



INTERIM MANUFACTURING DIRECTIVE

June 19, 1996

1. PURPOSE

This interim directive, pursuant to Provision 10 (Purchase of Northern Manufactured Goods) of the business Incentive Policy, provides direction to departments and agencies regarding actions which must be taken in support of Northern manufacturers, supplementary to provisions in the Business Incentive Policy.

The Government of the Northwest Territories encourages the growth of local production facilities as a means to help diversify the economy. The investment, jobs, and incomes produced by manufacturing are important to foster and maintain.

Although the business Incentive Policy has assisted in the development of NWT business, it has not been effective in ensuring Northern manufacturers receive the same consideration as contractors and suppliers.

1. Principles

- The development of business enterprises provides stable and long-term income and employment opportunities for Northern residents.
- A diversified economy is desirable for long-term economic growth.
- Export development or import replacement supports increased self-sufficiency.
- Business support funding should respond to demonstrated need, demonstrable benefit, sustainability, and shared risk with the client.

2. Objectives

- To stimulate job creation through local production of goods.
- To broaden the NWT's economic base.

2. SCOPE

This Directive applies to any contract whenever:

- Fifty one percent or more of the total contract funds, or
- Fifty one percent or more of the total annual operating funds of one of the parties, is received directly or indirectly from the Government of the Northwest Territories, or purchases are made under the NWT Housing Corporation's Down Payment Assistance Program.

3. DIRECTIVES

- **Any construction, maintenance or goods purchase contract shall require the use of Northern Manufactured products where those products meet minimum contract**

requirements. A listing of Approved Northern Manufactured Products will be made available for reference to all departments and agencies.

- Facilities or renovation designs must use products listed in the Approved Northern Manufactured Products listing, where normal minimum standards are met by the product or products.
- Owners shall ensure sufficient notice is given to manufacturers to allow for normal production lead times.
- Owners will break contracts into components for the purpose of allowing the use of Northern Manufactured Products.
- Where more than one Northern Manufacturer is listed for a specific product, Owners will advise Northern manufacturers exclusively of any tender containing Northern Manufactured products, in order to solicit bids.
- Contracting agencies will utilize approved Northern Manufactured products through one or more of the following procedures:

1. Specified Products from Approved Northern Manufactured Products listing

The owner shall specify Northern Manufactured goods from the listing of approved Northern Manufactured Products, without substitution, in a contract requiring those types of products, at a stipulated price.

2. Owner Supplied Material

The owner may purchase and stockpile Northern manufactured Goods from Approved Northern Manufactured Products listing and provide these goods on subsequent contracts.

3. Tender

- Where two or more Northern manufacturers supply an approved product, only those manufacturers will be invited to bid on the contract.
- Where specialty products are required, the Owner may solicit competing bids from Northern Manufacturers or other suppliers and apply the incentive specified in this directive.

4. Long Term Awards

A contract for the product may span several years where extraordinary startup costs would be incurred on the part of the Northern Manufacturer. The Owner may refer to the Manufacturing Advisory Committee for an opinion on reasonable costs and timeframe.

5. Standing Offer Agreements

A standing offer agreement may be entered into whereby the Owner shall purchase all its requirements for that product from the NWT Manufacturer at an agreed price.

4. NORTHERN MANUFACTURING INCENTIVE

For inclusion in the listing of approved Northern Manufactured Products, product prices, f.o.b. the manufacturer's plant, must be no higher than 20% over comparable products quoted by Southern suppliers, at nearest Southern point of departure for off highway and off winter roads, for that manufacturer.

Notwithstanding clauses 3.1 and 3.5, the landed cost to any Owner should not exceed 25%

of the lowest price available for a comparable product.

Northern Manufacturers may choose to market through Northern Suppliers who qualify under the Business Incentive Policy. The total incentive will not exceed 25%

5. NWT VALUE ADDED

NWT value added is the incremental fixed or variable costs incurred in the Northwest Territories in producing a good involving substantial transformation of raw materials into a finished product and contained in the price of the Northern Manufactured product. The amount of value added will be determined by:

- Wages, salaries and benefits paid to Northern Residents;
- Cost of product components purchased from other NWT Manufacturers;
- Overhead costs incurred in the Northwest Territories including principle and interest payments for and amortization of facilities or equipment located in the Northwest Territories, utilities, NWT property taxes and similar costs.

Products must have at least 25% NWT value added to qualify as Northern Manufactured Products.

6. MANUFACTURING ADVISORY COMMITTEE

The Manufacturing Advisory Committee shall be composed of Deputy Minister of delegates of:

Department of Resources, Wildlife and Economic Development (Chair)
Department of Public Works and Services
Department of Transportation
NWT Housing Corporation

The Committee will review and approve applications for inclusion in, revision to, or removal from, the Approved Northern Manufactured Products listing for each product. The Committee will verify that prices fall within the maximum incentive.

7. APPLICATION

Applications for listing or changes to products or prices listed in the Approved Northern Manufactured Products listing can be made to the BIP monitoring office. The monitoring office will stipulate the information requirements to be included with applications. In addition to meeting normal BIP qualification requirements, applicants must provide the ratio of direct and indirect wages paid in the North, occupancy expenses, and cost of goods sold, as a percentage of gross revenue, verified by the firm's accountant.

A product listing, with specifications and pricing, is also required for each product.

8. RESTRICTIONS

Oil and gas processing is not included in this directive.

9. REPORTING

All Owners shall provide quarterly reports to the BIP monitoring office of purchase of Northern Manufactured products and price paid in order to monitor adherence to and costs of this directive.

10. EXCEPTIONS

Where the cost of a Northern Manufactured Product exceeds limits set by this directive, the Manufacturing Advisory Committee may review and make a recommendation to the Minister for inclusion where significant economic benefits will result in comparison to costs.