

# Towards an Understanding of Aboriginal Regional Corporations: The Case of the Inuvialuit of the Western Arctic of Canada

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*A new approach to economic development in northern Canadian Aboriginal communities emerged about three decades ago. Through the settlement of Modern Land Claim Agreements (MLCAs), Aboriginal corporations were created to address regional economic issues of Aboriginal people. With complex institutional structures, these corporations provide the opportunity for Aboriginal people to be involved in the management and decision-making process of their lands and communities. This paper examines the corporate structures created in the Western Arctic of Canada when the Inuvialuit Final Agreement (IFA) was achieved in 1984. In particular, the functions of the Inuvialuit Regional Corporation (IRC) and its subsidiaries in advancing regional economic development of the Inuvialuit are examined.*

*Keywords: Aboriginal Canadians, Economic Development, Inuvialuit Final Agreement, Inuvialuit Regional Corporation, Modern Land Claim Agreements.*

In recent decades, Canada has enjoyed an international reputation as one of the best countries to live in the world. The Canadian economy has experienced significant growth and per capita income has risen. The federal and provincial governments continue to provide a wide range of social programs including universal access to health care, unemployment insurance, and old age allowances to all Canadians. It is not surprising therefore that the United Nations has recognized Canada several times during the past decade as one of the best countries to live in the world. But not everyone in Canada including Aboriginal Canadians have enjoyed the advantage of living in a highly developed country (Kendall, 2001).

The economic and social characteristics of the Aboriginal people of Canada remain different from the larger Canadian society (Anderson et al., 2004, Saku and Bone, 2000a). For example, while 7.4 percent of Canadians were unemployed in 2001, as much as 19.1 percent of Aboriginal Canadians were unemployed (Table

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1). Similarly, there is a significant disparity between Aboriginal Canadians and the larger Canadian population regarding median income, incidence of low income families, and average employment income. To improve the economic and social conditions of Aboriginal Canadians, several policies were initiated by the federal government. One of the policies involved the settlement of Modern Land Claim Agreements (MLCAs). While MLCAs are about nationhood, self-determination and redress of historic injustice to Aboriginal people, economic development is one of the anticipated outcomes. These agreements apply to areas in Canada where historic treaties were not signed. The agreements involve monetary compensation, land allocation to the Aboriginal group, and the creation of institutions designed to promote economic development (Saku, 2002). In return, Aboriginal people have to surrender claim to the vast amount of land they traditionally used.

As a bottom-up approach to regional economic development, MLCAs provide the opportunity for Aboriginal people to be involved in the economic and social development of their communities (Saku and Bone, 2000a). As noted by Anderson (1997) the economic strategy of Aboriginal people is to improve their socio-economic conditions through self-help. A modern land claim agreement is an important economic development initiative that promotes self-help.

**Table 1:** Selected social and economic indicators, Canada and Aboriginal, 2001.

	Canada	Aboriginal
Average Employment Income	\$29,769	\$21,296
Median Income	\$22,120	\$15,000
Unemployment (percent)	7.4	19.1
Population with Bachelor's Degree (percent)	10.6	4.7
Incidence of Low Income Families (percent)	12.9	25.5

Source: Statistics Canada, 2001

This paper examines Aboriginal corporate structures created when the Inuvialuit Final Agreement (IFA) was achieved. Specifically, the paper focuses on how the Inuvialuit Regional Corporation (IRC) and its corporate group are advancing regional economic development in the Western Arctic of Canada. The question is who are the Inuvialuit of the Western Arctic? What corporate structures were created when the Inuvialuit Final Agreement (IFA) was signed? What functions are performed by the Inuvialuit Regional Corporation and its subsidiaries?

To provide meaningful answers to these questions, the first part of the paper provides background information on the Inuvialuit of the Western Arctic of Canada. The second part deals with MLCAs in Canada and the historical context within which the Inuvialuit Final Agreement (IFA) was achieved. The third part of the paper analyses the structures and role of Inuvialuit Regional Corporation in promoting regional economic development in Western Arctic of Canada.

## THE INUVIALUIT OF THE WESTERN ARCTIC

The ethnic composition of the Western Arctic is very diverse. Basically, three Aboriginal ethnic groups dominate the region, that is, the Inuit, Dene, and Métis. The Inuvialuit of the Western Arctic are a sub-group of the Inuit people (Wonders, 1987). They are believed to have migrated into the Western Arctic from Alaska around the beginning of the 20th century. As such, they continue to maintain a friendly relationship with their Alaskan neighbors (Usher, 1971).

