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Jeremy Boyd

Ronald Trosper

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## The use of joint ventures to accomplish Aboriginal economic development: two examples from British Columbia

Jeremy Boyd  
Shuswap Nation Tribal Council,  
[forestrygmt@shuswapnation.org](mailto:forestrygmt@shuswapnation.org)

Ronald Trosper  
Department of Forest Resources Management, University of British Columbia,  
[ronald.trosper@ubc.ca](mailto:ronald.trosper@ubc.ca)

**Abstract:** “Aboriginal economic development” differs from other forms of development by emphasizing aboriginal values and community involvement. Joint ventures, while providing business advantages, may not be able to contribute to aboriginal economic development. This paper examines two joint ventures in the interior of British Columbia to examine their ability or inability to contribute the extra dimensions of development desired by aboriginal communities. The AED framework examines business structure; profitability; employment; aboriginal capacity in education, experience, and finance; preservation of traditional values, culture and language; control of forest management over traditional territory; and community support. Established in the context of unresolved land claims, both enterprises partially contribute to aboriginal economic development, but in different ways and with different overall results.

**Keywords:** Aboriginal economic development, forestry, joint ventures

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## I. Introduction

This paper uses a modified Aboriginal Development Framework (Anderson 1999) to examine the structure and results of two forestry joint ventures in British Columbia (BC). Because the extent of Aboriginal rights to land in BC have not been determined, considerable uncertainty exists both for forestry corporations and for First Nations. Negotiations between Aboriginal communities/nations with both the federal and provincial government over Aboriginal rights and title is a long, frustrating, and expensive process. Some forest companies have tried to build relationships with Aboriginal communities within their forest license areas. A popular business form has been the joint venture, defined as “any business venture where an agreement is made between two or more companies (who remain separate entities) to engage in ongoing collaboration to pool complementary assets and/or skills for a common goal (i.e. profit, capacity)” (Reiter and Shishler 1999).

Approximately 80% of all Aboriginal<sup>1</sup> communities in Canada reside in timber productive zones (Hickey and Nelson 2005). To gain access to the forest sector, some Aboriginal communities have used a joint venture (JV). A recent research project on forestry business ventures involving Aboriginal communities entitled “First Nations<sup>2</sup> and Sustainable Forestry: Institutional Conditions for Success” found seventeen forestry JVs in their national survey (Trosper et al. 2008). Another national study earlier in the same year on Aboriginal forestry collaborations identified twelve forestry JVs in their study (Hickey and Nelson 2005). Although the exact extent of forestry joint ventures involving Aboriginal communities across Canada is unknown, clearly this type of business venture is increasingly used.

International and forestry JV literature are consistent in stating that the main reason businesses become involved in a JV relationship is to obtain assets or skills for their business that would otherwise be unavailable to them (Killing 1983; Reiter and Shishler 1999). This is particularly true in BC, where the unresolved land question creates an incentive for Non-Aboriginal firms to join with Aboriginal partners. Most Aboriginal communities and nations in BC are asserting their rights and title over their traditional territories. BC’s Aboriginal

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<sup>1</sup> In Canada ‘Aboriginal’ is a term that identifies First Nation, Inuit, and Metis people. This paper will use this term as much as possible.

<sup>2</sup> In this paper First Nation will refer to a status Indian or band as defined by the *Indian Act*.

communities want to protect their rights and title over their natural resources while forest companies want to conduct business within these territories. One reason for both parties to build a business relationship is to create ‘certainty’ for accessing the timber supply. Although there are different options for Aboriginal communities to establish business relationships with other firms, such as Aboriginal-owned firms who establish management subcontracts to fulfill specific functions in which they lack skills, our focus in this paper is joint ventures.

A 2004 study on Aboriginal forestry commissioned by the Institute on Governance found that Aboriginal participants had different opinions on the value of JVs. Some believed they were good for building an economic base for their Aboriginal community while others felt the forestry JV was too much of a financial risk and not conducive to capacity building within the Aboriginal community (Graham and Wilson 2004). Studying forestry JVs involving Aboriginal communities may clarify these uncertainties.

Two reasons for a forest company to participate in a JV are to obtain access to timber supply and to obtain a good relationship with the Aboriginal community/nation whose traditional territory overlaps their area of forest tenure (Brubacher 1998; National Aboriginal Forestry Association 2000). In return, the Aboriginal community/nation hopes the JV will allow them to build capacity at the technical and managerial level, to create training and employment opportunities, and to help build an economic base that will contribute to asserting their self-governance (Ferrazi 1989; Lewis and Hatton 1992; Brubacher 1998; Findlay 1999; Fraser 2001; Whiting 2001; Bourgeois 2002). However, many believe that forestry JVs favor the mainstream mode of forest management, benefiting the forest licensees rather than the Aboriginal partner. If so, then the unique goals of Aboriginal Economic Development are not being realized. Given this divergence of opinion a central question of interest is how do, or do not, forestry JVs provide Aboriginal economic development for Aboriginal communities. In this paper, we focus on two cases from BC Aboriginal communities to provide a deeper probing and analysis of this question. Prior to presenting our results, we first present the conceptual framework that guided our research.

