

APEC Research Report

# The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities



August 2020



on behalf of



**ATLANTIC POLICY CONGRESS**  
OF FIRST NATIONS CHIEFS SECRETARIAT  
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Specifically, APEC provides the following for its members and the region:

- The Atlantic Canadian economic outlook and analysis, highlighting key trends and issues that are affecting the region's economy.
- Information and business intelligence on current and upcoming major investment projects.
- Reports explaining the implications of economic and policy developments for Atlantic Canada so effective responses can be developed.
- In-depth, ground-breaking research, analysis and recommendations on topics that impact economic performance in the region.
- Opportunities through conferences, roundtables and events to connect with other stakeholders, researchers and experts on issues affecting our region.
- Independent, credible and vital information on Atlantic Canada's economy.
- Access to in-house experts and thought leaders on the Atlantic region's economy.

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## **The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities**

*By Fred Bergman, with assistance from Kevin MacLean and Rebekah Howlett*

## Acknowledgements

This project was completed on behalf of the Atlantic Policy Congress of First Nations Chiefs Secretariat. APEC is responsible for the accuracy and reliability of the information presented. Information in this report is current up to 14 August 2020.

# The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities

## Highlights

- Prior to COVID-19 First Nations had a lower standard of living, less access to clean drinking water, overcrowded housing conditions, food security issues and higher prevalence of pre-existing health conditions than non-Indigenous communities. These factors place Indigenous communities at greater risk of contracting COVID-19 and complications from the disease.
- This pandemic has resulted in lower revenues for Atlantic Aboriginal communities from their own sources, with especially large declines from fishing, hospitality, gaming and tourism. There are also modest declines in retail activity, due to lower fuel prices and less foot traffic. Community checkpoints helped protect band members from COVID-19, but when combined with border restrictions these measures reduced non-Indigenous consumer demand. On average, APEC projects that community revenues from their own sources will decline by roughly 40% in 2020/2021.
- Indigenous community governments have less access to borrowing to finance deficits during the coronavirus, due to their inability to use reserve land as collateral. This limits borrowing to fund community projects, which would offset the pandemic's negative economic affects.
- It is difficult to fully assess take-up of COVID-19 support programs by Indigenous communities and businesses. Some Indigenous individuals and businesses are tax exempt and may not file a tax return which limits their ability to claim some benefits or tax credits.

### Highlights from APEC's exclusive interviews:

- More than 2 out of 5 (43%) of Atlantic First Nations businesses expect a 50% or more drop in revenues due to COVID-19, larger than the 30% for all Atlantic businesses from Statistics Canada's Canadian Survey on Business Conditions. Just over one-third of Atlantic Aboriginal businesses laid-off one-half or more of their staff, higher than the 19% for all Atlantic businesses from Statistics Canada's Canadian Survey on Business Conditions.
- About 8% of Atlantic Indigenous businesses estimated they could continue to operate for one year without support, much less than the four out of ten Atlantic businesses from Statistics Canada's Canadian Survey on Business Conditions. Over one-half of Atlantic First Nations businesses interviewed applied for the Canada Emergency Wage Subsidy, while 40% applied for the Canada Emergency Business Account or Ulnooweg COVID-19 funding. Some self-employed entrepreneurs applied for the Canada Emergency Response Benefit.
- APEC estimates Atlantic Indigenous businesses will require an average of almost \$61,000 to maintain business operations over the next year. This suggests the Canada Emergency Business Account and Ulnooweg Emergency Loan Fund programs are sufficient, but additional funds may be required if the pandemic extends beyond spring 2021.

# The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities Policy Recommendations

Atlantic First Nations communities are facing significant budget shortfalls in fiscal year 2020/2021, as are other levels of government in Canada. However, their ability to borrow to maintain program spending and fund infrastructure projects is limited. Even communities able to borrow money for community projects via the First Nations Finance Authority are unlikely to do so because many communities are postponing capital projects. In addition, Atlantic Indigenous communities are hesitant to seek financing because their ability to repay is hampered by an uncertain fiscal outlook for own-source revenues, which may take years to recover losses.

Given these constraints, and the economic pressures of COVID-19 on Indigenous businesses, APEC recommends the following measures to alleviate the financial and economic strains on Atlantic First Nations communities, businesses and individuals:

1. The recent doubling of the Indigenous Community Support Fund is a step in the right direction. However, APEC recommends the federal government double the Indigenous Community Support Fund again. The additional funding recommended would only cover about 35% of Atlantic First Nations anticipated fiscal shortfall this year, allowing for the community support funding already announced. This would still require sound fiscal management by Atlantic Indigenous communities, including creating new revenue sources, cutting spending or finding cost savings through use of technology. Communities able to afford more debt should have more borrowing options. For example, the federal government could provide more seed funding for the First Nations Finance Authority beyond just providing interest relief on existing debt.
2. Since not all communities are members of the First Nations Finance Authority, one option the federal government should consider is to create a separate lending program for First Nations to recognize the unique financial situation brought on by the coronavirus. If the debt security instruments were guaranteed by the federal government, that would ensure a low interest rate.
3. Federal government funding for the public health response is insufficient to address the cost of community checkpoints, security, personal protective equipment, public health care workers and modifications to community-owned facilities and businesses. Until there is a viable vaccine or health therapeutics that limit the impact of COVID-19, there will be a continued need for public health funding.
4. Some community-owned businesses and self-employed First Nations entrepreneurs located on-reserve are ineligible for the Canada Emergency Wage Subsidy because of their ownership structure or tax-exempt status. The federal government should broaden the eligibility rules to include all community-owned businesses and self-employed First Nations entrepreneurs on-reserve regardless of their ownership structure or tax-exempt status. This measure would eliminate the need to provide proof of incorporation or tax returns for the last two years to be eligible for the Canada Emergency Wage Subsidy.
5. If the coronavirus extends into 2021, the federal government should provide another round of funding for Indigenous communities and businesses. As well, creating a set-aside for Indigenous businesses for government procurement, and support to help Indigenous firms pivot to produce personal protective equipment, would be of value.

# The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities

## Next Steps

While outside the scope of this report, APEC recognizes there will be a need for additional research to understand how Indigenous businesses are affected by the on-going pandemic, including the risk of a second wave, and how First Nations businesses will adapt as they enter the recovery phase. As businesses re-open, they are required to abide by public health guidelines. Aboriginal businesses will need to spend more on health and safety, including social distancing measures at their business locations, to reduce the risks associated with future pandemics.

APEC's policy recommendations noted that if the coronavirus extends into 2021, additional support may be necessary. APEC's interviews highlighted this region's Aboriginal businesses require an average of \$61,000 to maintain normal business operations, while Atlantic First Nations businesses already spent an average of \$50,000 on personal protective equipment. Since the Canada Emergency Business Account and Ulnooweg Development Group's emergency loan program only provide a maximum \$40,000 in funding support, this suggests there is a risk to business continuity if a second wave hits. Regardless of a second wave, it's obvious some Atlantic First Nations businesses require more than \$40,000 to maintain normal businesses operations, let alone pay for personal protective equipment.

During the pandemic there has been a dramatic rise in e-commerce to offset the impact of business closures on in-store sales, while more consumers now prefer to shop online due to health and safety. There is an opportunity for Atlantic Aboriginal businesses to adopt more digital technology, including e-commerce. This region's Indigenous businesses would benefit from more support to adopt online marketing and sales information technology platforms and website development. For example, Indigenous businesses can take advantage of e-commerce software as a service, such as Shopify. High-speed internet access for remote communities would allow Indigenous communities and businesses to maintain operations during a future pandemic, while employees could work remotely.

COVID-19 has magnified the necessity to invest more in automation to reduce the use of human capital working in proximity to one another. Automation combined with digital technology and greater rural internet access would provide more opportunities to work remotely and increase social distancing in the workplace. However, many small and medium-sized enterprises do not have the scale of operations or lack the necessary access to capital to afford investments in automation. For instance, increasing the export capability of this region's Aboriginal businesses would boost the scale of their operations, raising borrowing capacity for investment in automation.

This research report did not include a comprehensive survey to identify unique issues related to differing business dynamics, such as business location (urban versus rural), gender of business owners, and size of business (sales or employment). Governments, business associations and other non-government organizations should consider collaborating on funded research to identify these unique issues and resolve them.

