

NWT BUSINESS ADVISORY COUNCIL (BAC) KEY CHALLENGES SUMMARY

Overview:

This document is intended to provide information on the key challenges that the Northwest Territories (NWT) Business Advisory Council (BAC) views as challenges to the short, medium- and long-term recovery of the economy of the NWT.

The NWT's economy has been experiencing significant challenges in recent years and the territory's primary economic driver outside of government, the resource sector, has been experiencing significant challenges for more than a decade. The NWT was the only jurisdiction, prior to the COVID 19 pandemic, predicted to have a negative GDP in 2020. By comparison, both the Yukon and Nunavut were predicted to have a strong, positive GDP based entirely on the strength of their mining sectors. The growing, second largest private sector contributor – tourism – has been dealt what many fear is an irreparable blow, with its foundation of foreign visitors severely damaged as a result of COVID. This situation has been compounded with the global economic downturn resulting from the pandemic and the Chief Public Health Officer's restrictions on residents, businesses and entry to the NWT. These restrictions continue to create severe hardship for almost all businesses in the NWT. Many businesses in the NWT are struggling to survive.

Of particular concern is the state of the mineral resource sector (exploration through to remediation) which is the largest private sector contributor to the NWT economy. The three diamond mines nearly rival the contributions of government to the NWT economy. As these mines near the end of their life, production levels will fall, as will the economic benefits (i.e., employment, purchases of goods and services, value-added opportunities). Further, there are significant spin-off effects on the economy of the NWT from mineral exploration and mining such as aviation, construction, manufacturing, wholesaling, retail and the services industry.

The mineral resource sector may be our largest industry, but the NWT also needs to recognize that many businesses related to tourism, hospitality, aviation and others are affected by these same issues. In order to maintain the strong benefits that the business sector brings to the NWT and its residents, the NWT will need to address these challenges. If the challenges, through BAC's recommendations are not addressed, the economy of the NWT will continue to struggle. Some common challenges are: lack awareness and understanding of the benefits each sector provides; an over-abundance of regulation creating challenges for businesses; the lack of ownership in having Indigenous communities and corporations as equity partners in business opportunities; the need to reduce the cost of power and other inputs; investing in strategic infrastructure; adopting a benefit retention approach to economic development; increasing employment in small communities; and creating a polytechnic university that will position the north to capitalize on its abundance of natural wealth.

The NWT BAC was established to: (i) to provide advice to the Minister of Industry, Tourism and Investment on mitigating the short-term economic impacts of the COVID-19 pandemic on Northwest Territories businesses; (ii) to advise and recommend on the longer-term actions and initiatives required to support businesses in their recovery.

This Key Challenges document is a foundational document for BAC and will guide its work in the coming weeks and months. From the perspective of the BAC, this document will address key areas for the government to focus on for the economy to emerge stronger. The challenges are the result of collaborative discussions amongst BAC members, Ministers and staff of the GNWT. BAC has spent time giving careful thought and consideration to fully understanding these challenges and, in the case of the challenges that need to be addressed most urgently, the BAC will be providing recommending actions that the GNWT can use to address these challenges.

These key challenges are relevant to all sectors that make up the economy of the NWT.

This document is a snapshot in time and will be refreshed regularly as the work of the GNWT and the NWT BAC progresses.

A. High-Priority Challenges That Require Immediate Responses

1. Businesses of all sizes in the NWT have seen a significant reduction in the purchase of their goods and services.

Government can play a role in supporting these businesses through fiscal policy mechanisms by: (1) increasing the demand for goods and services through government spending; (2) ensuring that government maximizes its spending with NWT businesses. It is imperative in recovering from this economic crisis that GNWT "keep the dollars in the NWT".

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In short, GNWT procurement policies must ensure that NWT and Indigenous businesses are prioritized over non-NWT businesses. Having said that, it is important to get an understanding of GNWT current plans for capital spending and whether there will be cutbacks as a result of its response to COVID, or alternatively, increased spending as a result of COVID, creating potential opportunities for NWT businesses.