## 2. Aboriginal economic development framework

The Aboriginal Economic Development (AED) framework we developed for this paper combines elements from other frameworks in the literature on Aboriginal entrepreneurship and economic development. It draws mainly on Anderson and Whiting’s work on AED (Anderson 1999b; Whiting 2001). Hindle and Landsowne (2005) proposed similar elements with a focus on entrepreneurship. Our AED framework has seven components; for our purposes we list the business oriented elements first. We are not suggesting that those listed first have any more importance than those that come later in the list. The distinctive part of Aboriginal

economic development is the relevance of the final three components and so some may prefer to see those listed first.

- Business structure
- Profitability
- Employment
- Aboriginal Capacity
  - Education and Training
  - Work Experience
  - Financial Capacity
- Preservation of Traditional culture, values, and language
- Forest Management Decisions and Control over their asserted Traditional Territory
- Community Support

The need for a focus on *business structure* has been emphasized in the literature as there is a fear that the relationship between politics and business may create difficulties for day-to-day business operations. Such structures should discourage interference in the business from Aboriginal political leaders allowing managers to make the day-to-day management decisions. Governing structures should be set up to balance the need for control of the impacts of business with the need to have enterprise managers attend to its business (Grant and Taylor 2007). Good governing structures may improve the business's success and provide the basis for fulfilling the set of components necessary for AED. The business structure will reveal how the corporate governance will be handled which has a direct effect on profitability and employment.

*Profitability* and *employment* are needed in order to sustain the business over unforeseen events. These two factors are the main measures for success in mainstream economic development and are also important to a degree in AED. While many Aboriginal people resist adopting profit as a main goal, most accept that an enterprise must make a positive profit in order to be sustainable.

We divide *Aboriginal capacity* into education and training, work experience, and financial capacity. The *education and training* subcomponent can be measured by the educational and training opportunities offered by the business through programs such as apprenticeships and scholarships. The *work experience* achieved by Aboriginal employees is a necessity for capacity building. This is especially important for logging and sawmilling operations, which have a "learning by doing" approach associated with most positions. Learning to manage an enterprise also requires experience. The third subcomponent of Aboriginal capacity is the *financial capacity* of the Aboriginal community to contribute to business start up costs, and the financial capacity of the JV to pay for capacity-building initiatives within the JV itself. Aboriginal capacity is important for building an economic base within any Aboriginal community and it contributes to self-governance (Royal Commission on Aboriginal People 1996).

The above factors are all components of Community Economic Development. Aboriginal Economic Development, in addition, should contribute to the *preservation of traditional culture, values, and language* for the Aboriginal partner (Gandz 1999; Anderson 1999a). Sites in the forest which have cultural meaning are the most obvious connection between a forestry joint venture and this factor. We do not want to assume that tradition is static, however; cultural preservation means maintenance of the core values and identity of an Aboriginal community. Such values may have a modern expression; for instance, in Canada Aboriginal people have adopted hockey as important for community activities. Modern forestry is also an adaptation to modern conditions. Because of the diversity of Aboriginal communities, they become the experts on reporting whether or not traditional values are compromised or even lost because of the JV.

Related to the preservation of traditional culture is the Aboriginal partner's role in *forest management decisions and control over its asserted traditional territory*. Aboriginal economic development is inhibited if the Aboriginal partner has none or very limited shared decision-making authority over their land base and resources (Royal Commission on Aboriginal Peoples 1996; Ross and Smith 2002). Such control at the operational level can be used to preserve specific sites of importance to a community. Control at a strategic level, through the determination of annual allowable cut or imposition of controls over harvesting practices, can be used to address a community's broader concerns about the health of the forest in their territory.

*Community support* for the JV contributes to a stable business environment. Community support reduces desires for political interference from the Aboriginal community, allowing the business to flourish. Political and other leaders within the community can create and sustain the support needed for the business. If a community supports the business by not allowing political issues to overrun or slow down business decisions it will grow and be able to make day-to-day business decisions.

Together, these seven components of AED support Aboriginal community self-reliance and the capacity to provide self-governance or some form of significant control within their territory. The Aboriginal community/nation must have the human and financial resources needed to properly administer the institutions needed for self-governance. An analysis of AED in the community can help an Aboriginal community see how close they are to self-reliance or how far they must go to achieve it. It's important to look at all components of the AED framework if a JV is to provide positive benefits to an Aboriginal community.

These forestry enterprises are different from other community forestry enterprises such as those reported for Mexico (Antinori and Bray 2005; Bray et al. 2005). In Mexico, communities own the forest land upon which they base their enterprises, subject to regulation by the Mexican State. In BC, the province claims ownership of the lands. While litigation over title and negotiation for treaties are ongoing, the *de facto* situation is that the Province does control access to forests and to timber harvesting rights. If an Aboriginal community wants to become participants in timber harvesting they must obtain, at this time, entry to the sector

by obtaining tenure from the provincial government or through partnerships with industries that currently hold forest tenure.