Some industries will take years to recover from the affects of the pandemic and there will be permanent job losses. There is a need for on-going skills development, such as learning how to work remotely. More investment in training and education will assist the labour market's adjustment to industry restructuring. Based on current trends, training and education investments should focus on knowledge-based and high-tech industries that incorporate science, technology, engineering and math (STEM). The federal government has already invested in postsecondary education for Indigenous youth, but additional supports may be required for the Aboriginal workforce facing permanent lay-offs.

# The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities

## Next Steps

First Nations communities will have to place more emphasis on prudent fiscal management. This includes investing more resources in contingency planning in case of future pandemics. Contingency planning incorporates how to respond to emergencies, such as creating by-laws to protect citizens, hiring more community health practitioners and employing emergency management personnel. Contingency planning also includes managing finances, as budgets need to be reallocated to prioritize and address the emergency quickly.

Accountability includes recognizing that self-government requires taking responsibility for the community's economic well-being and financial outcomes. The coronavirus has elevated the importance of prudent fiscal planning to ensure there is fiscal room to address future pandemics or other emergencies. This includes updating revenue forecasts and budgets on a regular basis, multi-year fiscal planning and debt management.

Federal, provincial and Indigenous community governments, First Nations businesses, aboriginal business associations and chambers of commerce and other key stakeholders should collaborate on the development of a First Nations Strategy for Economic Recovery. While APEC's interviews suggested it may take a few years for communities and businesses to rebound, it could take longer if a second wave hits. Regardless, some communities and industries may take longer to recoup losses because the community was already in deficit prior to the pandemic or the business is in an industry that will take more than three years to recover losses, such as tourism.

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# The Purpose of this Report

APEC has been commissioned by the Atlantic Policy Congress of First Nations Chiefs Secretariat to assess the economic impact of COVID-19 on Atlantic Indigenous communities and businesses.

The Atlantic Policy Congress of First Nations Chiefs Secretariat represents 31 First Nations in the Atlantic region. APEC estimates there are approximately 850 Atlantic Indigenous businesses. The Indigenous economy benefits the entire Atlantic region. However, aboriginal communities and companies face unique challenges, placing them more at risk due to COVID-19.

Our report builds on the existing knowledge within Atlantic Indigenous communities and helps fill current information gaps. We interviewed about two dozen chiefs, community officials and businesses. These interviews were complemented by APEC's research and analysis and key findings from other organizations such as the Canadian Council for Aboriginal Business.

This report helps stakeholders understand the economic importance of Atlantic Indigenous communities and businesses to the region and the vulnerabilities they face due to the pandemic. It clarifies the effect of COVID-19 on Indigenous communities and businesses, along with comparative benchmarks to indicate how they are performing during the pandemic relative to non-Indigenous people and companies.

The report quantifies the impact on own-source revenues and key industries. It identifies key issues and challenges facing First Nations organizations, noting areas that need further policy response.

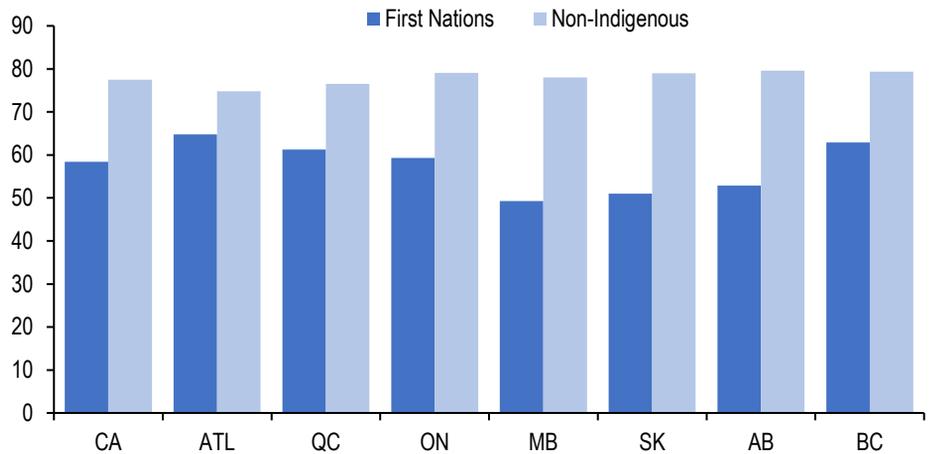
This report provides a better understanding of the effect of COVID-19 on Atlantic Indigenous communities so key stakeholders can make informed decisions that further limit its negative impacts.

# The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities

## Vulnerabilities

**Figure 1: Community Well-Being Index\***

By region, Canada (%)



Source: Statistics Canada, Indigenous Services Canada

\* Community Well-Being Index ranges from 0 to 100 (higher is better) and includes measures of education, labour force activity, income and housing.

COVID-19 has a larger negative impact on First Nations communities because of their lower socio-economic well-being. In 2016, the Atlantic region's Indigenous Community Well-Being Index was ten basis points lower than for non-Indigenous communities (**Figure 1**).<sup>1</sup>

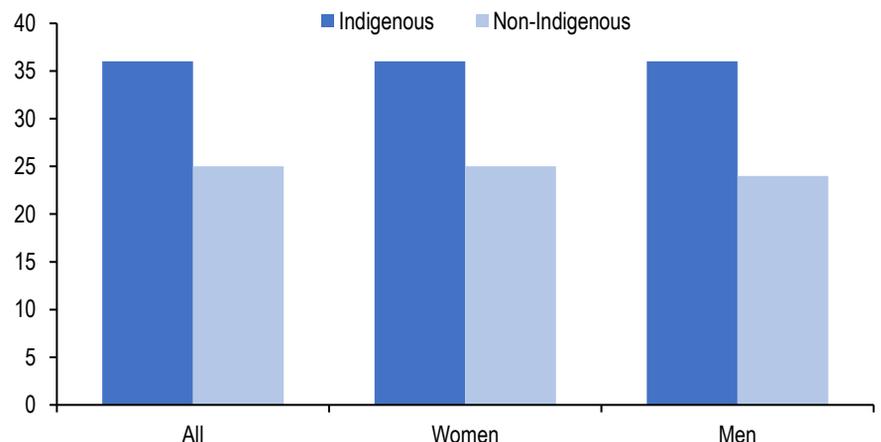
Aboriginal communities have lower incomes, higher unemployment and less education, which contribute to their lower economic well-being. According to the 2016 census, the Atlantic region's on-reserve unemployment rate was over 29%. Depending on their level of education, Atlantic Indigenous persons earned almost 20% less than non-Indigenous persons with the same level of education. For example, the average earnings of an Indigenous person with a university degree in 2015 were 15% lower than a similarly qualified non-Indigenous person.<sup>2</sup>

About 36% of Indigenous people have more difficulty meeting financial obligations or essential needs due to COVID-19 (**Figure 2**). This includes their ability to pay for a mortgage or rent, utilities and groceries. By comparison, only one quarter of non-Indigenous people face similar financial challenges due to COVID-19.<sup>3</sup>

### About 36% of Indigenous people had more difficulty meeting financial obligations or essential needs due to COVID-19

**Figure 2: Strong or Moderate Impact of COVID-19\***

Ability to meet financial obligations or essential needs, Canada (%)



Source: Statistics Canada, Impact of COVID-19 on Canadians - Trust in Others

\* Based on crowdsourcing data, so results cannot be applied to overall Indigenous population.