There are six communities in the Western Arctic of Canada that are dominated by the Inuvialuit. The communities include Aklavik, Inuvik, Ulukhukluk (Holman), Paulatuk, Sachs Harbour and Tuktoyaktuk. Like many northern Canadian Aboriginal communities, the Inuvialuit communities are relatively small in population. With a population of 3,484 in 2006, Inuvik is the largest community while Sachs Harbour (122) is the smallest (Table 2).

**Table 2:** The population of Inuvialuit communities, 1996, 2001 and 2006.

	Percentage change in population				
	1996	2001	2006	1996-2001	2001-2006
Inuvik Region	9,447	8,536	9,192	-9.60	7.8
Aklavik	727	632	594	-13.01	-6.0
Inuvik	3,296	2,894	3,484	-12.20	16.9
Ulukhukluk (Holman)	423	398	398	-5.90	0
Paulatuk	277	286	294	3.20	2.8
Sachs Harbour	135	114	122	-15.60	6.6
Tuktoyaktuk	943	930	870	-1.40	6.5

Source: <http://www12.statcan.ca/english>

**Table 3:** Aboriginal population of Beaufort Delta communities, 2001 (in 1,000s).

	Aboriginal	North American Indian	Inuit	Me'tis	Multiple Response	Other Aboriginal
Aklavik	92.8	22.4	60.0	6.4	1.6	2.4
Fort McPherson	93.7	57.9	2.0	5.9	3.9	23.0
Holman	94.9	N/A	94.9	N/A	N/A	N/A
Inuvik	59.5	15.4	36.8	5.1	0.4	1.8
Paulatuk	80.7	N/A	80.7	N/A	N/A	N/A
Sachs Harbour	95.5	N/A	95.5	N/A	N/A	N/A
Tsiigehtchic	89.7	59.0	5.1	12.8	7.7	5.1
Tuktoyaktuk	94.7	2.2	90.3	1.1	1.1	N/A

Source: <http://www.stats.gov.nt.ca>

The percentage of Inuvialut is different in each of the communities. Holman, Paulatuk, Sachs Harbour, and Tuktoyaktuk have a large proportion of Inuit popula-

tion (Table 3). Aklavik is a mixed community with about 60.0 percent Inuit, 22.4 percent American Indian and 6.4 percent Métis. The percentage of Inuit population in Inuvik was only 36.8 percent.

## MODERN LAND CLAIM AGREEMENTS

MLCAs represent a fresh approach to Aboriginal economic development in Canada. Each agreement, by providing land, capital and management structures, promotes economic development from the bottom-up, that is development controlled and operated by Aboriginal corporations representing their beneficiaries. Makivik Corporation, the first Inuit Corporation, was formed shortly after the James Bay and Northern Quebec Agreement (1975) while the Inuvialuit Regional Corporation came into existence following the 1984 Inuvialuit Final Agreement. The focus of this paper is the Inuvialuit Regional Corporation.

In Canada, MLCAs are based on the right of Aboriginal people to the traditional use and occupancy of lands (Crowe, 1988). Saku and Bone (2000b) noted that the Royal Proclamation of 1763 provides the foundation of Aboriginal rights in Canada. These agreements apply to regions in Canada where Natives did not enter into treaty relationship with the Crown or their rights superseded by law (Ironsides, 2000; Saku, 2002, Henderson 2007). By 1970, the areas where historic treaties were not signed included parts of the British Columbia, areas of northern Quebec, the Maritimes, the Yukon and Northwest Territories. The process of achieving MLCAs in Canada started in 1973 when governments began to accept the legitimacy of Aboriginal rights to the land they traditionally owned.

The momentum to achieve MLCAs in northern Canada accelerated in the 1970s because of a number of factors. The first was the 1973 Supreme Court decision in the Calder case that affirmed Aboriginal title to the land. The court case provided Aboriginal people a rubric for pushing land claim issues and the funding needed for research (Henderson, 2007). Even though the Supreme Court ruled narrowly against the case, the court recognized that the Nisga'a had the right to their traditional lands. After the Supreme Court ruling, the federal government became receptive to issues of Aboriginal land claims. The second factor that accelerated MLCAs was the formation of Aboriginal political pressure groups such as Committee for the Original Peoples Entitlement (COPE) in the Mackenzie Delta and Beaufort Region, Northern Quebec Inuit Association, and the Inuit Tapirisat of Canada to deal with land claim issues. The third was the desire by northern Aboriginal people to have full control over natural resources such as the hydrocarbons located in their regions. The fourth was concern over environmental degradation due to resource development in the region. Finally, a new generation of educated Aboriginal activists who confronted the federal government on Aboriginal rights and land claim issues.

