tend to do better, and after the downturn in the forestry sector, many small single-industry communities found it difficult to diversify. One participant mentioned, "We are now noticing more of a migration toward the 'Big Five' (Greater Sudbury, Timmins, North Bay, Sault Ste. Marie, and Thunder Bay), and we can see increased diversification in these larger

NPI is currently focusing on a number of initiatives that assist in the improvement of Northern Ontario's sustainability and growth. NPI is currently conducting an analysis of comparative advantages in Northern Ontario in order to determine industries that make sense in terms of future investment, as well as potential future cluster formation. NPI has also been highly involved in various partnerships surrounding the Rural and Northern Immigration Pilot. Finally, NPI has just released an update to the Human Capital Series, which publishes a number of indicators on demographics and labour force in Northern Ontario's census districts. This information can be used in policy planning and development, to determine which areas should receive focus for improvement in the future

Northern cities". Another noted that, at one time, Sudbury was mainly focused on mining, but now there is a lot more diversification.

Additionally, some participants said economic development is too focused on large industries and not enough on small businesses, which are growing the economy and communities. As a result, participants felt that there are insufficient funding programs for small and medium-sized enterprises (SMEs).

Retention and Attraction

Finally, participants felt that northern communities do a poor job of retaining their young people and that we need to do more to show youth they do not need to move to be successful. Others suggested that communities need to better articulate the benefits of moving to (or staying in) the North, emphasizing strengths such as lower housing costs, beautiful environment, and higher quality of life.

Key Action Item

In order to continue to improve Northern Ontario's economy, future sustainability should focus on continuing to build current efforts around economic diversification, and newcomer attraction and retention. Further efforts on attracting / retaining youth should be focused on, as well as increasing diversification in smaller communities where possible.

Question 2: To prove that things have changed, who should we compare ourselves to?

Participants said it is important to stop north/south comparisons. Multiple participants pointed out it would be better to compare the region to Northern European countries and the Northern regions of other provinces, as their geography, population, and issues are similar to ours. One audience member pointed out, "Since most of the Canadian population is near the US border, all Northern provinces and territories are inherently distinct."

Some participants suggested that Northerners should look to the east coast, especially New Brunswick, considering its similar Francophone community demographics. Others cited Scandinavian countries as particularly relevant, as some have similar populations and topographies. Some mentioned Northern Australia as comparable regarding transportation. One participant specifically mentioned Les Régions Périphériques in Quebec as an example of how to better partner with communities. Countries with resource-based economies were also mentioned as comparable to Northern Ontario.

In general, commenters felt that there is a need for us to compare ourselves with and examine regions both outside of and within North America: "We continue to do the same things to try to fix things." Participants pointed out that we need to compare on different levels, and to different regions, depending on the factors we are discussing.

NPI will soon be publishing a series of commentaries which examines comparable regions and districts to Northern Ontario, based on specific characteristics unique to our regions. This report will be coupled with various indicators in order to determine how well the North fares when compared to other similar regions.

Key Action Item

Northern Ontario simply cannot continue to be compared to our southern counterparts. There are several distinctions that make Northern Ontario and other northern regions of Canada difficult to compare to other Canadian cities. As participants mentioned, geographies may also extend outside of Canada, internationally, in order to get a better sense of how Northern Ontario is doing, and to fairly compare social and economic characteristics of the North.



Presenter Kevin Milligan

Topic 2: Panelist Discussion - How Can Taxation Support Growth?

Question 1: If you were asked to design an experimental tax policy for Northern Ontario, what would it look like?

Some participants made compelling cases for potential experiments with taxation and efficiency improvements that could arise with tax policy. Others said that, after hearing the panelists, they are uncertain that there should be a tax experiment. The following is a summary of key topics participants identified as possibilities for experimentation:

Tax incentives and reinvestment

Some participants felt there should be conditions tied to specific tax breaks for corporations, and that these breaks should be reinvested into the taxed industry: "For example, 20 per cent of the funds saved through tax breaks must be invested back into that same sector." Another commenter suggested, "Resource-extractive industries need to take into account environmental damage. There must be an adequate amount of money set aside from profits that goes directly into environmental efforts - Elliot Lake is a perfect example." One commenter said communities should impose a tax related to consumption of land or degradation of the environment. There were also multiple comments that more tax incentives should be created to stimulate investments in Northern Ontario.