# The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities

## Labour Market

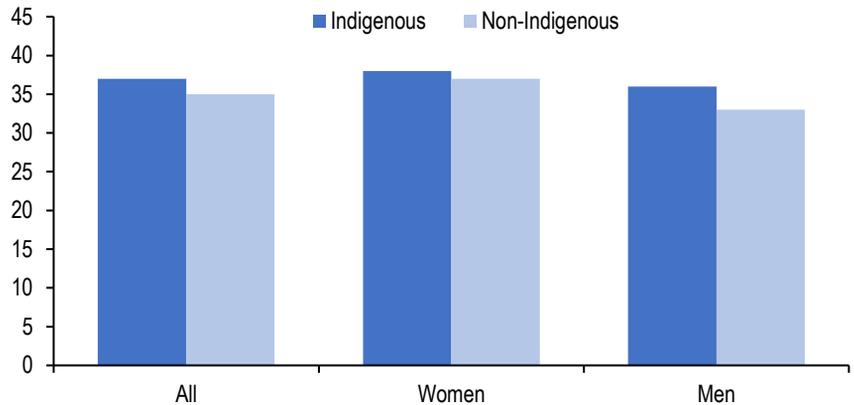
Roughly 44% of First Nations people facing strong or moderate headwinds have applied for federal income support during COVID-19 through federal programs like employment insurance or the Canada Emergency Response Benefit. About 37% of Indigenous people in Canada have experienced job loss or reduced work hours due to COVID-19 (Figure 3). By comparison, 35% of non-Indigenous people had similar labour market challenges due to COVID-19.<sup>4</sup>

Indigenous youth face special challenges because of their looser attachment to the labour force. The proportion of national Aboriginal youth living off-reserve aged 20 to 24 and not employed, or in education and training was 23% in 2018/2019. This was almost double the 12% rate for the national youth population (Figure 4).<sup>5</sup> However, the federal government provided \$75 million for post-secondary education, which should provide an offset and expand future labour market participation.

First Nations living off-reserve have fewer community supports and greater health risk because they often live in urban areas. This puts them more at risk of coming into contact with persons with COVID-19. So far, the federal government's COVID-19 response has provided \$90 million for First Nations living off-reserve, not including funding for new shelters.

**Figure 3: Experienced Job Loss or Reduced Work Hours\***

Among participants employed before COVID-19, Canada (%)



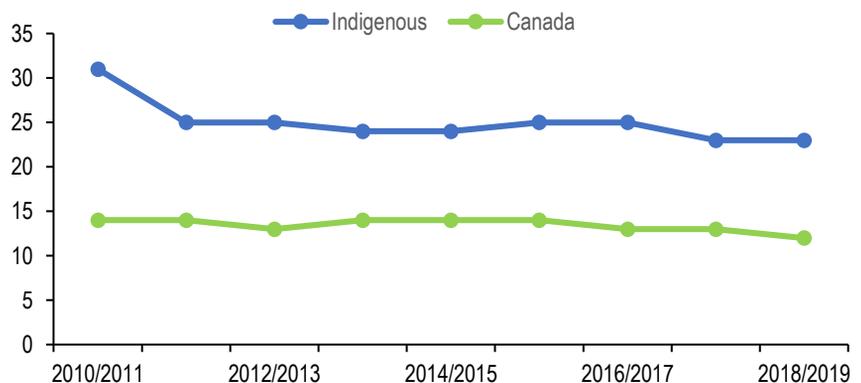
Source: Statistics Canada, Impact of COVID-19 on Canadians - Trust in Others

\* Based on crowdsourcing data, so results cannot be applied to overall Indigenous population.

**Roughly 44% of First Nations people facing a strong or moderate impact applied for employment insurance or the Canada Emergency Response Benefit**

**Figure 4: Youth not employed, or in education and training**

Youth aged 20-24 year (%)



Source: Statistics Canada, Labour Force Survey

# The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities

## Indigenous Business

**Table 1: Projected revenue loss estimates for Atlantic First Nations fishing industry in 2020**

\$millions			
Species	2019 Revenue	2020 Forecast Revenue	Estimated Revenue Loss
Lobster	\$73.5	\$36.9	\$36.5
Crab	\$112.7	\$55.3	\$57.4
Shrimp	\$13.8	\$7.8	\$6.0
<b>Total</b>	<b>\$199.9</b>	<b>\$100.0</b>	<b>\$99.9</b>

Source: TriNav Fisheries Consultants Inc.

**Atlantic First Nations fishery projected to decline by an estimated one-half or almost \$100 million in 2020**

The fisheries, forestry, retail, hospitality, hotel, tourism, gaming, transportation, and arts and crafts industries are an important part of the Indigenous and Atlantic economy. Fisheries and tourism account for about 20% of Indigenous employment. However, COVID-19 hit just prior to entering the peak season of these industries, which will have dramatic consequences for these two economic pillars. For example, the Atlantic First Nations fishery is projected to decline by one-half or almost \$100 million in 2020 (Table 1).<sup>6</sup> APEC estimates this equivalent to an 18% reduction in own-source revenues.

The fishing industry is facing the perfect storm due to lower seafood prices, reduced demand from restaurant closures and a two-week delay to the start of the lucrative lobster spring fishery. Since the fishery is seasonal, bands cannot recoup this spring's losses until next year or later. A rebound in fishing revenues assumes the pandemic ends by next spring in the hope that a vaccine or health therapeutics will be available. However, the coronavirus could last for a couple of years and require ongoing use of masks and social distancing.

Prior to the pandemic, Atlantic indigenous tourism supported almost 2,900 direct jobs (Table 2).<sup>7</sup> However, many restaurants and gaming venues closed during the pandemic's peak. Hotels, transportation and travel services operated at very low capacity until the Atlantic regional bubble opened in early July. Many Indigenous arts and crafts vendors will be hurt by the cancellation of pow-wows this summer. For instance, the federal government contributed almost \$92 thousand to six pow-wows in New Brunswick in 2019.<sup>8</sup>

**Table 2: Direct Employment, Atlantic Canada**

Jobs	NL	PE	NS	NB	ATL
<b>Tourism industry</b>					
Accommodation	227	n.a.	91	16	334
Recreation	75	23	5	47	151
Gaming	n.a.	n.a.	n.a.	168	168
Food and beverage	129	48	72	313	563
Arts and heritage	122	58	86	117	384
Transportation	279	16	n.a.	31	326
Travel services	112	33	602	88	834
Other	59	10	20	48	137
<b>Total</b>	<b>1,004</b>	<b>187</b>	<b>876</b>	<b>829</b>	<b>2,897</b>

Source: Conference Board of Canada, Indigenous Tourism Association of Canada

Lower tourism visits will reduce demand for arts and crafts, while many heritage centres and sites are either closed or tourism projects are delayed. The cancellation of the 2020 North American Indigenous Games will eliminate the bulk of the \$11.5 million budget and associated tourism impacts in Halifax, including visitation of over 750 First Nations and participation from over 5,000 Indigenous youth.<sup>9</sup>

The Indigenous Tourism Association of Canada has developed a national \$50 million, four-year recovery plan. It is providing a maximum \$25,000 grant for tourism businesses in 2020.<sup>10</sup>

# The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities

## Community-Owned Businesses

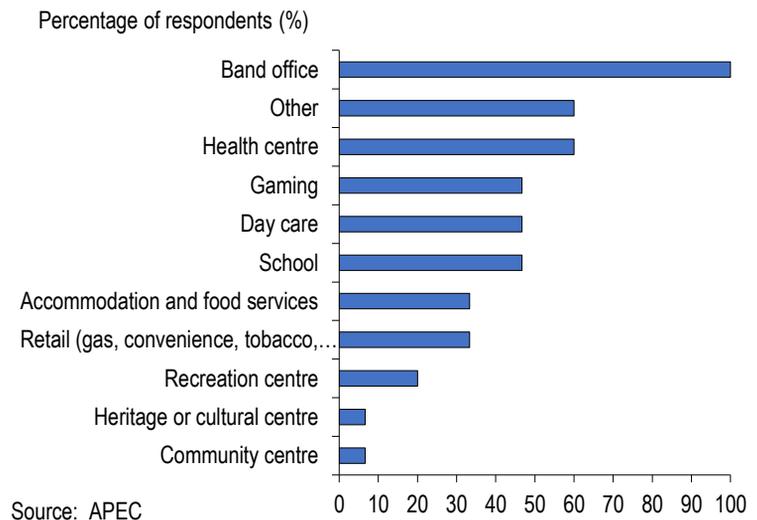
COVID-19 resulted in the closure of some community-owned businesses or reduced hours (Figure 5). Business closures included gaming and restaurants, while retail stores were placed on reduced hours. Some communities limited access via checkpoints. While checkpoints helped protect citizens, they also limited vehicle and foot traffic at local businesses, thereby hurting sales.