The first MLCA achieved was the 1975 James Bay and Northern Quebec

Agreement. The Northeastern Quebec Agreement was achieved three years later with the Naskapis (Figure 1). While these agreements were out-of-court settlements designed to resolve conflict in the construction of the James Bay hydroelectric project, they are often considered as Canada's first modern treaties (Royal Commission on Aboriginal People (RCAP) 1996). Nine years later, the first comprehensive land claim agreement was signed with the Inuvialuit in 1984. Following these agreements, several MLCAs were achieved in the 1990s and beyond including: 1) the Gwich'in Final Agreement (1992); 2) the Sahtu Final Agreement (1993); 3) the Nunavut Final Agreement (1993); 4) the Yukon Umbrella Final Agreement (1993); 5) the Nisga'a Final Agreement (2000) and 6) Tlicho Land Claim Agreement (2005).

An important outcome of these agreements is the allocation and ownership of land by Aboriginal peoples. Aboriginal people involved in the agreement are required to relinquish their rights to the ownership of vast land for smaller one (Table 4). The land allocated to Aboriginal people confirms their legal ownership under the Canadian law (Saku and Bone, 2000a).

**Table 4:** Land allocation in selected Modern Land Claim Agreements.

Land Claim Agreement	Total Land Surface (sq. kms)	Subsurface rights (sq. kms)
Inuvialuit	169,000	13,000
James Bay and Northern Quebec	1,164,000	Not applicable
Nunavut	352,000	36,000
Gwich'in	24,000	6,000
Nisga'a	1,992	1,992
Tlicho Land Claims	39,000	39,000
Sahtu	41,970	2,000

Source: Compiled by the author

Apart from resolving land ownership issues, MLCAs are used to define a wide range of benefits (Saku, 2002). The benefits include monetary compensations, exclusive right to wildlife harvesting in specified areas of the settlement region, and the opportunity to participate in environmental assessment and management. Additional benefits are resource revenue sharing and opportunity to enhance economic development.

## THE WESTERN ARCTIC INUVIALUIT LAND CLAIM AGREEMENT

The Inuvialuit land claim agreement evolved from an earlier claim submitted in 1976 by the Inuit Tapirisat of Canada (ITC) (renamed Inuit Tapirit Kanatami (ITK). This original claim involved the entire former Northwest Territories including present day Nunavut. Like other areas of Canada where historic treaties were not signed prior to the 1970s, this claim was an attempt to resolve conflict in land

and resource ownership (Saku and Bone 2000a). The ITC claim was withdrawn soon after its submission because the Inuvialuit wanted to settle their claim quickly for two reasons: (1) before the construction of the proposed Mackenzie Valley Oil Pipeline so they could take advantage of business and employment opportunities generated by this mega-project and (2) to establish ownership of some of the sub-surface rights.

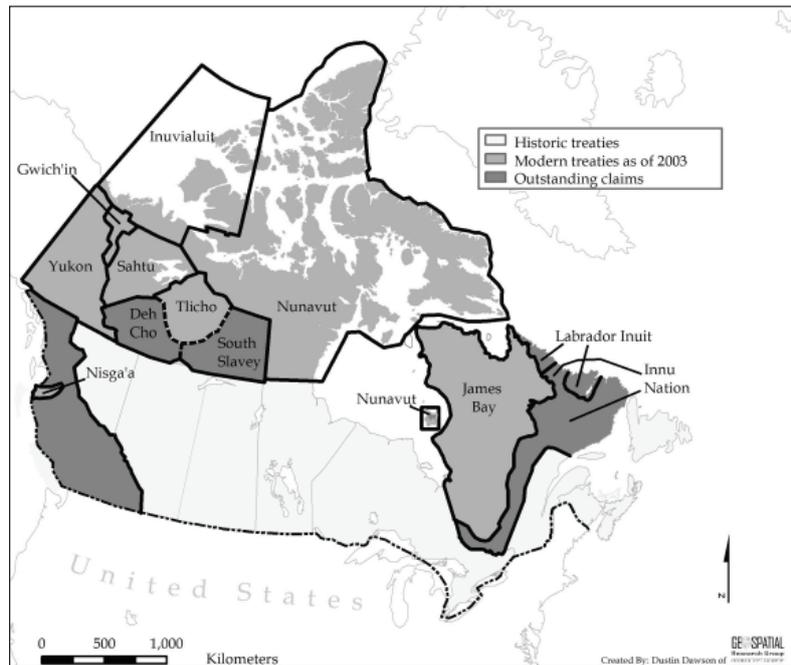


Figure 1: Historic and modern treaties and claims in Canada.