This paper uses the Aboriginal Economic Development framework just described to evaluate two forestry joint ventures in BC. After describing our methods, we start with the Esketemc First Nation, followed by the Ulkatcho First Nation.

### 3. Methodology

The two cases reported in this article were part of a survey of forty forestry enterprises involving First Nations in Canada undertaken as part of a research project entitled “First Nations and Sustainable Forestry: Institutional Conditions for Success”. The paper by Trosper et al. (2008) reports the results of comparisons among the forty enterprises, with a focus upon the first of the seven components of AED, business structure. While the data was being gathered for that study, the lead author of this article set out to find two forestry JVs in BC for case study research. The larger study provided a short questionnaire for comparative purposes along with a longer questionnaire for each of the case studies in the project. In these two cases, the lead author was most interested in exploring the seven factors described above, which were more detailed than the larger survey.

The lead author was particularly interested in Aboriginal forestry JVs because very little is known about them. He selected two Aboriginal forestry JVs from the larger study. The author gained rapport with key ‘champions’ in the JV business and chiefs of each community through face-to-face meetings. This provided the basis upon which trust was built and led to these research partners becoming a pivotal part of the research. The author believes being an Aboriginal person helped leaders in both case studies to be receptive to the research.

Using the case study questionnaire from the larger study, the lead author created interview questions. He used two consent forms, one for the Aboriginal community and JV business, and the other for individuals. The author interviewed the business manager, the Aboriginal community Chief, and individuals involved in the enterprises as well as community members not involved in the enterprises. None of the information from the interviewees was public information without consent from the interviewee.

The lead author conducted 12 interviews in one community and 13 in the other for a total of 25 interviews with community members and business leaders. Follow-up meetings and phone calls were performed at a later date to allow interviewees to view the accuracy of the interview transcripts developed by the author. Lastly, the thesis was submitted to participants to view and comment on sections pertinent to their input. Respondents in both communities shared publicly available documents; but financial reports and shareholders’ agreements were regarded as confidential and were not shared with the researchers.

After the interviews were completed, the larger study revealed that the two cases were especially interesting. The study showed that enterprises with strong

separation from political leadership were much more likely than others to be profitable. Ecolink Forest Services, to be described first, does not have strong separation of the business from the government of the Esketemc First Nation, because its representatives on the board of directors are elected officials. West Chilcotin Forest Products does have such strong separation. According to the model in Trospen et al. (2008), Ecolink Forest Services should not be making a profit; but it did make a profit during the time period studied. West Chilcotin Forests Products was profitable and according to the model, should be profitable. Possible reasons for these different results will be discussed in the remainder of the article.

#### 4. Ecolink forest services Ltd

Alkali Lake is in the Cariboo-Chilcotin region in the central interior of BC. Alkali Lake (called “Esk’et” by the locals) is a rural Aboriginal community situated 50 km southeast of Williams Lake – the nearest town (Johnson 1986). Alkali Lake Indian Band is one of 17 bands comprising the Secwepemc (*The People*) Nation, previously known as Shuswap (Secwepemc Cultural and Education Society website 2005). The Secwepemc Nation traditional territory stretches from east of the Rocky Mountains to west of the Fraser River, and it is bounded in the north by the upper Fraser River and in the south by the Arrow Lakes. The Secwepemc traditional territory is just over 100,000 km<sup>2</sup> and the current population is about 8000 members. The language is called Secwepemctsin (*language of the Secwepemc*) which falls under the Interior Salish subgroup of the Salishan language (George Manuel Institute website 2004). Alkali Lake is comprised of 19 reserves with a total size of 3,931.8 hectares and the main community is situated on Indian Reserve #1. The community is called Esk’et, which means “white ground” in Secwepemc because of the white alkali deposits that are left on the ground when the lake dries up or recedes (Esketemc First Nations website 2002). The Alkali Lake Indian Band is now called the Esketemc First Nation (EFN), and in 2005, it had 411 on-reserve and 309 off-reserve band members for a total membership of 720.

##### 4.1. Business structure

Although the EFN had failed at past forestry businesses, Ecolink Forest Services Ltd (Ecolink) has remained in business since its establishment in August 1990. The EFN and Lignum, a privately owned sawmill, signed the shareholder agreement that created Ecolink as a JV corporation. According to the elected EFN Chief at the time “I was hesitant at first to get into another forestry business because we did get in debt with the sawmill which put the band administration into third party receivership”(William Chelsea, Sr., pers. comm. 2005). The EFN Chief’s brother and other band members urged him to talk to Lignum, which led to a business relationship. Immediately after the signing, the JV’s operations began with trained EFN band members working in silviculture. The EFN started Ecolink



small because of past forestry business endeavors that failed because they started out too big too soon.