### Community checkpoints protect public health, but reduce business sales

Lower fuel prices and less traffic meant some gas bars experienced a one-quarter drop in revenues. Most restaurants shut down during the height of the pandemic, including those located within a one-stop location with a gas bar, convenience store and restaurant. While grocers enjoyed higher demand initially, they also suffered losses. Lower tourism activity and community checkpoints reduced external demand, resulting in 10% lower sales at some community grocers. Grocers faced higher costs for security and health measures. While building supply stores remained open, there was limited construction activity because of delayed community projects (Figure 6).

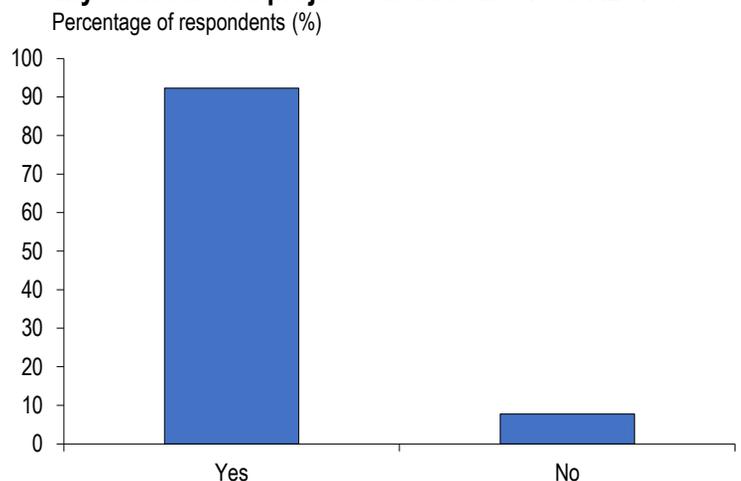
Gaming makes up close to one-quarter of own-source revenues in communities with gaming or a revenue sharing agreement with a provincial government.<sup>11</sup> The closure of gaming entertainment centres, including bingo halls and VLTs, lasted over three months. The gaming shutdown has resulted in a 7% revenue loss in some communities. Gaming facilities have reopened at 50% capacity to ensure social distancing, signaling further revenue losses.

**Figure 5: Which facilities in your community closed due to COVID-19?**



### The temporary closure of gaming resulted in a 7% revenue loss in some communities, but at 50% capacity further losses are anticipated

**Figure 6: Has your community halted or scaled-back any construction projects as a result of COVID-19?**



# The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities

## Community Business Profiles

### **Saint Mary's First Nation, New Brunswick**

Prior to COVID-19, Saint Mary's First Nation employed roughly 400 people, with about 125 in gaming and 160 people at its grocery store. Over 70% of grocery store staff are from the community. The pandemic resulted in one-half of community-owned business staff being laid-off, mainly due to the closure of gaming. Gaming reopened at 50% capacity after being shut down for 13 weeks. However, less people are travelling to the community for gaming for a range of reasons, one being because of border restrictions.

While sales at the community grocery store initially climbed by 20% at the beginning of the COVID-19 outbreak, the store had to pay more for cleaners, security, and personal protective equipment. It also paid employees a \$2 per hour premium. However, sales soon diminished due to less foot traffic, resulting in a 10% net loss. Unlike grocery stores off-reserve, the Saint Mary's outlet does not have a license to sell beer and wine. Despite efforts over the last three years to obtain a liquor license, the lack of one magnified the negative effect of COVID-19 on the store.

The Wolastaq Wharf, which includes the Pinetree Restaurant, and the Two Nations One Stop closed for 15 weeks due to the coronavirus. The gas bar reduced hours by 10%, while sales declined by one quarter as self-isolation reduced fuel demand. The smoke shop saw a 10% decline in sales.

**Saint Mary's First Nation laid-off 50% or more of their staff employed at community-owned businesses**

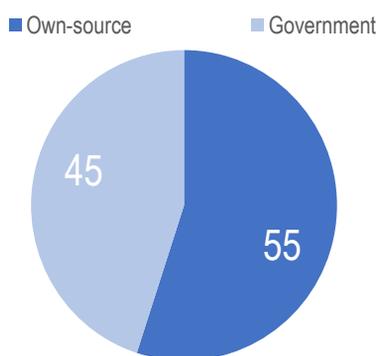
# The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities

## Community Finances

### Own-source revenues accounted for over one-half of Indigenous community revenues in Nova Scotia in 2018/2019

**Figure 7: Indigenous revenues by source, Nova Scotia, 2018/2019**

Percentage of total revenues (%)



Source: Indigenous Services Canada, APEC

### Only one-third of Atlantic First Nations can obtain funding from the First Nations Finance Authority

However, some Atlantic First Nations have less access to borrowing because they are non-members (Table 3). Most communities are dealing with a double-digit decline in own-source revenues, so some are cutting spending or delaying capital projects to limit the affect on deficits. Unlike provincial governments, there is no Bank of Canada bond purchase program for Indigenous governments. Some Atlantic Indigenous communities are drawing down funds from accumulated surpluses to fund deficits, while others do not favour taking on more debt due to an uncertain fiscal outlook.

Like most governments, Atlantic First Nations communities rely heavily on own-source revenues to fund community programs and infrastructure investment (Figure 7). In Nova Scotia, First Nations communities spent about \$152 million on health, education, social services, economic development, recreation, culture, housing and infrastructure in 2018/2019 or about two-thirds of their own-source revenues.<sup>12</sup> However, some First Nations invest 100% of own-source revenues back into the community. APEC expects own-source revenues will decline by about 40% in 2020/2021 due to COVID-19. In order to balance their collective budgets, Nova Scotia First Nations would need to reduce total expenditures by \$60 million or 15%.

Indigenous governments' ability to borrow to fund deficits and program spending is impeded by the federal *Indian Act* because on-reserve property cannot be used as security for a loan. One-third of Atlantic First Nations can obtain funding from the First Nations Finance Authority, which is associated with the First Nations Financial Management Board.<sup>13</sup> Indigenous communities that are part of the First Nations Financial Management Board can obtain loans to fund community projects.

**Table 3: Atlantic First Nations and the First Nations Fiscal Management Act**

Number of provinces with certification

Province	Financial Management Act	Financial Administrative Law	Financial Performance Certification
NL	2	1	1
PE	1	0	0
NS	11	8	8
NB	8	3	1
<b>Atlantic region</b>	<b>22</b>	<b>12</b>	<b>10</b>

Source: First Nations Financial Management Board

# The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities

## Community Interviews

APEC interviewed eight community band office officials, most of which were chiefs. While five of the eight communities interviewed had no lay-offs at the band office, three-quarters of the communities interviewed had lay-offs at community-owned businesses. The temporary closure of gaming entertainment centres often resulted in lay-offs, but staff were also laid-off at tobacco, grocery and building supplies stores, as well as at restaurants, hotels and day cares.

### **One Atlantic Indigenous community laid-off almost 50 staff working at its gaming entertainment centres**

While 75% of the communities interviewed set-up community check points to limit access, another community created the necessary by-laws for approval to set-up community check points but did not implement the by-laws. Community checkpoints helped protect the health and safety of band members, which is of paramount importance. Even so, they reduced community-owned business revenues from non-residents of the community. They also impeded the flow of goods and people to and from the community, thereby lowering economic activity.

Seven of the eight communities interviewed highlighted that some capital project spending was delayed due to COVID-19. Stalled projects included construction of retail power centres, gas stations, hospitality businesses (restaurants/hotels), gaming facilities, housing, water and sewer, schools, tourism and renewable energy. Two communities interviewed were planning to hire less summer students this year, which could impact postsecondary education of youth.

A few communities sought interest or debt relief from major creditors, while a couple communities were offered interest or debt relief by major creditors. Taking on additional debt or deferring interest or debt payments results in higher debt servicing costs, which is why some communities declined these options.

While many of the communities interviewed noted they faced a reduction in own-source revenues this year, one community was able to offset some of the revenue losses via a contingency fund while another community could draw down its accumulated surplus. However, three-quarters of the communities interviewed did not have these options available to them. For example, the Membertou First Nation In Nova Scotia had to lay-off 240 staff.

### **Membertou First Nation forecast a \$14 million reduction in revenues, if it were not able to reopen for the rest of the year**

Most of the communities interviewed did not apply for business support programs for their community-owned businesses, such as the Canada Emergency Wage Subsidy. Some communities were uncertain if their community-owned businesses were eligible or not. For example, community-owned businesses that are not independent of the band office and not incorporated are ineligible for the Canada Emergency Wage Subsidy. Communities were also hesitant to take advantage of business support programs offering access to increased financing, although a few communities were seeking support from the Ulnooweg Development Group for community-owned businesses. This suggests increasing the non-repayable portion of financing support programs, like Ulnooweg's Emergency Loan Program, would attract more applicants.