COPE was formed in the 1970s as a political pressure group to protect the interests of all Aboriginal people of the Delta/Beaufort Sea region. In protecting the interests of Aboriginal people, COPE vigorously opposed the construction of the Mackenzie Valley Pipeline. COPE argued that the project should not proceed until land claim issues were resolved.

In May 1977, COPE submitted a new claim on behalf of the Inuvialuit. This claim was a modification to an earlier claim submitted by the ITC. The goals of the Inuvialuit during negotiation were to achieve four objectives. They included 1) preservation of Inuvialuit cultural identity and values; 2) opportunity to be equal and meaningful participants of northern economy; 3) protection and preservation of Arctic wildlife, environment, and biological productivity, and 4) provision of Inuvialuit with specific rights and compensation in exchange for existing land rights (Hamilton, 1994).

The COPE proposal was intensively negotiated over two years, that is, between

1977 and 1978. However, it was not until June 1984 that the final agreement was achieved between representatives of COPE, the Government of Canada, the Government of Northwest Territories, and the Yukon Government (Figure 2).



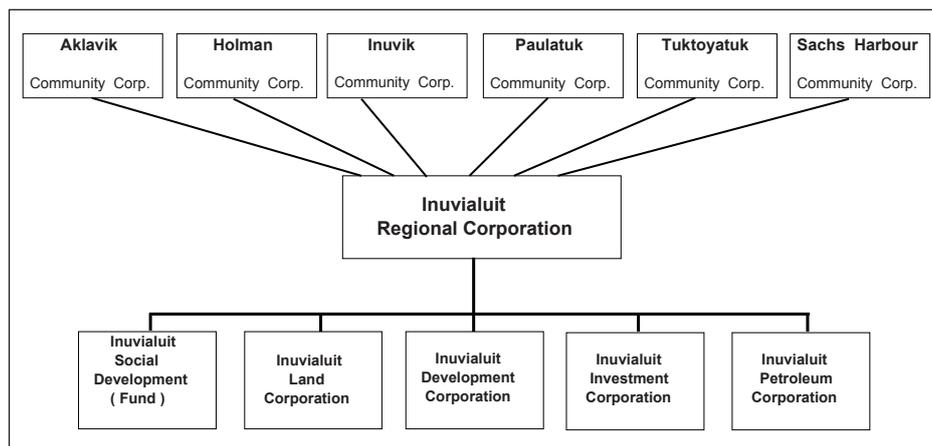
Figure 2: Inuvialuit Settlement Region.

### THE CORPORATE STRUCTURE OF THE INUVIALUIT FINAL AGREEMENT

There are no specific guidelines as to the type of institutions that are created under MLCAs (Saku et al., 1998). Within the terms of the IFA, two parallel management institutions were created. These are the Inuvialuit Regional Corporation

(IRC) and the Inuvialuit Game Council (IGC). While the IRC is responsible for regional economic development, the IGC is responsible for wildlife management and related issues.

As the cornerstone of regional economic development, the IRC is the institution responsible for improving the economic conditions of the Inuvialuit beneficiaries (Saku, 2006). The beneficiaries of the IFA own and control the IRC and its subsidiaries. Section 5(2) of the IFA outlines the requirements of an eligible beneficiary. These requirements include: 1) the individual must have been on the official voters' list that was used to approve the agreement; 2) the person should be of Inuvialuit ancestry and accepted as a member of the community corporation; 3) provides evidence of having one-quarter or more Inuvialuit blood; and 4) is an adopted child of a qualified beneficiary (Government of Canada, 1984). Section 5(3) further stipulates that a person can be an eligible beneficiary if that person is determined by the respective community corporation to be a Canadian citizen and descendant of the Inuvialuit. Furthermore, section 5(6) gives the power to the Inuvialuit to determine the eligibility status of future beneficiaries.