Presenter Fred O'Riordan

Participants felt strongly that royalties and taxes on natural resource extraction should be paid to municipalities. One participant mentioned that there are gold mines near their community that use many local services but contribute little to the community. Participants felt that these companies are paying taxes somewhere provincially, but not locally, and that there should be a way to generalize this process to keep taxes for investment in local infrastructure. Some participants suggested that certain companies may pay more of the tax levy, whereas others pay less.

Similar comments were made regarding tourism. Participants noted that taxes generated from tourism are not reinvested in the sector.

There was also a suggestion to create more tax benefits and reductions for individuals who choose to go to school in Northern Ontario.



Presenter Toby Sanger

Transportation

One participant pointed out that there are many non-Canadian companies driving on Canadian roads and they asked whether or not these companies pay their share of taxes to maintain the infrastructure they use. Multiple participants discussed whether tolls could be implemented on Northern roads. There were suggestions that a tax should be imposed based on the distance that goods or services travel (i.e., the further from origin to destination, the higher the tax rate).

Further, some participants noted that railway companies paid extremely low land taxes, and that other industries paid significantly more. Railway was supposed to be earmarked for personal use as well, not just corporate, and there is a need to connect the behaviour and taxation of rail companies with the needs of the people who require access. One example included taxing the railway industry at an industrial rate so that the government can provide more passenger rail services. Or, keep the land tax low and reduce rail access fees, thus giving other rail companies a fair rate. The Ministry of Transportation of Ontario should be facilitating easier access to rail for other companies.

Lower tax rates for businesses

There were multiple comments about how to reduce rates as a tax policy experiment. Many suggested lowering the tax rate to attract companies, as well as keeping taxes low for small and new businesses. Some said that new small businesses should have incentives for the first few years, noting that without capital input, they do not have the necessary resources for growth.

Municipal Infrastructure

One participant commented on the tax possibilities regarding a one percentage point increase in the Harmonized Sales Tax (HST), as per suggestions from the Association of Municipalities of Ontario (AMO), and how that could resolve issues related to infrastructure deficits. The participant suggested this as a potential tax experiment for Northern Ontario.

Question 2: What are the risks and rewards of tax experimentation?

In general, there appeared to be more skepticism than optimism about using tax policy as an experimentation tool. Despite the panelists' discussions, many risks were identified and few rewards.

Risks

Some commenters mentioned that, as with many pilot projects, there is the risk that people will become accustomed to a pilot only to see it cancelled arbitrarily, which disrupts the flow of service. There was also a comment that pilots are not around long enough for a true evaluation – “One year is not long enough.” Some were more skeptical about experimenting in general, stating that using a region as an experimental area could be very dangerous. Other comments regarding risks included:

- “Taxes slow the economy; not sure we should do it.”
- “This type of experimentation could set a precedent for taxes to change due to government values. If [values] become too easy to change, every new government might want to alter the tax structure to suit their ideology.”
- “Someone is going to abuse the system. Someone will find loopholes and take advantage of them.”
- “Australia experimented with mining taxes and it didn't go well – it caused threats of industry backing out, non-competitiveness, etc.”
- “Unintended consequences could arise. Unsuccessful experimentation could have disastrous effects for small communities.”
- “There are more efficient ways of growing Northern Ontario other than taxation.”

Rewards

On the other hand, some participants emphasized that tax policy experimentation could result in rewards such as spurring new industry growth and innovation, as well as cluster development. Participants also stated that tax policy could stimulate interest in local businesses, and policy related to infrastructure investment would provide more of a benefit to local communities.





Question 3: Are taxpayers and decision-makers open to tax experimentation? If not, can we change that?

The following topics were cited most frequently by participants:

Communication is Key

Some participants stated that they have not seen much appetite for tax policy experimentation among policymakers. Others say that taxes are considered as objectively negative, and that this perception would need to change: "We have to know what the connection is between revenue sources (i.e., taxes), and benefiting programs. When this connection is better established, we will have a different culture around how taxes are 'received.' Taxes shouldn't be seen as a 'necessary evil,' but rather a cost that has a benefit." On the other hand, one commenter pointed out that no one ever asks about tax experimenting, and it never occurred to them to do it. The commenter indicated that they would need to discuss the topic further before determining if people would be open to such experimentation.