Ecolink began with a six member Board of Directors (BOD). In 1990, each entity contributed \$25,000 to capitalize Ecolink, a 50-50 split. It is formally a Joint Venture Corporation under the BC Corporations Act, with a buyout clause that would allow the EFN to purchase the other partner's shares. When Tolko purchased Lignum, the BOD was reduced to four, two from each shareholder, Tolko and the EFN. A majority vote is used to decide on any Ecolink business decisions. Ecolink has the business structure to limit each shareholder's liabilities because it is a registered corporation. Because political leaders of the EFN are seated on the Board of Directors, the structure allows for the potential for political decisions to interfere with business decisions. For example, a newly elected Chief or council member could use their own political power to persuade the firing of a current employee although no report of this occurred in the interviews. This presence of the elected leaders on the Board of Directors meant that Ecolink does not have "strong separation" of the business from the political system, in the sense used by Trosper et al. (2008).

#### **4.2. Profitability**

Ecolink was profitable in its first five years in silviculture helping them to diversify into logging. Subsequently, however, poor management decisions put the company in debt. They are still trying to recover and have only recently started making a profit. Interviewees reported that by losing money they learned how difficult managing a logging operation is compared to managing a silviculture business. Logging requires significant cash flow management and repayment of debt on equipment compared to a silviculture business; if there is no money the logging will not commence. However, the EFN does not rely on Ecolink strictly for generating financial capital. They are most interested in gaining capacity amongst its members. Ecolink as a silviculture business (1st phase) was profitable enough to diversify into logging (2nd phase) providing training and employment. The transition to logging involved a period of financial losses while capacity was being built but eventually profitability was restored.

#### **4.3. Employment**

Ecolink fulfills the employment component of the AED framework because they currently employ an aboriginal workforce. Ecolink represents the EFN community and has a primary goal of providing employment for its members. During its first five years of operation, Ecolink had hired about 80 people per year within its silviculture operations, utilizing all available EFN band members and other Aboriginal people in seasonal work. As one former Ecolink employee states "In the 10 years I worked with Ecolink, we always had people on standby when Ecolink was running and they would be ready for us when we needed their services" (James Paul, pers. comm. 2005).

Ecolink's logging division has all Aboriginal employees (5 EFN and 5 Tsilhqot'in employees) and the corporation owns all of its logging equipment, which consists of a skidder, two dangle-head processors, a top head loader, and a feller buncher. Although some advocates in the EFN do not want outside Aboriginal people working in their company, the EFN has hired outside Aboriginal employees with extensive logging experience. The logging supervisor is from the Chilcotin Nation, which is the EFN's western Aboriginal neighbor. According to the logging supervisor "we can do 125,000 m<sup>3</sup> with the logging crew we have in an optimal logging season with minimal downtime" and he also goes on to say that Ecolink's goal should be 100,000 m<sup>3</sup> because if they obtain more volume it would require more logging equipment and overhead (Wynja, pers. comm. 2005). At the time of this research, Ecolink had Aboriginal people filling all available positions within its company, thus fulfilling the EFN's goal of local employment.

#### **4.4. Aboriginal capacity**

Aboriginal capacity is the ability of a community to have the necessary human resources through education and training and through work experience to fill all of its community development initiatives. Also, an Aboriginal community, whose community development goals might include filling the mandatory positions within their community for administration, health, and education, may need financial resources to undertake such capacity building.

Ecolink has not funded any EFN band members through apprenticeships, diploma, or degree programs. They plan to help fund their office administrator to complete a bookkeeping diploma. She would be the first to be funded by Ecolink to go to post-secondary education. However, outside of the JV, some EFN band members are pursuing a forestry diploma or degree, funded exclusively by the band. Therefore, Ecolink has not yet reached the financial capacity to fund the training of its workforce.

Ecolink has provided work experience for the EFN on the silviculture side and not so much on the logging side. The EFN has a very experienced technically trained silviculture workforce who can fill any potential silviculture position from Ecolink. In the logging operation, however, Ecolink can fill only half of its positions with EFN members. Why? Those EFN band members who could be productive at any of the Ecolink logging positions are not available because they either have their own logging business or work for someone else. A person needs the training and experience to operate logging equipment safely and this training requires an investment of time. However, the former Tolko joint venture administrator believes "...a goal for any Aboriginal business should be succession planning. Managing your operation at a level equitable enough to hire new employees for training can occur" (Marie Beck pers. comm. 2003). As no one from EFN has sufficient training and experience to operate at required production efficiencies, Ecolink has to hire from outside the community. This is common in the logging business in general and not specific to Aboriginal logging businesses.

The Ecolink JV has a growing Aboriginal managerial capacity with two Aboriginal people currently in management positions compared to none at its inception. Non-Aboriginal managers were utilized since Ecolink's inception and continue to be involved. Management positions allow Aboriginal people to be more involved in strategic business decisions, empowering everyone involved. However, the two Aboriginal people currently in management positions within the Ecolink JV are far from truly fulfilling their roles and responsibilities because they are still learning their positions through experience. Because past Ecolink managers have moved onto other EFN managerial jobs, the company is also providing an enhanced management capacity to the community over time. In this sense, Ecolink has provided a benefit to the community in terms of management capacity that cannot be measured only by examining the managers in the company in any given year.