**Figure 3:** Inuvialuit Regional Corporation.

Like many corporations, the corporate structure of the IRC is very elaborate and complex. The corporate structure revolves around the six community corporations, that is, Aklavik, Holman, Inuvik, Paulatuk, Sachs Harbour, and Tuktoyaktuk (Figure 3). Each community corporation is governed by an elected Board of Directors. The board is responsible for coordinating the functions of the community corporations. The six community corporations collectively form the IRC. The Chairs of the Board of Directors of the community corporations and the Chief Executive Officer (CEO) of IRC constitute the Board of Directors of the IRC. The directors of the six community corporations elect the Chair/CEO of the IRC. As the parent corporation, the IRC administers the financial compensation received from the IFA for the ben-

efit of present and future generations of the Inuvialuit. In achieving this objective, the IRC is responsible for managing and investing the Inuvialuit monetary compensation of \$55 million (1977 dollars). A total of \$169.5 million was paid to the Inuvialuit between 1977 and 1997. The IRC also manages its land holdings.

To fulfill this responsibility, several subsidiaries were created within the IRC. These subsidiaries include Inuvialuit Development Corporation, Inuvialuit Investment Corporation, Inuvialuit Petroleum Corporation, Inuvialuit Land Administration and Inuvialuit Social Development Fund (Figure 3). Each subsidiary plays a unique role within the framework of the corporate structure. However, there are some overlaps in the functions these subsidiaries perform. The question then is what functions are performed by these subsidiaries?

## **FUNCTIONS OF THE INUVIALUIT REGIONAL CORPORATION AND ITS SUBSIDIARIES**

The Inuvialuit Development Corporation (IDC) is the most active business creation unit of the IRC. It is owned and controlled by the IRC. The objective of the IDC is to invest the financial compensation awarded to the Inuvialuit in business ventures within and outside the settlement region. An important outcome of these businesses is job creation for Inuvialuit beneficiaries. With this objective, the IDC currently owns over 20 subsidiary enterprises and joint ventures in seven major sectors including construction, manufacturing, environmental services, transportation, petroleum services, real estate, tourism, and hospitality (Figure 4). Since its inception, the IDC has adopted aggressive investment strategies in and outside the Inuvialuit Settlement Region in promoting economic development.

By utilizing a small and dedicated management team committed to low-cost operations, the IDC has invested primarily in three main sectors including: 1) energy; 2) transportation and northern; and 3) manufacturing (Table 5). The energy companies provide services in petroleum operations, environmental and waste management, land surveying, camping, and catering. The transportation companies provide a variety of services including air travel, marine transportation, and freight expediting. The northern and manufacturing companies offer services such as grocery distribution and heavy machinery manufacturing. Through several business ventures, the IDC generated impressive revenue of \$188 million and profit of \$8.3 million in 2005. The IDC is proud of managing its investment and revenues from its Head Office in Inuvik. Most of the profit was generated from oil and gas activities.

The second subsidiary of the IRC is the Inuvialuit Investment Corporation (IIC). This subsidiary is responsible for managing complex portfolio of securities resulting from the investment of the original financial compensation. The specific objectives of the IIC are: 1) protect the investment funds of the Inuvialuit; 2) earn five percent before-tax return in the long-term; and 3) manage the investment funds of other

members of the Inuvialuit Corporate Group and the Community Corporations. The IIC engages in a rather conservative investment strategies designed to preserve the original capital and increase its financial resources. Like a pension fund, IIC earns its income from two main sources, interest from portfolio of debt instruments and capital gain from trading activities. To some extent, the IIC has successfully fulfilled its objectives. In 2005, the IIC recorded earnings of about \$8.0 million compared to \$4.8 million in 2004. By the end of 2005, the IIC portfolio was valued at \$175 million. This was a significant increase over a reported value of \$165 million in 2004. The annual return of the portfolio was 10.81 percent.