Others stated that people do not know where their taxes go, and therefore more transparency might encourage more public openness to experimentation. "There needs to be more communication from governments on what taxes do / don't pay for."

Future Generations

Some participants pointed out that people do care about future generations, and that they need to see the benefit that taxes will create for them. If people understand that their taxes will build infrastructure for their children, they will be more open to experimentation.

Simplicity

Further, it was noted that tax experimenting should not be onerous as small businesses in Northern Ontario would not be prepared. One participant stated, "It would need to be a very simplified task."

Key Action Item

Participants felt that industry tax incentives and royalties should be better applied toward reinvestment into the communities that they operate in. Focus could be placed on examining existing tax incentives and reinvestment, as well as potential improvements. Participants also noted that they are not aware of any options available to them in terms of taxation and therefore oppose the idea due to fear of the unknown, or unintended past consequences with these types of experiments. Communities that are interested in tax experimentation should focus efforts on researching options which may be available to their communities, or a collective group of communities.



Topic 3: #TaxTalk – Canadian Competitiveness: What Needs to Change, and Why?

Question 1: Is Northern Ontario uncompetitive? Why?

When asked if Northern Ontario is uncompetitive, participants had mixed responses. Some felt that there is a lack of competitiveness because the North is not innovative enough and afraid of change. Other comments focused on competitiveness in certain industries and the reasons behind reduced competitiveness in the North, as follows:



Presenter Dr. Jack Mintz

Highly Competitive in Some Industries

Some people mentioned that mining and forestry were highly competitive sectors, due to our natural endowments, and one participant pointed out that mining innovation in Northern Ontario is among the best in the world versus other countries and operations.

Northern Factors Must be Considered

Some participants felt that that Northern Ontario may be considered uncompetitive when only conventional measures of competitiveness are examined. Participants felt that this view may exist because we are only looking at economic progress. We must also examine other factors such as the Indigenous population, transportation costs due to geography, labour force participation rate challenges, infrastructure, cost of highways, and energy. "Measuring competitiveness needs to go beyond GDP growth."

There was also a discussion about the lack of critical mass as a factor in the North being uncompetitive: "When considering our geographical region, we're too spread out." Finally, commenters also pointed out that the lack of infrastructure, low population, cost of goods in the North, and limited choice in providers could be additional causes of reduced competition.

Housing

Multiple participants mentioned the North's strengths in terms of lower cost of living, and better quality of life. One commenter noted that Northerners can work less and afford as much as, if not more than, their southern counterparts.

Question 2: Of the ideas presented by Dr. Mintz, which ones offer the best value for your community?

Participants had mixed opinions about which ideas would or would not work. The following section provides a structured breakdown of the participants' responses:

Companies / Industry

Many participants supported the idea of further taxation on mining, and that governments should increase this tax and provide more of a local share to the communities.

In terms of investment tax credits, Dr. Mintz emphasized that more efficiencies could arise if business expensing was replaced by investment tax credits in Ontario, and particularly in Northern Ontario. Dr. Mintz also referred to investment tax credits as a potential alternative to small business deductions in Northern Ontario. Some participants were on board with this idea, but others strongly opposed it. Those who were intrigued were curious as to how it could be implemented in the North.



Regional Governance

Many participants supported this idea and it was a popular topic amongst the tables. Some said that small municipalities in Northern Ontario cannot represent themselves well alone, and therefore a regional government for representation only, not autonomy, would be beneficial. Others said that regional governance would uphold the spirit of democracy, and that regional politicians should be decided on based upon merit.

On the other hand, there were some skeptical views on the effectiveness of regional governance. Participants emphasized that jurisdictional boundaries have not prevented their towns from doing things they want to do. Others took issue with the suggestion that this could improve economies of scale. Given that northern communities are not close together, there would be little benefit from regional governance. Some pointed out that, in some cases, regional governments have not worked, citing Sudbury as an example.

There were also comments that having certain regional strategies, as opposed to regional governance, would be more beneficial (for example, a regional tourism strategy).