# The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities

## Community Program Supports

Most of the funding earmarked for Indigenous communities provides financial support for the public health response, community supports, income assistance, youth, off-reserve, infrastructure and other programs. APEC estimates \$1.5 billion has been announced nationally for First Nations community supports, excluding funding for Indigenous businesses, the tourism industry and for northern communities (**Table 4**).

Atlantic First Nations communities received \$10.6 million (**Figure 8**) via the Indigenous Community Support Fund, while the Nunatsiavut Government received \$5.4 million. The Indigenous Community Support Fund allocation for each community included \$50,000 in base funding, plus a per capita allocation, and an adjustment for remoteness and community well-being scores. The average funding for Atlantic Canada's 34 First Nations communities was about \$311,000, but the fund was recently doubled. In Nova Scotia, the Indigenous Community Support Fund provided the equivalent of 1% of total community revenues in 2018/2019.

The amount of funding for Atlantic First Nations from the Indigenous Community Support Fund is equal to \$533 per capita or 3.5% of the total income of Atlantic First Nations people living on-reserve in 2015, excluding funding for the Nunatsiavut Government and those residing in urban areas and off-reserve. This amount will likely double.<sup>14</sup>

The federal government provided about \$385 million for the public health response. However, this funding was not always sufficient to cover 100% of the costs related to the community's public health response. For example, some Atlantic Indigenous communities used their own funds to hire security staff at community checkpoints. In addition to the \$270 million for on-reserve income assistance, Atlantic Indigenous communities reported their band members are applying for the Canada Emergency Response Benefit.

ACOA is investing \$6.1 million to support Indigenous businesses and communities, but this funding is separate from Canada's COVID-19 Economic Response Plan.<sup>15</sup>

**Table 4: Federal Government Support for Indigenous Communities and Businesses**

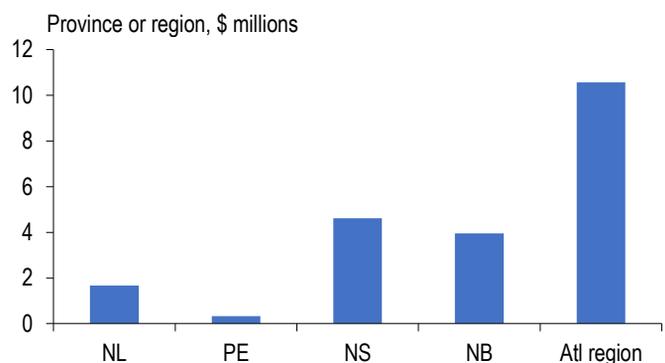
COVID-19 funding program, \$million

Program name	Canada \$ millions
<u>Community programs:</u>	
Indigenous Community Support Fund	\$610
Public health response	\$385
On-reserve Income Assistance Program	\$270
Indigenous postsecondary education	\$75
Indigenous off-reserve	\$75
Other community supports, including shelters	\$50
<b>Total community programs</b>	<b>\$1,465</b>
<u>Business programs:</u>	
National Aboriginal Capital Corporations	\$307
Community-owned Indigenous businesses	\$117
Indigenous tourism business	\$16
<b>Total business programs</b>	<b>\$440</b>
<b>Grand total</b>	<b>\$1,905</b>

Source: Indigenous Services Canada, APEC

**On average, Atlantic First Nations received \$311,000 from the Indigenous Community Support Fund**

**Figure 8: Indigenous Community Support Fund for Atlantic Canada First Nations**



Source: Indigenous Services Canada

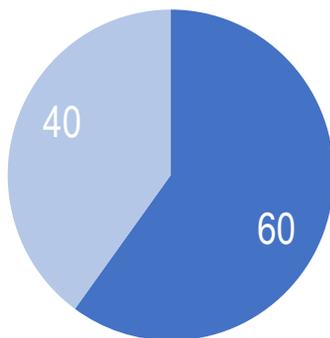
# The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities

## Indigenous Business Pre-COVID-19

**Figure 9: Atlantic Indigenous Business Sector Employment, 2016**

Number of employees, Atlantic Canada (%)

■ Indigenous    ■ Non-Indigenous



Source: APEC

Group ATN estimated the economic impact of Atlantic Indigenous communities, businesses and government was \$1.14 billion in 2017.<sup>17</sup> APEC gauged that Atlantic Indigenous businesses had \$1.6 billion in revenues in 2016. Revenues in 2016 were 137% higher than in 2012. Prior to the pandemic, Atlantic Aboriginal companies projected a 74% rise in sales over the next three years.

### APEC gauges First Nations business revenues were \$1.6 billion in 2016

COVID-19 resulted in business closures and reduced business hours in the second quarter of 2020, which led to lower business revenues and employment. The pandemic's impact on business activity, revenues and employment will be discussed in the next few sections of this report.

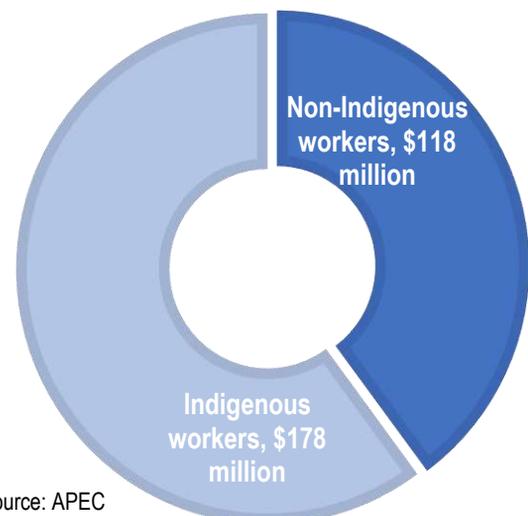
### Wages and salaries at Atlantic First Nations businesses averaged about \$25,300 per employee in 2016

The Atlantic Indigenous business sector employed 11,700 persons in 2016 and 40% of those employees were non-Indigenous persons (**Figure 9**). These Atlantic First Nations businesses paid \$296 million in wages and salaries (**Figure 10**). Average wages and salaries at Atlantic First Nations businesses were about \$25,300 per employee in 2016.<sup>16</sup>

**Figure 10: Wages and Salaries Paid by Atlantic Indigenous Businesses**

Total wages and salaries, Atlantic Canada (\$ millions)

■ Non-Indigenous workers    ■ Indigenous workers

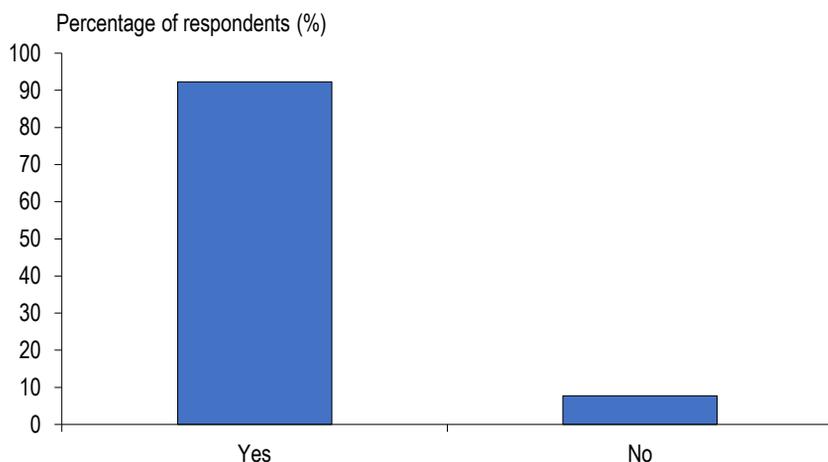


Source: APEC

# The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities

## Business Activity

**Figure 11: Did your business close as a result of COVID-19?**



Source: APEC

**Almost two-thirds of Atlantic Indigenous businesses that closed did so for one quarter or more**

About 46% of Atlantic Aboriginal businesses are very concerned about the impact of the pandemic on their business operations. Based on APEC's business interviews, about 92% of Atlantic First Nations businesses had to close due to COVID-19 (**Figure 11**). Almost two-thirds of those businesses that closed did so for 91 days or more.