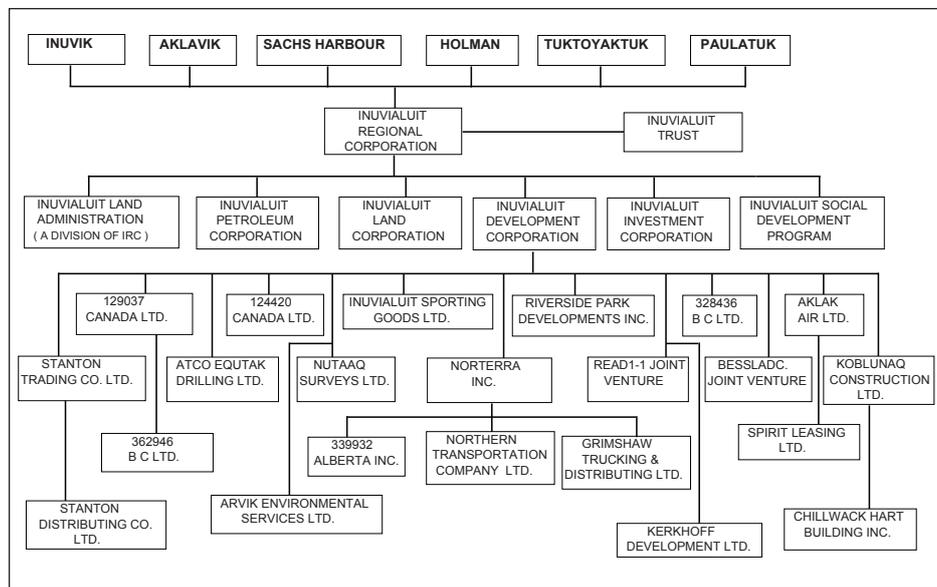


Figure 4: Inuvialuit Regional Corporation and its Subsidiaries.

The Inuvialuit Land Corporation (ILC) holds title to the land allocated to the Inuvialuit under the IFA. Overall, the Inuvialuit have ownership of about 169,000 sq. kilometers, including 13,000 sq. kilometers with sub-surface rights to oil, gas and minerals. While the ILC holds title to the land, the actual management and administration of the land is the responsibility of the Inuvialuit Land Administration (ILA). Basically, the functions of the ILA include: 1) the review and approval of applications to access and use Inuvialuit lands; 2) monitor land use operations to protect the land and environment; and 3) ensure that the Inuvialuit acquire business, employment and training within the context of a development project. In 2005, about 83 applications were submitted to the ILA for access to Inuvialuit lands. Overall, \$2.4 million was earned in 2002 for land use activities, long term leases, and concession agreements (Inuvialuit Corporate Group, 2004).

**Table 5: Subsidiaries of Inuvialuit Development Corporation.**

<b>Energy Company</b>	<b>Functions</b>
Akita Equtak Drilling	Oil and gas drilling contractor in the Western Arctic.
IEG Energy Services	Environmental and engineering services to industry, government and Aboriginal organizations.
Western Oilfield Servicing	Operates service rigs in Alberta.
Inukshuk Geomatics	Geomatics and engineering services to oil and gas companies.
Inuvialuit Oilfield Services	Assist clients in optimizing reservoir performance.
Arctic Oil and Gas Services	Supports oil and gas industries in camp supply, catering, cleaning, and medical services.
<b>Northern and Manufacturing Company</b>	<b>Functions</b>
Dowland Contracting	Construction and maintenance service contractor for government and private sector.
Stanton Group	Food distribution company,
Aramak	Catering, janitorial and transient contract service to Inuvik Regional Hospital.
Weldco Beales Manufacturing	Designs and manufactures heavy equipments for Construction, resource, forestry, mining, and road work.
Nasituuq - PAIL	Manages and operates North Warning System (NWS)
IDC Properties	Owns and operates residential, commercial, industrial and undeveloped land.
<b>Transportation Company</b>	<b>Functions</b>
Canadian North Airlines	Provides passenger and cargo services across Northwest Territories and Nunavut.
NTCL	Provides marine transportation and related services in Northern Canada and Arctic.
Aklak Canadian Helicopters	Offers helicopter services to industry and government.
Aklak Air	Offers scheduled and charter air service across Western Arctic.
Arctic Nature Tours	Provides tourism adventures in natural and cultural resources in the region.
Aurora Expediting Services	Provides world freight forwarding services including customs clearance and air, land and sea cargo consolidation.

Source: The Inuvialuit Regional Corporation.

Additionally, the Inuvialuit Petroleum Corporation (IPC) was established in 1985 as one of the subsidiaries of the IRC. The goal of this subsidiary is to provide an opportunity for the Inuvialuit to own a profitable medium-sized petroleum company. Since its creation, the IPC has grown and expanded very steadily. The initial investment activities of IPC were concentrated mostly in oil and gas activities in the Province of Alberta. However, in 1999, the IPC made a strategic corporate decision by moving its oil and gas investments north of latitude 60 degrees. Indeed,

investment and completion of the Inuvik Gas Project was a remarkable achievement of the IPC. The project was initiated in 1997 and completed in 1999. The Inuvik Gas Project is a wellhead to burner-tip operation designed to provide residents of Inuvik with natural gas from two wells located on the Inuvialuit land. Reduction in the cost of importing heating fuel from Edmonton in Alberta to Inuvik was the project's goal. The project is owned jointly by Ikhil Resources Ltd (a subsidiary of IPC), AltaGas Services Inc., and Enbridge Inc. The cost of the project was about \$44 million, with IPC contributing about \$14 million.