Ecolink has met the goal of building Aboriginal capacity given that there are Aboriginal people in managerial roles and an Aboriginal workforce on payroll. The financial capacity to train the workforce is still low but this may become more viable as the logging operations become more profitable.

#### **4.5. Preservation of traditional culture, values, and language**

The EFN has used some of the profits from Ecolink to help fund cultural events such as the community's pow wow and the band's social programs. EFN interviewees reported that Ecolink is a business and with their tight operational budget there is no room for fulfilling this component at present. The EFN did not say this component was meaningless but that the business needs to sustain employment for its members first and foremost. The balance between sustaining the business and the preservation of traditional culture, values, and language is an ongoing challenge for all parties involved in the Ecolink JV. However, one positive benefit has been that Ecolink has been able to protect spiritual and heritage sites within its operating areas.

#### **4.6. Forest management decisions and control over their asserted traditional territory**

At the strategic level of management, Ecolink has not fulfilled this component of AED because it is a logging and silviculture contractor for its forest industry partner, who has the forest management authority over the timber supply area that encompasses the EFN's traditional territory. The EFN does not have control over the type and amount of harvesting, because the forest licenses require that forest management practices adhere to BC provincial forest legislation, regulation, and policies. EFN interviewees expressed the view that First Nations need more control over their land base at the strategic level (i.e. government-to-government level). The EFN have been trying to make more forest management decisions over their traditional territory through other forest management planning initiatives (i.e. small forestry plans) and through their own long-term area based tenure

called a community forestry agreement. This type of tenure allows operational control of the area under the agreement, subject to strategic decisions which can be negotiated with the province. However, the EFN's community forest agreement only covers a portion of their territory.

#### **4.7. Community support**

The Ecolink JV had community support as shown by all nine interviewees expressing support for the idea that community members should have the power to make sound business decisions. We remain puzzled about how the community managed to avoid interfering in business decisions. However, we speculate that the social structure of EFN, made up of two main families, may be a contributing factor. During the research, we noted that one of the main families was operating the EFN's administration and social programs while the other was involved in the businesses. Perhaps an informal arrangement between the families provides a structural feature that is not formally recognized and this accounts for the anomaly that Ecolink is profitable in spite of its lack of strong separation in the business structure. Further research needs to be done to see how community dynamics (i.e. large families) affect the level of support for an economic development initiative.

### **5. West Chilcotin Forest Products Ltd**

Anahim Lake is also situated in the Cariboo-Chilcotin region. Anahim Lake is 328 km west of the nearest town, Williams Lake, on the western edge of the Chilcotin Plateau. The Ulkatcho First Nation (UFN) is the main Aboriginal community; it is one of 12 bands that make up the Carrier Nation. Ulkatcho means "Fat of the Land" in the Carrier language, which is in the Athabaskan language family group. The UFN is also called "Ulkatchot'en", which means "People of the Ulkatcho." The UFN's main language is Carrier but they have strong relational ties with their Aboriginal neighbors from the west (Nuxalk Nation) and the east (Tsilhqot'in Nation). In fact, some UFN band members have strong Tsilhqot'in family ties and can speak the Tsilhqot'in language as well as Carrier (Birchwater 1991; Birchwater 1994). The UFN is made up of 21 reserves totaling 3,245.7 hectares and most of the band members reside on Squinas reserve #2 adjacent to Anahim Lake. The UFN has 540 band members on-reserve and 368 off-reserve, for a total band member population of 908 (Indian and Northern Affairs Canada website 2005).

The UFN has been very proactive on asserting their Aboriginal rights and title within their traditional territory. On July 17, 1989, the UFN blockaded the construction of a bridge leading into the Beef Creek Trail region on their traditional territory, to protest the harvesting being done by forest licensee Carrier Lumber (a privately owned sawmill based in Prince George, BC). Carrier Lumber had a large portable sawmill and a planer mill established in Anahim Lake, which were operational for about four to five years before the UFN roadblock led to the forest

license cancellation (Carrier Lumber and Province of BC (Minister of Forests) 1999).

In 1993, the UFN, CAT Resources, and Carrier Lumber began negotiating a forestry JV corporation after the roadblock. CAT Resources (Chilcotin-Anahim-Tatla Resources) is a privately owned business made up of 49 local Non-Aboriginal investors from the Anahim Lake and Tatla timber supply region. All interviewees were vague on how the three shareholders started negotiating and disagreed on who initiated the JV. The UFN interviewees were adamant that they initiated the possibility of developing a business relationship with Carrier Lumber with support from the provincial government because of their blockade at Beef Creek Trail. According to one UFN interviewee “the Minister of Forests told us a forest license will not be issued in their region unless the UFN were involved” (Elliot Dester, pers. comm. 2005). Non-Aboriginal interviewees declared that the JV would not have happened without the Non-Aboriginal community’s support (Stephen James, pers. comm. 2005). Regardless of who initiated the JV relationship its emergence provided a mechanism for the UFN, the Non-Aboriginal community, the forest sector, and the provincial government to begin working together.