Labour Force

Some participants supported the idea of wage subsidies, as well as offering subsidies to PSWs as a bonus to bring them to the North. Other participants said that employers do not want wage subsidies, as it requires too much effort to complete the forms, and too much red tape, for little benefit. Some said that the same applies to apprenticeship subsidies. Others disagreed with Dr. Mintz that training incentives do not work, with a few providing success stories.

Regarding Dr. Mintz's suggestion of a regional differential minimum wage, some said that lower wages in Northern Ontario would drive people to higher wage jurisdictions. One commenter noted there were significant impacts of the minimum wage increase, which were positive for some workers but also punished some businesses, especially small businesses.

Indigenous Communities

Some participants pointed out that reserves may have significant tax advantages. For example, reserve-registered businesses may not be subject to corporate tax, and individuals may pay lower taxes. One individual suggested creating special economic zones on reserves as a possible option.

Key Action Item

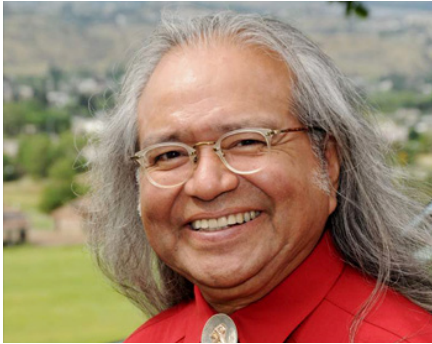
A common theme that arose between Dr. Mintz's presentation and the first panel was that of taxation effects on corporations, as well as tax incentives for companies and corporations. Looking at how current tax incentive systems could be optimized, or focusing on new potential tax reinvestment options, could be explored.

When assessing whether Northern Ontario is competitive or not, participants again emphasized the fact that we must be careful with who we are comparing ourselves to, as Northern Ontario has some unique characteristics which should change the way comparisons are made.

Topic 4: Taxation by Indigenous Communities

Question 1: Based on the panelists' presentations, are there ideas you've heard that Indigenous communities in Northern Ontario might consider?

Participants were impressed with the panel presentations on this topic. Some said that in Nipissing First Nation, the land issue was dealt with and that there are many other instances in Northern Ontario that still need to be addressed, including Temiskaming Shores – Algonquin territory. Others mentioned that in Wawa, First Nations groups have been very successful, such as Nipissing, and have made agreements with local gold mines, which is another success story that could be examined. Another participant mentioned the Chapleau area, which contains three First Nations communities. In that example, First Nations groups and private partnerships have worked well together. There was also mention of the Marathon area, where municipalities and First Nations meet on an issue-to-issue basis, and of the ongoing partnerships with the Ministry of Natural Resources and Forestry in the Temagami area to develop local forestry. One participant mentioned the success in Thunder Bay, working with Fort William First Nation, where land was reclaimed. All in all, many participants felt that other communities and First Nations groups could learn from the success of Nipissing First Nation. A consensus emerged that having First Nations at the table right from the beginning on all projects is most important. Finally, some participants felt that corporations should expect to be taxed the same regardless of whether they are on reserve lands.



Presenter Manny Jules



Presenter Dwayne Nashkawa

Question 2: What are the barriers and opportunities of doing so?

I. Barriers:

Establishing Partnerships

Some participants mentioned the challenges to forming partnerships because of the Indian Act: "Indigenous groups were told for so long that they could only deal with the Crown. There are some things culturally that the Indian Act has perpetuated over time and there are barriers which need to be reduced on both sides."

Others mentioned the difficulties that elections pose for partnership and collaboration, noting that it is difficult for First Nations and municipalities to see efforts through to the end when they have different cycles and terms.

Further, some commenters said that when municipalities want to gain First Nations' support or have a 'duty to consult,' approaching First Nations in the middle of the process does not go well.

Participants felt that, at the economic development level, First Nations must be included from the very beginning. "Creating 'with' instead of 'for' – working with them as opposed to for them."

Some stated that it is often easier for the private sector to deal with a single body rather than a constellation of actors, and in the past this attitude has omitted First Nations in favour of expediency.

