



**BC TREATY COMMISSION**

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FOR IMMEDIATE RELEASE

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## BACKGROUND

# Financial and Economic Impacts of Treaty Settlements in BC

*Financial and Economic Impacts of Treaty Settlements in British Columbia*, the PricewaterhouseCoopers 2009 report, is the fifth study on the economic benefits of treaties.

The results from the five studies, while not directly comparable, all predict that accelerating the pace of treaty settlement speeds up the flow – and magnitude – of benefits to First Nations and all British Columbians. The Treaty Commission's previous study is available at [www.bctreaty.net](http://www.bctreaty.net).

The Treaty Commission's purpose in commissioning the PricewaterhouseCoopers (PWC) study was to determine whether the conclusions of the four earlier studies would stand given the actual experience of treaty settlements. As well, the Treaty Commission wanted to assess what affect the pace of treaty settlements has on the economic benefits.

This 2009 economic analysis is unique because it is based on actual final agreements with Lheidli T'enneh First Nation<sup>1</sup>, Maa-nulth First Nations and Tsawwassen First Nation. These final agreements are worth more than was projected in the earlier studies. This is due primarily to larger cash settlements -- \$53,000 per beneficiary on average compared with \$42,000 in the 2004 Grant Thornton analysis commissioned by the Treaty Commission. A larger cash settlement also implies a greater land allocation.

Another reason for the larger settlements is the addition of income from resource revenue sharing agreements. For example, Maa-nulth First Nations will receive annual resource revenue payments of \$1.2 million for the next 25 years or \$30 million. The report assumes that resource revenue sharing agreements will be a feature of most treaties.

Post-treaty First Nations will become self-supporting through their own taxes, investments and earnings and will rely less on federal transfers. This study assumes income tax exemptions will remain in place for 12 years and transaction tax exemptions for eight years following the first settlement payment. It also projects that 95% of income tax and 75% of transaction taxes will be returned to First Nation governments once these tax exemptions expire.

Not all revenue estimates are higher. The pine beetle infestation and the drop in US housing starts have affected the value of third party compensation for forest tenures. PWC estimates current forestry tenures are worth approximately \$30 per cubic metre of Annual Allowable Cut, while in previous studies the value was between \$80 and \$120 per cubic metre.

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<sup>1</sup> Lheidli T'enneh Final Agreement was not ratified

The PWC analysis assumes that a significant number of current jobs in forestry and fisheries will be a gain for First Nations. The report assumes that First Nations people will occupy 80 percent of the forestry and fisheries jobs on treaty settlement lands and tenures.

### **Pace of Treaty Settlement**

As projected in the four previous reports, settling a greater number of treaties sooner increases benefits to First Nations and all British Columbians. Modeling the number of treaties settled; five, 15, 30 and 60 over a fixed 15-year time period resulted in a series of dramatic gains.

For example the difference in the net present value of settling 30 treaties by 2025 compared to five treaties is over \$2.25 billion. As the number of treaties settled increases the net present value grows exponentially higher.

As it takes longer to settle treaties, the benefits to First Nations and all British Columbians are delayed, reducing the overall net present value of future benefits. The discount rate used in this study – 4.1 percent nominal – is markedly lower than that used in previous studies – 6.2 percent real. As result, a return to more regular interest rates would see the net present value of longer settlement periods decrease more dramatically. (Net present value is the standard method for using the time value of money to assess long-term projects.)

This ratio also applies to wage incomes created over 40 years:

- Completing five treaties in 15 years -\$2 billion;
- Completing 15 treaties in 15 years - \$4.2 billion;
- Completing 30 treaties in 15 years - \$7.9 billion; and
- Completing 60 treaties in 15 years - \$14.4 billion.

In 2004, a Mustel Group survey of BC businesses found that one in five companies reduced their investment in BC in the previous five years because there were no treaties. But one in four companies indicated they would increase investment if a significant number of treaties were settled.

Now in 2009 with two treaties ratified, five First Nations in final-agreement negotiations and 43 First Nations at Stage 4, negotiating an agreement in principle, treaties have the potential to deliver significant economic benefits. The governments of Canada, British Columbia and First Nations must now consider that the province's next engine of economic opportunity needs to be accelerated. (There are 60 First Nations in the BC treaty process including 111 of the 198 Indian Act bands.)

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