In December 1994, all three shareholders negotiated a shareholder’s agreement to formalize the West Chilcotin Forest Products Ltd (WCFP) JV. Operations began in January 1995. All three shareholders had equal voting authority and equal dividends. Each partner contributed \$500,000 for the startup business costs and expenses. Carrier Lumber loaned the start up capital to the UFN with interest until they could repay the debt using their share of the JV’s dividends. Both CAT Resources and the UFN bought the sawmill, planer mill, and land from Carrier Lumber based upon a formula that would garnish part of the business’s revenue until the debt was fully paid off. The two contributed the equipment to the joint venture. The UFN were able to pay their loan of \$500,000 off in two and a half years.

The Band-owned Yunka Whut’en Holdings Ltd (YKW) was formed to be a holding company for all of WCFP’s forest licenses. The UFN made sure the forest licenses were to be in their name and according to one UFN interviewee: “The Ministry of Forests was there for any questions we had on the obligations and liabilities for being a forest license holder because it was new for us and we did not want to lose a forest license like Carrier Lumber did in the past” (Elliot Dester, pers. comm. 2005; Laurie Vaughan, pers. comm. 2005). Currently, YKW holds five non-replaceable forest licenses for the sole benefit of WCFP with a combined AAC of 330,000 m<sup>3</sup>. Since these forest licenses are non-replaceable, the expiration date and AAC for each is different. As the former YKW manager states: “with all these forest licenses it can be an administrative nightmare. The provincial government should just give us one forest license instead of all these non-replaceable forest licenses that reside within our traditional territory. Silviculture agreements and other things have to be tracked for all these forest licenses and it is tedious work” (Laurie Vaughan, pers. comm. 2005). This YKW manager, along with other UFN people that have held her position in the past, have learned through experience the pros and cons of being a forest license holder in BC.

WCFP has a sawmill and a planer mill division. The sawmill runs two shifts annually, the planer mill utilizes one shift annually, and a second planer shift works for about six months. WCFP manufactures lumber for the Japanese and USA markets. The Americans are their main export market. WCFP's end products include Stud Grade 2×4's and 2×6's and a number of other different lengths and grades (WCFP website 2005). According to the WCFP general manager "WCFP started out doing 140,000 m<sup>3</sup> in its first year, 240,000 m<sup>3</sup> in its second year, and on average 300,000 m<sup>3</sup> thereafter. Now we are doing 350,000 m<sup>3</sup> this year alone in harvested volume" (Stephen James, pers. comm. 2005). With this harvested volume, the WCFP mill produces ~ 80 million board feet of lumber per annum. Lodgepole pine predominates (90%) along with some spruce and douglas-fir. The sawmill is performing well considering they still use old equipment with a few upgrades such as a new optimizer edger and lumber stackers. The planer mill has used the same equipment since it was built, but it has added a new electronic controlled tray sorting system. WCFP also air dries its own lumber, a process which requires about 3–6 months for the lumber to fully dry. WCFP would like to have a kiln dryer like its competitors, but they cannot afford it since they pay about 15% more for energy costs. They also have extra costs as they must truck their product 300 km to the nearest railroad (Hans Holst, pers. comm. 2005). WCFP is also International Standards Association (ISO) 14001 certified, meaning its operations adhere to an environmental management system for its products, activities, and services. WCFP has managed to remain competitive since its inception, despite a weak lumber market, the unresolved softwood lumber dispute, the rising Canadian dollar, and rising fuel costs.

### **5.1. Business structure**

WCFP is a JV corporation (JVC) with a shareholders' agreement. Each shareholder appoints two board members. A 5 to 1 vote is required from its six member board (two from each shareholder) for all money decisions. Other decisions require a 4 to 2 vote. This voting procedure on the WCFP board of directors provides stability despite the high changeover rates amongst the CAT Resources and UFN appointed board members. The Carrier Lumber board members have remained the same since the inception of WCFP.

### **5.2. Profitability**

WCFP is profitable and according to the former YKW manager, "the UFN gets about \$500,000–\$1 million in annual dividends from the WCFP JV" and she goes on to say "we knew there was to be more money made in sawmills than in logging." In general, it has been found that dividends are much higher from a sawmilling business compared to a logging operation (Laurie Vaughan, pers. comm. 2005). The UFN has used their money for most of the band's various programs. This includes employing UFN band members in silviculture and harvesting, which are activities outside of the WCFP operation. WCFP has made a profit since inception

according to the interviewees who sit on the WCFP BOD. Since financial records were confidential, this could not be verified from financial statements. In some years they did reinvest their dividends back into the business rather than putting them towards community development.

### **5.3. Employment**

The employment results must be shown in two parts, local employment and Aboriginal employment. WCFP is a community JV, so local employment means employing both the local Aboriginal and Non-Aboriginal community members. WCFP's management continues to employ local community members and as the general manager states: "WCFP will continue to exist and create employment for the people of Anahim Lake and surrounding areas" (Stephen James, pers. comm. 2005).