### One-half of Atlantic First Nations businesses will take 1 to 3 months to return to normal operations

One-half of the businesses interviewed believe it will take 1 to 3 months to return to normal operations after the pandemic ends. About 62% of Atlantic Indigenous businesses responded COVID-19 had a high negative impact on their business activity (**Table 5**). By comparison, national responses to an online survey by the Canadian Council for Aboriginal Business showed 41% selected a high negative impact.<sup>18</sup> It is unclear why the toll has been heavier in the Atlantic region. However, firms in this region tend to be smaller and the degree of supply chain integration lower. This includes less government procurement via programs like the federal Procurement Strategy for Aboriginal Business. Lower government procurement means less ability to offset a reduction in Atlantic Indigenous business revenues due to COVID-19.

APEC recognizes there will be a need for additional research to understand how Indigenous businesses are affected by the on-going pandemic, including the risk of a second wave, and how First Nation businesses will adapt as they enter the recovery phase. As businesses re-open, they are required to abide by public health guidelines.

**Table 5: To what extent has COVID-19 hurt your business (sales, foot traffic, productivity, etc.)?**

Percentage of respondents (%)

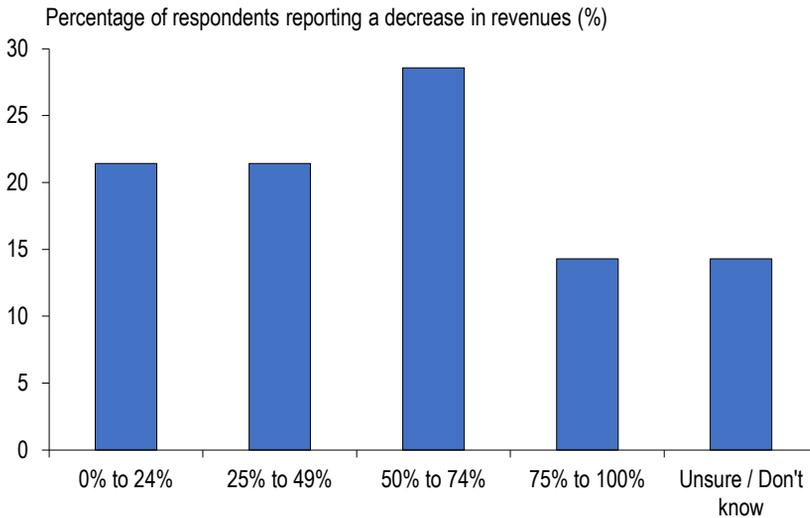
Impact on Business Activity	Respondents - APEC (%)	Respondents - CCAB (%)
5 (high impact)	62	41
4 (medium impact)	15	24
3 (moderate impact)	23	13
2 (mild impact)	0	7
1 (low impact)	0	5
0 (no impact)	0	9
Don't know / Not applicable	0	1

Source: Canadian Council for Aboriginal Business (CCAB), APEC

# The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities

## Business Revenues and Employment

**Figure 12: How much has your revenue increased or decreased so far?**



Source: APEC

### Only 43% of Atlantic Indigenous businesses reported their revenues dropped by 50% or more

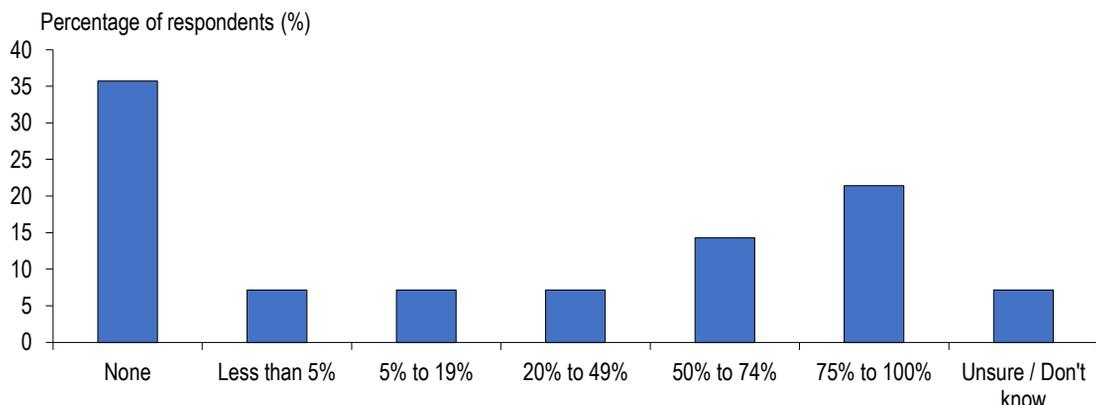
About 46% of Atlantic Aboriginal businesses interviewed experienced a decline in revenues in the first quarter of 2020 versus about two-thirds of national First Nations businesses.<sup>19</sup> Another 46% estimated revenues stayed the same while the rest experienced an increase.

Only 43% of Atlantic Indigenous businesses interviewed said their revenues have dropped by 50% or more (**Figure 12**) versus 71% in the national online survey by the Canadian Council for Aboriginal Business.<sup>20</sup> Some of the difference is due to timing of the respective interviews and online survey.

### About 35% of Atlantic First Nations businesses laid-off one-half or more of their staff

Statistics Canada's Canadian Survey on Business Conditions displays only 30% of Atlantic businesses reported a 50% or more decrease in revenues in April 2020 versus the same month the prior year.<sup>21</sup> Nationally, 68% of Indigenous businesses have seen an impact on staffing<sup>22</sup> versus 64% in the Atlantic region, with 35% of Atlantic First Nations businesses laying off one-half or more of their staff (**Figure 13**). Statistics Canada's Canadian Survey on Business Conditions shows about 19% of Atlantic businesses laid-off one-half or more of their staff.<sup>23</sup>

**Figure 13: What percentage of your staff are laid-off due to COVID-19, including those working at band-owned businesses?**

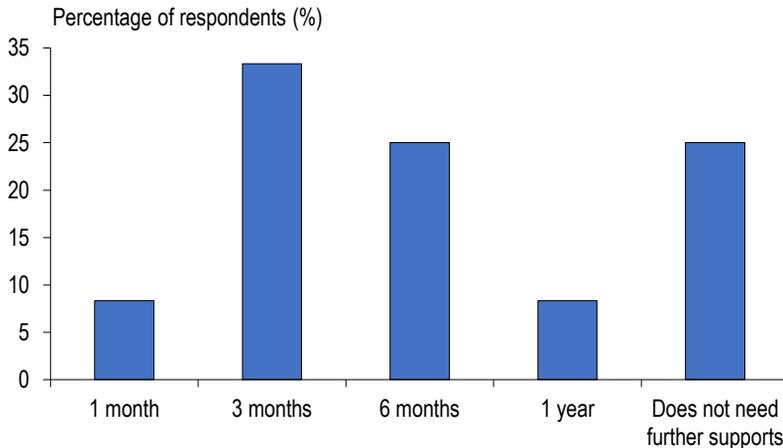


Source: APEC

# The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities

## Impact on Indigenous Business

**Figure 14: How long can your business continue to operate without support?**



Source: APEC

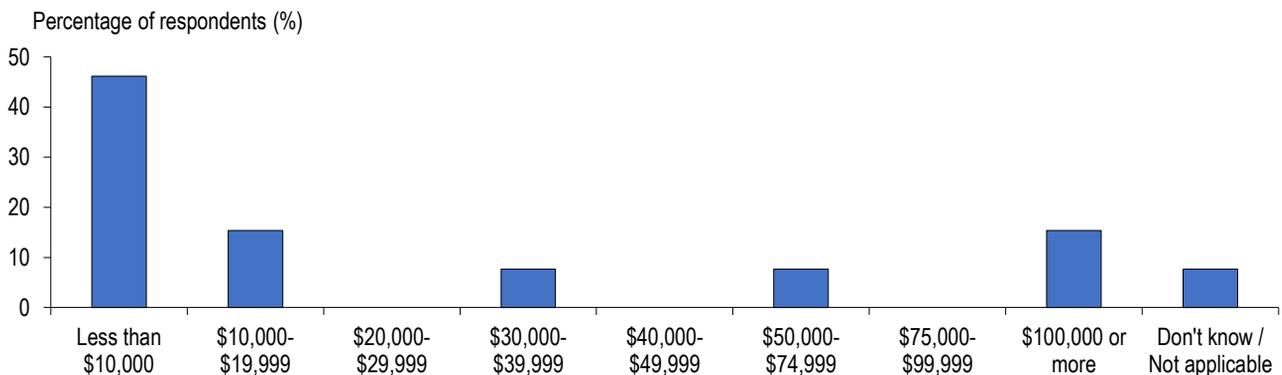
**About 8% of Atlantic First Nations businesses report they could operate for one year without support**