When it comes to negotiations, participants noted the difficulty of doing so without involving a court process: "There is a lack of framework/clear process for negotiations outside of the court system. All parties would be better off out of court, because litigation causes bad feelings between partners."

Uncertainty

Uncertainty also came up as a barrier to the consideration of new ideas for Indigenous communities. Participants mentioned there is some suspicion on both sides with regard to land claims, and there can also be fear of municipalities losing taxes. One commenter mentioned that there is often uncertainty about whether land claims are going to be a “gift” of municipal land or federal land. Some also noted the fear that uncertainty over jurisdiction in traditional First Nations hunting areas will deter companies from making investments.

II. Opportunities:

Aside from the barriers mentioned, participants also suggested several opportunities that could be further explored. Mainly, the focus was on communication, efficiency, and self-jurisdiction:

Communication

Participants said that some municipalities could do a lot more to communicate, stating that “those who are in charge on both sides really determine the relationship and how things will go moving forward.” Commenters stressed the importance of communicating with the community on the ‘how’ and ‘why’ a decision was made. Many participants mentioned that formalized, regular communication for municipalities is needed. (“Dwayne meets with the mayor of North Bay monthly, whether or not there is business to discuss - this is important.”)

Efficiencies

Some commenters felt that there could be better efficiencies in the current system: “Institutions need to rethink their functionality - reform institutions so money can be better spent. There is a need for revenue sharing.” As well, one commenter mentioned the need for action-oriented, rather than administration-oriented, decision-making, adding that some decisions made in offices do not always make sense on the ground, and that cost-benefit analyses should be conducted when considering government funds.

Autonomy and Self-Jurisdiction

Participants said that regardless of the idea involved, retaining the autonomy of local communities in decision-making is paramount. Others said that closing institutional gaps involves developing own-source institutions in Indigenous communities, and that taxation is easier to introduce in a community with jurisdiction over its own affairs, therefore self-jurisdiction must come before taxation. “There needs to be recognition from municipal/provincial/federal governments that First Nations are not municipalities and that First Nation people are citizens of their own communities.”

Key Action Item

Many success stories arose from this discussion, particularly around the first table question. Communities who are interested in strengthening ties between local indigenous partners could start by examining some of the recent successes identified, both with Nipissing First Nation as well as other communities noted, such as Wawa, Chapleau, Marathon, and many more.

Further, the barriers and opportunities that were identified above should not be ignored. This includes current barriers around partnership establishment, as well as fear and uncertainty. The opportunities that were identified centered around communication, efficiency, and self-jurisdiction. Reaching out to the above communities that have had success in these areas could help to overcome the noted barriers as well as to open up new opportunities in Northern communities.

Topic 5: #TaxTalk – Global Evidence of the Value of Pilots and Policy Experimentation

Question 1: What policies should we experiment with in Northern Ontario (taxation, immigration, education, health, others, all of the above)?

Participants offered many ideas regarding policy experimentation across the North. The following is a summary of the ideas that were mentioned:



Speaker Mikko Annala

- *Experiment in Northern Governance*
- *Agriculture and Climate Change* – Some participants mentioned an experiment to determine what we can grow in northern communities, and how we can use this to sustain ourselves and sell it to other regions. One participant questioned whether we will have a longer growing season due to climate change and how that could impact municipal budgets.
- *Indigenous Consultation* – Participants felt that consultation is currently being done poorly and could possibly be improved through experimenting with new methods. Enhancing consultation would be critical to pursue future projects and move forward with reconciliation.
- *Rail Infrastructure* – Participants raised the question of whether we should lobby for the newest technology rather than invest in diesel: “Why invest billions into something that might work, when we know that France, Germany, etc., have had high-speed diesel trains for a long time and the technology works well.” This participant mentioned that, “Diesel fuel-power trains are easier to implement as the tracks just need to be restored.”
- *Deep Water Port in James Bay* – Participants mentioned that lobbying is underway to have an official port there, and that some form of policy experimentation could be possible.
- *Health* – Some participants felt that health should be a priority, as there is a huge discrepancy between health outcomes in the North versus the South. Some said this could become a factor that limits the number of people moving to the North, or that encourages people to leave the North, to retire, due to the inaccessibility of health care, higher rates of cancer, longer wait times for doctors or MRIs, etc., compared to Southern Ontario.
- *Immigration* – Participants discussed potential experiments to engage employers, universities, and colleges to retain as many international students as possible. Some suggested connecting employers to wage subsidies to help get students a ‘foot in the door.’ One individual noted that, in some areas of the world, international students do not pay an international premium for their education. This could be an experiment option for Northern Ontario. Could the North coordinate and determine how to use education to ease access to immigration?
- *Municipal Taxes* – Some participants suggested Greater Sudbury’s taxation of natural resource extraction could provide a basis for possible tax experimentation. One commenter mentioned that, “Municipalities can only tax developments from above-ground operations, and Sudbury receives nothing from companies working underground, unless the provincial levy returns it.” The commenter added that if the value of the mineral was above-ground, the municipality would receive this back in property taxes.