WCFP shareholders made an informal agreement (not written) during negotiations that there would be 50-50 Aboriginal and Non-Aboriginal employment within its operations and associated contract work. The contract work, silviculture and harvesting, has achieved the equal split amongst Aboriginal and Non-Aboriginal communities. However, WCFP has only 30%–40% Aboriginal employees and only half of them come from the UFN (15%–20%) although this was not always the case. According to interviewees, more UFN band members were employed within WCFP at the beginning of the company's operations. WCFP's business has a high changeover rate because some employees cannot handle the stress and repetition of their job regardless of ethnicity. According to the WCFP manager: "we have a small core of local employees who have been with the company since inception while there are others who are still new" (Stephen James, pers. comm. 2005). In fact, all of the WCFP interviewees have been with the company since inception and they agreed that not everyone can handle working within WCFP.

Just like Ecolink, the management of WCFP has to hire outside help if local people are not available or if they do not have the required expertise. As the current WCFP treasurer and board member states: "The company now needs a computer electrician and we will be looking for outside expertise since no one in the area is qualified" (Hans Holst, pers. comm. 2005). Although outside hiring may seem undesirable it is currently necessary in order for the business to hire people with needed skills. WCFP interviewees reported that the JV wants local people employed first because they can sustain their local workforce compared to hiring a non-local person who has no desire to remain in the area after being trained.

### **5.4. Aboriginal capacity**

Because it has a millwright and electrician apprenticeship program offered to its employees and local people we consider WCFP to have a strong education and training subcomponent of Aboriginal capacity. Although some local people have successfully completed both programs, only one UFN band member completed

the electrician apprenticeship program to date. According to the WCFP general manager: “the company also has five bursary programs for the local high school students” (Stephen James, pers. comm. 2005). Also some UFN band members are pursuing a forestry diploma or degree, funded exclusively by the band. In the end, WCFP has used its business’s success to entice and recruit local community members to pursue postsecondary education.

The UFN members have had very little work experience within WCFP’s operations because only 15%–20% of all WCFP employees are UFN band members. The UFN band members currently employed within WCFP are not in supervisory positions, according to UFN interviewees. Although most have positions under the supervisor, and are extremely valuable employees, there is no one from the UFN who has even been trained or experienced being a WCFP supervisor. Also, because only one UFN band member has successfully completed a trade diploma, UFN has very little technical capacity at the millwright and electrician levels (Laurie Vaughan, pers. comm. 2005). Even non-local Aboriginal WCFP employees do not have the technical capacity to fill all of these WCFP positions.

WCFP had only one UFN band member in a managerial position. However, the UFN has been able to employ UFN band members for the YKW manager position. Some managerial capacity is being built within YKW and some have moved onto managerial and supervisory positions within the UFN business community.

Some capable people did not want to be in management positions within the WCFP or within the UFN’s businesses because they feared losing respect from their own people. As the former YKW manager states: “Management is a tough position because you can be isolated from your own community. I mean I walk into a community event or business and my own people will be quiet towards me. It can be lonely but you need those positions filled by our own people”. She explains how just having two more Aboriginal people at the managerial level can make a difference in sustaining the business (Laurie Vaughan, pers. comm. 2005). Of course, one has to respect a person’s wishes for not embarking on something they do not want to do, but one person’s resistance should not be generalized to apply to all band members. One WCFP Aboriginal employee begs to differ by saying he has never been offered such a supervisor opportunity, even though he has been there since the beginning (Raymond Charleyboy, pers. comm. 2005). This interviewee would accept an offer for a managerial position in WCFP. In order for the Aboriginal community to gain control over the JV’s they need the technical and managerial capacity, along with succession planning for future candidates within the community. This reluctance of some Aboriginal people to take on managerial positions needs further research.

WCFP provides additional income-earning opportunities to the UFN due to its silviculture trust fund, silviculture administration fee, and contract opportunities offered to the UFN. WCFP pays into a silviculture trust fund that is administered by the UFN and the provincial government to cover all silviculture contract work needed for the JV’s forest license obligations. Also the WCFP pays the YKW



staff a silviculture fee for administering and meeting all the company's forest license obligations. Having the silviculture finances paid into YKW allows the business to build capacity amongst the UFN. Both of these fees are costs to the JV so they are not considered to be part of any shareholder's dividends. The WCFP contracts are split between both Aboriginal and Non-Aboriginal communities giving opportunities to the forest entrepreneurs in the region.

### **5.5. Preservation of traditional culture, values, and language**

WCFP has contributed to cultural and traditional events and programs due to the high dividends being made from the business. The UFN uses its WCFP dividends to fund the elders and youth fund; interaction of elders and youth contributes to knowledge transmission. WCFP dividends have contributed to cultural and educational initiatives within the UFN. For example, the UFN built a \$1.3 million community center and a new church with its WCFP dividends. Social, cultural, and sporting events take place in the community center shared by both Aboriginal and Non-Aboriginal communities.