About 8% of Atlantic Aboriginal businesses interviewed by APEC could operate one year without support (**Figure 14**), as compared to 15% nationally based on the Canadian Council for Aboriginal Business online survey.<sup>24</sup> According to Statistics Canada's Canadian Survey on Business Conditions, about four in ten Atlantic businesses could continue to operate for one year or more at current revenue and expenditures before having to consider further staffing actions, closure or bankruptcy.<sup>25</sup>

**To help maintain sales, one Aboriginal Economic Development Corporation in the region invested about \$2,000 in an online sales system**

Nationally, e-commerce retail sales more than doubled in May 2020 over the prior year, including Indigenous and non-Indigenous retailers.<sup>26</sup> For example, some aboriginal businesses invested in e-commerce to maintain sales. Atlantic Indigenous businesses require an average \$61,000 per month to maintain normal business operations. In contrast, the Canadian Council for Aboriginal Business' national online survey respondents will require about \$69,000 in financial assistance on average to maintain normal business operations.<sup>27</sup> To date, Atlantic First Nations businesses interviewed by APEC have spent on average almost \$50,000 on personal protective equipment (**Figure 15**). This includes masks, gloves, shields, hand sanitizer, cleaning supplies, facility modifications, cleaners and security. About 61% of the business interviewed spent less than \$20,000 on personal protective equipment.

**Figure 15: How much extra has your business spent on personal protective equipment (PPE) and modifications to your operations to protect customers and employees?**



Source: APEC

# The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities

## Business Profiles

### Port of Stephenville

In addition to the Port of Stephenville (operating under Port Harmon Authority Ltd.), the Indigenous business owner has investments in Ocean View Estates Ltd., Vinking Industrial Inc., and Indian Head Soilutions Inc. Ocean View Estates is a real estate development located in Kippens and operates a startup farm. Vinking Industrial is a serviced 388 acre industrial park in the process of opening an aggregate quarry. Indian Head Soilutions Inc. is an agriculture business developing a product line focused on vermiculture.

**Port of Stephenville hired additional staff for Mowi clean-up**

Port revenues dropped by 75% in April 2020. The Port of Stephenville had to lay-off most of its staff in the early stage of the pandemic for three weeks. The port usually benefits from fishing and aquaculture activity. However, this activity was significantly reduced this year. The Northern Harvest Smolt Hatchery only had nine wellboats through the port this spring versus a normal 25 or more boats per year. After being deemed essential, the port's eight staff returned to work after the three week lay-off. The port hired extra staff to complete a one-time contract with Northern Harvest to assist with some required work around the shoreline. This contract was a welcomed boost to revenue, which would normally not have occurred. MOWI is also in the process of a significant expansion to their Northern Harvest Hatchery, which has been delayed because of the pandemic. Due to COVID-19 regulations regarding self-isolation, there was also a reduction in housing demand from the hatchery project's construction workers. This housing demand was often been filled by Oceanview Estates.

Limited road construction so far in 2020 means there have also been no asphalt boats at the port. However, Irving Oil's potential purchase of the Come-By-Chance refinery may boost activity in the province and hopefully have a spinoff impact on the Port. The proposed Vinking Industrial quarry project would create up to 125 jobs. The mining, exploration and agricultural projects would require a new dock upgrade expansion and a need for government funding assistance programs, as the aggregates would be for export to the US and foreign markets.

### Energy Suppliers

An Atlantic First Nations fuel supplier partnered with a maple syrup producer to develop hand sanitizer. Their hand sanitizer is being distributed by retail chains to consumers and is used by a major chartered bank and an environmental waste management firm.

**Indigenous fuel supplier partnered with a maple syrup producer to develop hand sanitizer**

The fuel supplier would benefit from more supply chain opportunities, including federal government procurement. Unfortunately, some contract awards have been sole-sourced, based on national security under the state of emergency. Beyond just hand sanitizer, the fuel supplier welcomes the opportunity to competitively bid on other personal protective equipment supply chain opportunities, including face shields.

Renewable energy projects already in commercial operation prior to COVID-19 have long-term power purchase agreements with fixed energy prices. Thus, the pandemic has a limited affect on their operations. Nonetheless, renewable energy projects under development have been delayed by the coronavirus. For example, Pabineau First Nation's C2 solar project in New Brunswick is postponed. Paq'tnkek First Nation's Bayside Travel Centre in Nova Scotia delayed opening until June 2020, which includes a solar energy project with partner Natural Forces.

# The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities

## Indigenous Business Supports

**Table 6: What relief programs has your business applied for?**

Federal or provincial government COVID-19 funding program

Funding Program	Respondents (count)	Respondents (%)
Canada Emergency Wage Subsidy	8	57
Canada Emergency Business Account	4	29
BDC Business Credit Availability Program (BCAP) Co-lending	1	7
Regional Relief and Recovery Fund (ACOA or CBDC)	1	7
UInooweg Development Group COVID-19 funding	3	21
Canada Emergency Commercial Rent Assistance	1	7
Canada Emergency Response Benefit (self-employed)	2	14
Provincial government funding program	2	14
Other	3	21
Unsure / don't know	3	21

Source: APEC

### Roughly 57% of Atlantic First Nations businesses applied for the Canada Emergency Wage Subsidy

Most COVID-19 business funding programs are available to all businesses. Roughly 57% of Atlantic First Nations businesses interviewed applied for the Canada Emergency Wage Subsidy (**Table 6**), while roughly 29% applied for the Canada Emergency Business Account. One in five Atlantic Indigenous businesses interviewed applied for UInooweg's COVID-19 funding.

### Some community-owned businesses and on-reserve entrepreneurs are ineligible for the Canada Emergency Wage Subsidy

While Indigenous business corporations are eligible for the Canada Emergency Wage Subsidy, community-owned businesses that are part of the First Nations band office are ineligible. For example, an Economic Development Corporation that was an independent corporation would be eligible for the Canada Emergency Wage Subsidy. Many First Nations businesses are self-employed, so some of the businesses that APEC interviewed had applied for the Canada Emergency Response Benefit. Since Indigenous businesses located on-reserve are often non-taxable because of the federal *Indian Act*, they usually do not register to collect the GST/HST or become incorporated. Some of these businesses would be ineligible for the Canada Emergency Wage Subsidy because they are unincorporated and have not filed tax returns for the last two years.

Indigenous businesses can either apply for the Canada Emergency Business Account or UInooweg's COVID-19 funding, but not both programs. Both programs provide an interest-free loan, with maximum funding of \$40,000 including a maximum \$10,000 non-repayable contribution if certain loan repayment parameters are met. UInooweg only provides this assistance for current or past clients. Self-employed businesses are eligible for either of these funding programs.