In a similar vein, others questioned how much revenue from taxation resource benefits in Northern Ontario remains in the region. “When it comes to working with Indigenous people, there needs to be a review of that - most First Nations receive little from provincially derived taxes, and the resources in their traditional territories.”

- *Indigenous Urban Reserves* – Some participants mentioned this and identified that there has not been any uptake in Ontario: “In Northern Ontario, it would be great for all the cities to establish urban reserves.”

Question 2: What role does the broader community play in policy experimentation? Private Sector? Civil Society? Individuals? You?

Some participants mentioned that partisanship is a 'killer' of policy experimentation, and that all decision-makers need to realize that experimentation should go beyond party politics.

Many participants felt that community involvement was key – developing policy, influencing and meeting with city hall, and taking more of a grassroots approach. One participant mentioned that the experimenter would need to get the community's buy-in: "No matter what the research says, if communities are not on board, the experiment won't work." Communities should be informed of what might happen, what could go wrong, and so on. Others said that the broader community should be both the builder and end-user of the experiment. This creates a feedback loop.

Finally, some said that experimentation does not always require full government participation, and that more workshops like Mikko Annala's talk should be provided to various groups at all levels to shift thinking.

Northern Policy Institute has been heavily involved in a number of research initiatives highly related to policy experimentation. These initiatives include published papers relating to Basic Income Guarantee experimentation, as well as NPI's Northern Attraction Series which focuses on creating a Northern Newcomer Strategy. Currently, NPI is committed towards working with various partners in the North on the Rural and Northern Immigration Pilot.

Key Action Item

Participants felt encouraged by Mr. Annala's talk and subsequent discussion. Communities could consider some of the ideas identified above for potential experimentation, as well as the suggested roles that could be assumed by the broader community. As mentioned above, policy experimentation may not always require full government participation, and considering a small experimentation model for Northern Communities could be a start.



Conclusion

The table discussions at our second annual State of the North conference were vibrant, with comments, ideas, and opinions from a wide variety of participants about Northern Ontario's economy, environment, and demography. Notable comments include a consensus that partnership with local Indigenous people throughout all stages of community and economic development is necessary. Other common themes included possible tax experiments, ideas related to regional governance, and potential policy experiments for Northern Ontario. These discussions were invaluable for the purpose of assisting NPI in determining future research priorities and for local decision-makers to better understand the voice and various needs and priorities of Northerners. State of the North 3 promises even more lively discussion as community partners, local decision-makers, and people interested in growing Ontario's diverse northern regions gather in Sault Ste. Marie in September to discuss Future North.



About Northern Policy Institute

Northern Policy Institute is Northern Ontario's independent think tank. We perform research, collect and disseminate evidence, and identify policy opportunities to support the growth of sustainable Northern Communities. Our operations are located in Thunder Bay and Sudbury. We seek to enhance Northern Ontario's capacity to take the lead position on socio-economic policy that impacts Northern Ontario, Ontario, and Canada as a whole.

Related Research

2017 State of the North Conference Report. You, Me and Our 780,000 Neighbours: How Northern Ontario can Continue to Work Toward a Sustainable and Prosperous Future
Northern Policy Institute

Implementing a Basic Income Guarantee Through the Personal Income Tax System
Dr. Lindsay Tedds

To stay connected or get involved, please contact us at:

1 (807) 343-8956 info@northernpolicy.ca www.northernpolicy.ca



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