### **5.6. Forest management decisions and control over their asserted traditional territory**

While the WCFP, a lumber mill, utilizes material from the UFN's traditional territory, it does not directly provide control over that territory. Rather, the mill is part of the larger organizational structure the UFN has put in place to improve its participation in forest management decisions. The UFN, through its holdings company YKW, obtains the experience of managing a forest license. While strategic decisions, such as setting the annual allowable cut and determining which companies will hold licenses to harvest, remains under the control of the Province of British Columbia, as a licensee the YKW participates in the tactical-level decisions of identifying areas to harvest. When planning to cut, YKW can have control over specific operational decisions that can assist in protecting important traditional sites in the territory. The UFN has also expressed the idea that First Nations need more control over their land base at the strategic level (i.e. government-to-government level).

### **5.7. Community support**

Using the authors' minimal indicator for fulfilling this component of AED, there was no stoppage of business activities on the WCFP JV from the UFN and the local Non-Aboriginal community. We found that two of the eight members of the UFN who were interviewed did not support the joint venture; support therefore is not unanimous. This study did not attempt to address this question with a survey based upon a representative sample. Such a study would probably provide a more nuanced view of the community's attitudes toward the joint venture as well as the band's involvement with forest licenses.

## 6. Discussion: application of the AED framework

The Aboriginal Economic Development Framework used in this paper combines elements of standard community enterprise development with attention to characteristics that may be unique to Aboriginal communities. These two case studies were compared to other examples in the work of Trospen et al. (2008). That comparative study examined characteristics of business structure with attention only to the consequences of business structure on profitability. According to the findings of that study, WCFP would be expected to be profitable and Ecolink would not be. In examining the case studies, this paper considers more aspects of the enterprises and their communities and evaluates the extent to which the enterprises provided results beyond being profitable.

In regards to business structure and profitability WCFP had strong separation of the business governance from that of the Band, while Ecolink had elected officials serving on its board. WCFP was more profitable, but it also operates a lumber mill, which are more profitable than logging and silviculture operations. Informal rules among the Estekemic First Nation accounts for the profitability of Ecolink. While determining the social institutions that may have made this possible were beyond the scope of this study, we speculate that the social structure underlying the operation of the enterprise requires further consideration. Interviewees also reported they had learned from their previous experiences in which band enterprises lost money.

Both JV case studies give the Aboriginal community minimal control over forest management decisions and on harvesting rights at the strategic level, with much more control available at the operational level. Ecolink is a silviculture/harvesting contractor for its forest industry partner so their role is limited to that of a contractual relationship in undertaking defined management operations. Both Aboriginal communities have gained experience with administering provincial forest licenses, but the JVs still give them minimal control over strategic management decisions occurring within their territories. The JV has not led to joint decision-making at the strategic level. An obvious next step is to move toward co-management of the forest so that each Aboriginal community can have a 'say and share' over all forest management decisions within their asserted traditional territories.

In addition to profitability, both joint ventures contributed to employment of community members as well as members of neighboring communities. Ecolink, the smaller of the two enterprises, has an entirely Aboriginal work force, half of whom are from the Estekemic First Nation. Although WCFP had an informal goal of 50-50 Aboriginal and Non-Aboriginal employment, it has reached only 30% Aboriginal employment, an estimated 25 full time jobs for the community. Ecolink has only about 10 full time jobs. The Ecolink BOD allows both its logging and silviculture supervisors to work all year, even when the business is barely meeting its financial bottom line.

Both JVs contributed partially to development of Aboriginal capacity in business management. The total for both JVs is three Aboriginal people in managerial positions. Neither JV reported plans to train anyone else. WCFP has one technically trained UFN band member who utilized the electrician apprenticeship program offered by the business. Ecolink cannot train any more people unless it becomes more profitable. Even though WCFP is profitable, there are still no Aboriginal people in supervisory positions, such as foremen. Because of its greater profitability, WCFP has contributed to the development of financial capacity for the Ulkatcho First Nation. In good markets, the dividends to the First Nation reached a million dollars a year. For Ecolink, profits in recent years have been used to retire debt incurred previously.

The case study results show that JV business operations very weakly address the preservation of traditional culture, values, and language. No cross-cultural training was offered to anyone employed by either JV. The JVs, however, have made some cultural contributions to their communities as both have sponsored community and sporting events. In fact, because WCFP was more profitable, the UFN's dividends helped the band build a church and community center and fund the youth and elders programs. Both JVs were established with the understanding that all traditional, spiritual, and cultural sites will be protected for the Aboriginal partner within the business's area of operations, and the forest industry partners and the province have upheld this.

This research has shown that although JVs involving Aboriginal communities do not fulfill all components of AED, they are a vehicle to keep the Aboriginal community/nation moving towards the ultimate goal of self-reliance and self-governance. A JV should be seen as one opportunity and not the total solution for Aboriginal self-reliance. JVs are business solutions that can help to create a stable business environment. In fact, out of all possibilities, JVs mainly occur when assets need to be borrowed and a business relationship has to occur because neither shareholder could obtain the required assets alone. JVs should be formed for the purposes stated above, and Aboriginal communities should recognize that JVs are only part of a broader Aboriginal economic development strategy.

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