Some communities that have developed a land code are lessors of commercial lease estate. These communities may be eligible for the Canada Emergency Commercial Rent Assistance program to help offset 75% of lease revenue losses. However, they would still incur a 25% lease revenue loss. General issues with COVID-19 funding programs include: 1) eligibility requirements, 2) the bureaucratic application process, 3) limited funding available, 4) lack of assets for security, 5) the programs are not tailored to Indigenous businesses, and 6) some funding programs require taking on more debt at a time when business revenues and consumer demand have declined.<sup>28</sup>

# The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities

## Health Outcomes

According to Statistics Canada, six in ten Indigenous participants in Canada reported their mental health has worsened since social distancing measures were implemented (**Figure 16**). In mid-Spring 2020, about 38% of Indigenous participants in Canada self-rated their mental health as fair or poor.<sup>29</sup>

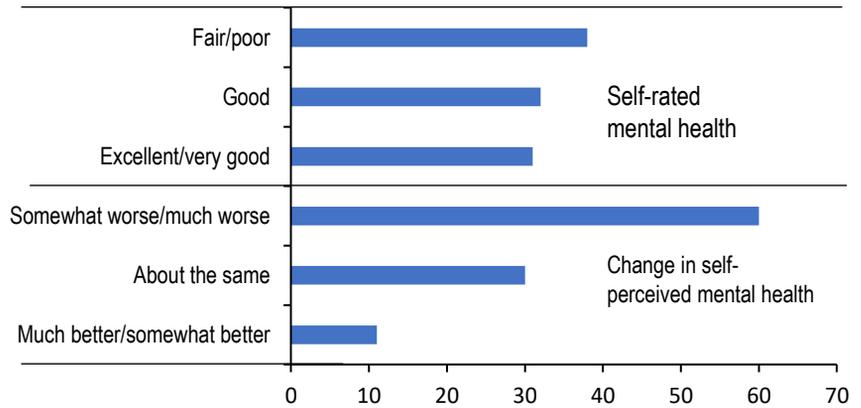
People with pre-existing health conditions are more at risk due to complications from COVID-19. Nationally, about 36% of First Nations 50 or older living off-reserve have high blood pressure, while 20% reported having diabetes in 2017. In contrast, one-third of Canadians 50 or older reported having high blood pressure, while 14% reported having diabetes.<sup>30</sup>

During the pandemic, access to clean drinking water for hygiene and sanitation is more important. Over one-quarter of First Nations adults in Canada report they do not have access to clean drinking water year-round.<sup>31</sup>

Over 18% of Atlantic First Nations living on-reserve were residing in overcrowded housing in 2016, making it more difficult to social distance (**Figure 17**). By comparison, only 4% of Atlantic Canadians of non-Aboriginal identity were living in unsuitable housing conditions in 2016.<sup>32</sup>

**Figure 16: Indigenous Mental Health**

Mental health since onset of social distancing, Indigenous participants, Canada, April 24 to May 11, 2020 (%) \*



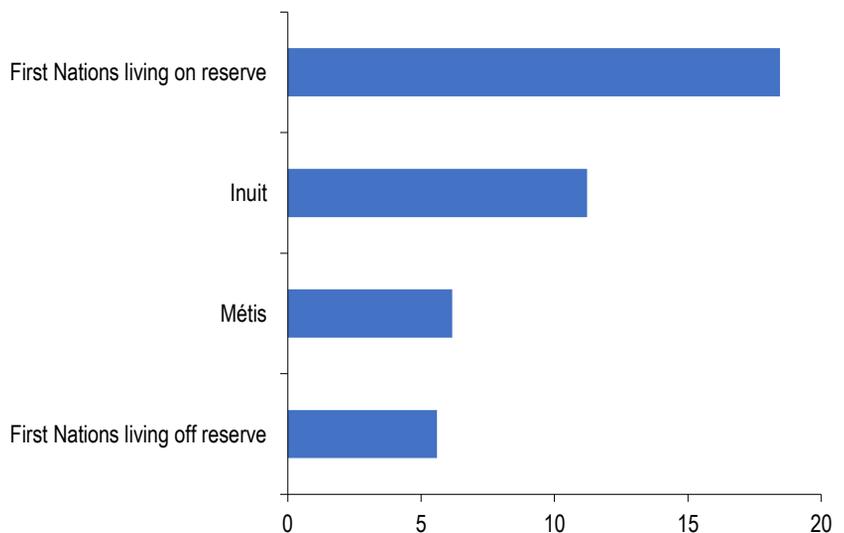
Source: Statistics Canada, Impact of COVID-19 on Canadians - Your mental health

\* Based on crowdsourcing data, so results cannot be applied to overall Indigenous population.

### About 38% of Indigenous participants in Canada self-rated their mental health as fair or poor

**Figure 17: Atlantic First Nations living in over-crowded housing**

Proportion of Atlantic First Nations living in unsuitable housing, 2016 (%)



Source: Statistics Canada, 2016 Census

# The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities

## Food Security

Access to nutritious foods can improve health outcomes and reduce the risk of complications from COVID-19. One in four recipients of the On-reserve Income Assistance program reported in 2017 that the program helped them obtain an adequate supply of food (**Figure 18**).<sup>33</sup>

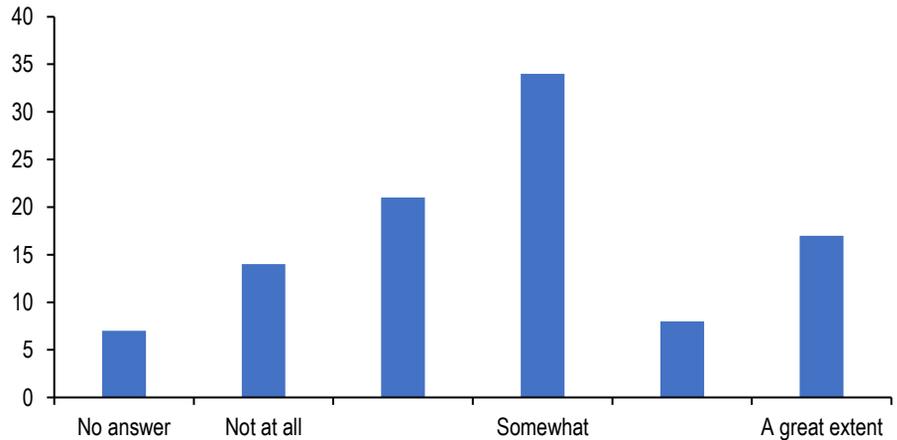
Canada's COVID-19 Emergency Response Plan provided an additional \$270 million or 31% in funding for the On-reserve Income Assistance program, which should help improve access to an adequate food supply. APEC estimates the additional funding is equal to \$1,500 per beneficiary, allowing for administration costs.

Over one-half of First Nations adults in Canada living in rural areas reported being moderately food secure or severely food insecure in 2015/2016 (**Figure 19**). Roughly half of First Nations adults aged 50 and over reported always or almost always eating nutritious, balanced meals.<sup>34</sup>

Federal funding for the Public Health Response and the Indigenous Community Support Fund includes assistance for food security. First Nations living on-reserve should complete a tax return because they may be eligible for the Canada Child Benefit and GST/HST tax credit. These programs can help assist with food security.

**Figure 18: To what extent has the Income Assistance Program helped you obtain an adequate supply of food?**

Percentage of respondents, Canada, 2017 (%)

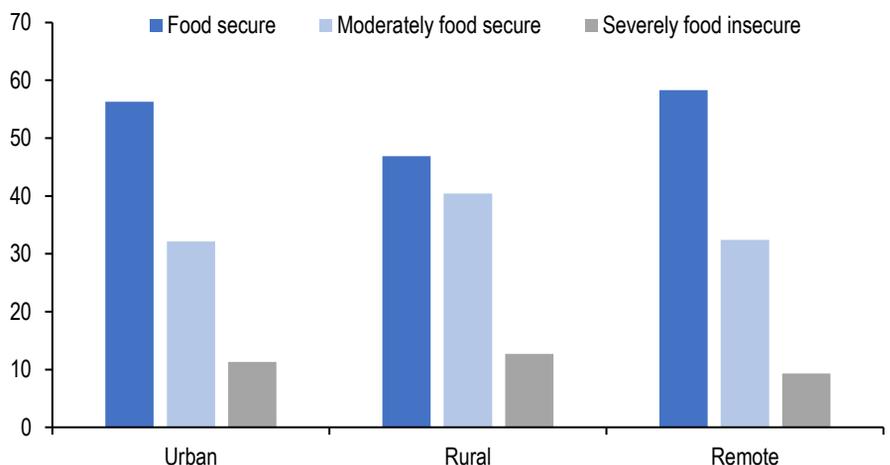


Source: Indigenous Services Canada, Evaluation of the On-Reserve Income Assistance Program

### APEC estimates additional funding for the On-reserve Income Assistance program is equivalent to \$1,500 per beneficiary, allowing for administration costs

**Figure 19: Food security of First Nations adults**

Percentage of respondents by remoteness, Canada, 2015/2016 (%)



Source: First Nations Governance Information Centre, Shaping a Response to COVID-19

# The Economic Cost of COVID-19: Supporting the Recovery of Indigenous Firms and Communities

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