Furthermore, the Inuvialuit Social Development Fund (ISDF) is an important component of the IRC. Unlike the other corporations, the ISDF is not an income generating institution. Specifically, the ISDF was created to serve the social needs of the Inuvialuit including housing, health, welfare, education, and maintenance of traditional practices such as language. To provide these functions, the federal government awarded the Inuvialuit an initial capital of \$7.5 million to support this institution. Since its inception, the ISDF has engaged in numerous initiatives which are designed to improve the social well being of the Inuvialuit. One of these initiatives is the Inuvialuit Education Foundation which presently promotes formal education among young adults. The program provides five types of incentives to students. These incentives are tutoring, post-secondary supplementary funding, scholarship, educational trips, and summer camps. In 2005, the Inuvialuit Education Foundation (IEF) provided financial support to 77 students through its Secondary Supplementary Funding Program. Collectively, these programs are having impact on the educational attainment of the Inuvialuit. The percentage of people graduating from high school in the six Inuvialuit communities increased between 1986 and 2001 (Table 6). Holman particularly recorded a remarkable increase in graduation rate from 19.5 percent in 1986 to 46.2 percent in 2001.

**Table 6:** Percentage of population 15 years and older with at least high school education.

Community	1986	1991	1996	2001
Canada	55.6	61.2	65.2	72.8
Northwest Territory	51.7	59.8	63.5	64.8
Smaller NWT Communities	31.6	34.0	40.0	38.9
Aklavik	27.0	37.8	48.4	43.3
Holman	19.5	37.0	42.3	46.2
Inuvik	58.7	66.4	69.3	70.8
Paulatuk	16.0	20.7	44.8	28.6
Sachs Harbour	38.1	47.1	47.1	50.0
Tuktoyaktuk	31.6	34.7	36.9	37.0

Source: Northwest Territories Bureau of Statistics, 2007.

Apart from investment in formal education of young adults, the Inuvialuit Regional Corporation is actively engaged in job training initiatives. To fulfill this goal, the IRC established the Aboriginal Human Resource Development Agreement (AHRDA). This agreement requires that businesses operating within the ISR train Inuvialuit labor force. Overall, the IRC has invested about \$1.4 million in the employment and training of the Inuvialuit. Other job training initiatives include career planning, employment referrals, and educational information.

## DISCUSSION

The IRC and its corporate groups are engaged in several positive economic development initiatives within the Inuvialuit region. The financial compensation received from the federal government by the Inuvialuit is a major source of capital for investment by the IRC. Saku and Bone (2000a) observed that the monetary compensation received by Aboriginal people when modern treaties are achieved serve as a triggering mechanism for regional economic development. The question is what are the regional economic impacts of the IRC and its subsidiaries?

First, the investments by the IRC and its subsidiaries of the initial cash payment within and outside the region are generating a multiplier effect in terms of cash flow into the ISR. Most of the outside investments are primarily stocks and bonds. This type of investment provides a stable income to the Inuvialuit while protecting the initial capital. On the other hand, local investments are mostly in the form of joint ventures or through Inuvialuit owned companies. The joint ventures are particularly important because they have the potential of attracting non-local businesses to the ISR. While the performance of each economic venture varies, there has been some success in this sector. For example, the assets of the IDC have increased from \$10 million in 1977 to about \$188 million in 2005 and the market value of IIC's assets increased to \$175 million in 2005. Overall, the Inuvialuit Corporate Group representing IIC, ILC, IDC and IPC earned a profit of \$8.1 million in 2005. One of the major problems confronting the IRC and its subsidiaries in generating substantial cash flow into the region is the lack of local business opportunities. This limitation is attributed to small local market and the remoteness from southern markets.

The second economic impact of the IRC and its subsidiaries is the personal income the Inuvialuit earn by working for the companies. Even though most of the business profits are usually reinvested to generate further economic growth, the Inuvialuit have received financial benefits from the IRC and its subsidiaries through wages, salaries, annual payments to beneficiaries, and payment to elders and youths. In 2005, about \$1.7 million was distributed to Inuvialuit beneficiaries while about \$8.3 million was paid as wages and salaries to employees of IDC and its subsidiaries (Table 7). A significant amount of money was paid to employees of other corporations as well. There was an increase of 108 percent in beneficiary compensation

between 2002 and 2005. Most of the employees including the Board of Directors of the IRC and its subsidiaries are Inuvialuit beneficiaries. On the other hand, the money paid to elders within the same time frame declined significantly (Table 7)

The third economic impact of the IRC and its subsidiaries is job creation for the Inuvialuit. While long-term employment is secured in the local companies, short-term employment comes to the region through short-term contracts. In 2005, about 200 full-time positions within the IDC subsidiaries were held by beneficiaries. The Distance Early Warning (DEW) Line clean-up at three locations in the summer of 1999 is one example of many short-term employments to the Inuvialuit.

