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FAST FACTS



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September 19, 2003

Urban Reserves Have a Place in Winnipeg's Aboriginal Strategy

We were part of the delegation led by City of Winnipeg Councillor Dan Vandal that visited the Muskeg Lake First Nation urban reserve in Saskatoon earlier this week. We were impressed with what we saw and believe that the development of urban reserves in Winnipeg could be a useful part of a broader urban Aboriginal strategy. However, in many ways urban reserves are no big deal, and the public controversy surrounding the idea in Winnipeg is wildly overblown.

The Muskeg Lake First Nation urban reserve in the east end of Saskatoon is an industrial park which looks and runs pretty much like any other industrial park, although one that is particularly bustling and well-maintained. Nearly 20 businesses are located there, some Aboriginal-owned, some not. Of the 400 people employed, about 300 are Aboriginal.

The urban reserve run by Muskeg Lake is one of many urban reserves already in Canada, including a number of others in Saskatchewan. To date all are economic development initiatives; there are no residential urban reserves.

Concerns have been raised about businesses on urban reserves enjoying tax advantages. These concerns are largely without foundation. Ron Kocsis, owner of Kocsis Transport Limited (KTL), an Aboriginal trucking firm located on the urban reserve, stated that Aboriginal businesses on urban reserves enjoy "zero tax advantage in the business world." Treaty Indians who are employed on an urban reserve do derive an income tax advantage. About 25 of the 100 employees at KTL are Aboriginal, and those with treaty status pay no income tax on their KTL earnings, just as they pay no income tax on income earned on any other reserve in Canada.

An urban reserve does not pay municipal taxes such as the property tax, but rather enters into a service agreement by which the reserve pays to the City an amount equivalent to what it would have paid in property and other municipal taxes, in return for which the City provides to the urban reserve all the services it would normally provide. The reserve then imposes its own property tax at a rate equal to what the City would collect. The result is that businesses on this urban reserve are subject to the same municipal tax regime as Saskatoon businesses off reserve. If there is any gap between what the First Nation pays the City and the taxes it collects from businesses on the reserve, the First Nation receives these funds and can use them to invest in its community. Therefore, the First Nation has little if any economic incentive to undercut off-reserve businesses on property taxes.

Saskatoon City Solicitor Theresa Dust, who was involved from the beginning in the urban reserve negotiations with Muskeg Lake, informed the delegation that, as regards all tax matters within the City's jurisdiction, the City is committed to the concept of a level playing field; the City negotiates to ensure off-reserve businesses do not face a competitive disadvantage relative to on-reserve businesses. The result, we were told, is that Saskatoon businesses in general support urban reserves.

Consumption taxes imposed by the federal and provincial governments are another matter. Treaty Indians are not obliged to pay sales and gasoline taxes on any reserve, urban or not, and at the gas bar in Muskeg Lake they pay slightly less per gallon of gas. However, the same dynamics that keep the reserve from undercutting off-reserve businesses on property



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taxes apply here: any tax gap is captured by the First Nation, and no First Nation is likely to want to sour relations with the rest of the business community for the sake of a small potential discount offered to a minority of its customers.

Referendum?

Certain First Nations are *legally entitled* to purchase urban land for use as a reserve. The City has no choice in the matter. Thus talk of a referendum on urban reserves is moot. Those First Nations entitled to purchase urban land for reserve purposes must go through a series of steps before securing reserve status. These typically include purchasing the land on the open market. The City is then obligated to enter into negotiations with the First Nation government to reach an agreement with respect to City taxes, the delivery of services, and land use compatibility. Failure to reach an agreement results in the matter going to binding arbitration and the particulars of the urban reserve agreement being imposed. Clearly, it is in both parties' best interests to enter into good faith negotiations.

In Saskatoon, the negotiations between the City and Muskeg Lake First Nation have been conducted in a respectful fashion, and have led to the development of solid relationships. This was a specific objective of Muskeg Lake First Nation when they began negotiations in 1984. They wanted to create an Aboriginal success story, and to develop what Lafond called "a model relationship to be envied." They sought not only economic development, but also the development of long-term relationships based on mutual understanding and trust. To this end they have reached out to the community in Saskatoon by accepting both the concept of a level playing field and the by-laws of the city, and by becoming involved in charitable endeavours and business associations. Last year Lester Lafond was the President of the Saskatoon Chamber of Commerce. Saskatoon Mayor Jim Maddin told us that from a City perspective, "the reason Saskatoon is enjoying success in Aboriginal relations is...we work damned hard at bridge building, at building relationships." It is important that Winnipeg approach the issue of urban reserves in the same spirit.

Economic Success

The Muskeg Lake First Nation urban reserve is an economic success story. With skill and hard work they have created 400 jobs, generated about \$4 million in revenues, and reinvested those revenues in the development of the industrial park and in housing and a seniors' residence in their home community. In addition, the positive relationships developed in Saskatoon and the demonstration effect have stimulated additional Aboriginal investment and employment in Saskatoon.

In the larger picture, the urban reserve that we visited in Saskatoon is, in most respects, no big deal. Its businesses enjoy no particular competitive advantages. From the point of view of the citizens of Winnipeg, and the businesses and business people of Winnipeg, there are no intrinsic disadvantages to this kind of economic development.

As successful as the Muskeg Lake First Nation reserve in Saskatoon is, urban reserves will not come close to solving all problems in Winnipeg, just as they have not solved all problems in Saskatoon. They should be seen as one part of a broader urban Aboriginal strategy.

That is exactly how they are conceived in the City of Winnipeg's draft report, *First Steps: Municipal Aboriginal Pathways*. Mayor Glen Murray and Councillors Vandal and Gerbasi have taken an important step forward in building Winnipeg's future with the introduction of this report. Judging from the response to the report, their leadership appears to be earning the cautiously optimistic support of Winnipeg's Aboriginal community. It deserves the strong support of the non-Aboriginal community. There is nothing about the urban reserve component of the strategy that should lead citizens of Winnipeg to think otherwise.

— Errol Black and Jim Silver

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