**Table 7:** Direct cash benefits to Inuvialuit, 2002 and 2005

	2002 (\$)	2005 (\$)	% change
1. Wages and salaries to Inuvialuit Corporate Group			
IRC/IIC/ILC/ILAC	2,327,853	2,894,539	24.3
IDC and subsidiaries	8,360,249	8,291,082	-0.8
IPC and subsidiaries	237,681	226,004	-4.9
2. Honorarium/Stipend to Board member	627,783	729,080	16.1
3. Payments to Elders and Youth			
One time payments to elders	117,500	127,000	8.1
Elders benefit payments	339,000	175,000	-48.4
4. Distribution to beneficiaries	1,312,800	2,731,200	108.0

Source: The 2002 and 2005 Inuvialuit Annual Corporate Reports.

Furthermore, the IRC is aggressively promoting Inuvialuit businesses through the establishment of the Inuvialuit Business List (IBL). The Board of Directors of the IRC initiated this policy in August 2000. Apart from using the list to determine which companies qualify for contracts, the list is also available to businesses interested in joint ventures. To be included on the IBL, a company must be more than 50 percent owned by the Inuvialuit.

Notwithstanding the achievements of the IRC, there are three problems associated with the present economic strategy of the Inuvialuit. The first is the concentration of economic activities and benefits in Inuvik. As the regional capital, the Head Office of the IRC is located in Inuvik. Since most of the employees of the IRC reside in Inuvik, their incomes are spent in the city. As a result, the spin-off effect of their income is felt mostly within Inuvik. Unfortunately, the other Inuvialuit communities have not experienced substantial economic gains because of isolation and lack of profitable investment opportunities.

The second problem is lack of skilled labor for important administrative positions within the IRC. Even though employment and training opportunities are available to Inuvialuit, lack of formal education prevented Inuvialuit from securing skilled jobs within the corporate offices. The IRC has made significant progress by establishing scholarship programs for students to attend colleges in southern Canada.

Finally, as political movement created new Aboriginal political leadership, economic transformation within ISR is creating a new economic class. The emergence of this economic class is creating conflict with the established traditional institutions. For example, the Board of Directors of the IRC and its subsidiaries are playing new entrepreneurial roles within their communities. This obviously changes the social order as elders have traditionally served as community leaders.

## CONCLUSION

The economic, social, and political transformation began in the ISR of the Western Arctic in the 1960s (Usher, 2002). As a result, the economic geography of this region has changed significantly within the past three decades. While the federal government was mostly responsible for the economic development of the region prior to the 1980s, the achievement of the IFA in 1984 has shifted the responsibility to the Inuvialuit. A new form of economic system representing the creation of IRC and its subsidiaries evolved in the region. In particular, the financial compensation paid to the Inuvialuit for surrendering title to land that they traditionally owned is a major source of capital for investment in the region by the IRC. These investments are providing a spin-off effect in the form of cash flow, job creation, and income to individuals in the region. In particular, after 23 years of its operation, the IDC is providing a secure long term economic benefits to the Inuvialuit.

While the new economic system undoubtedly removes federal paternalism and gives full control of economic development to the Inuvialuit, the long-term success of the IRC and its subsidiaries depends on several factors. One of the factors is the global economic system. With most investments in stocks and bonds, the success of the global economy will dictate profits from their investments. The volatility of global stock markets determines the profit of Inuvialuit investments.

Also, the ability of the Inuvialuit to make good corporate decisions would determine their long-term success. While excellent corporate management decisions would lead to success, improper corporate decisions on the other hand would lead to business failure and the collapse of the local economy. As Bone (2003) observed, like other entrepreneurs, Aboriginal CEOs are confronted with many issues including finding qualified Aboriginal staff and ensuring operations are profitable. The Inuvialuit have taken steps to resolve staffing problem by financially supporting students attending colleges and universities. It is expected that these students will gain the expertise and return to work for the IRC. Additionally, over the years, IRC has been encouraging on-the-job-training program for its workers. The impact of these human resource policies on the IRC offers an opportunity for future research.

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