Further, one of the biggest areas for potential to “keep the dollars in the NWT” is through spending with northern Indigenous businesses. However, while the mining industry committed to this almost 25 years ago, and reports on its business (and other) achievements annually, the GNWT does not currently measure its purchase of goods and services from Indigenous businesses. The GNWT needs to come up with a process to measure northern Indigenous participation in procurement as well as set out goals to increase this participation.

Finally, mining remediation and reclamation has the opportunity to benefit all sectors of business in the NWT, through direct employment of NWT residents and the purchase of goods and services from NWT and Indigenous businesses. For instance, the Det’On Cho Corporation has generated significant revenues and built business capacity and its beneficiaries have developed skills and abilities (largely leveraged off of opportunities presented through the diamond mines) which will be transferrable to other sectors and other projects. This reinforces the importance for local hires and purchasing for the Giant Mine Remediation.

2. Indigenous communities and community governments have been hit hard by the pandemic

The NWT BAC believes that the GNWT, Federal and Indigenous Governments should collaborate to create a legislative, policy and regulatory environment for economic prosperity which in turn creates jobs, business development and investor confidence. A recovery plan must chart a course towards Indigenous economic equity. All levels of government should support the NWT Indigenous Leaders Economic Coalition’s collaborate efforts to rebuild the economy. The recognition, engagement, and financial resourcing of the Coalition will meet our collective challenges and come at a critical time with the NWT economic and teetering due to the pandemic. All levels of government could create an Indigenous Economic Table to rebuild the economy. Further, economic provisions in land, resource and self-government agreements must be enacted and enforced.

3. There is a lack of rapid testing in the NWT and mandatory 14-day isolation is causing negative economic impacts.

The GNWT is incurring significant costs paying for individuals to self-isolate for the mandatory 14 days upon their return to the NWT.

The funds used to pay for self-isolation could be re-directed to rapid testing, which would subsequently both aid the workforce and potentially promote more entry (tourism) into the territory from other Canadian residents.

The GNWT has taken steps in recent weeks to advance the use of rapid testing and the hope to eventually see reduced times for quarantines and self-isolation from work and school. There also remains an opportunity for a private business to provide rapid testing for businesses or residents who want to opt-out of the 14-day isolation period. These residents could pay to have a rapid test if they are willing. Further analysis is needed on the regulations to set up a private testing facility.

4. Border restrictions and self-isolation periods are causing significant revenue declines and social issues for some sectors.

Border restrictions and the location and length of self-isolation periods are causing significant revenue declines and social issues (including mental health issues) among some sectors including tourism, aviation, and mining exploration and are impeding the owner/operator’s ability to work effectively and compete on contracts in other jurisdictions. The NWT BAC proposes that the GNWT allow certain economic sectors, and the NWT and Indigenous businesses associated with those sectors, to be exempted from the self-isolation period and allow self-monitoring and other safety precautions in lieu of self-isolation. Just these wins would go a long way to support the social issues many employees are facing in attempting to stay in the NWT. Further, the BAC recommends that individuals be allowed to self-isolate in their home communities.

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Second, the BAC believes it is important that GNWT is balanced in its decision-making with regard to border restrictions and self-isolation periods and takes into account the broader health impacts (i.e., mental, cultural, economic) when making a decisions. The BAC further believes that it would be helpful if information on the economic impact of border restrictions and self-isolation periods is made public. In addition, clear information is needed on what number of COVID cases in the NWT would trigger specific containment measures or returns to previous phases.

Further, the NWT BAC is of the view that a re-opening plan for each community to outside travellers should be developed and should be underpinned by proper community engagement.

Finally, the criteria for lifting border restrictions is also unclear; this should be remedied.

5. The private sector has experienced significant delays in response from the GNWT during the COVID19 crisis.

The GNWT's timeliness in responding and communications have been negatively impacted with employees working from home. For example, communication has been lacking about what businesses need to do to re-open and how to do so safely. Application review times made under the Protect NWT have also been slow and causes delays for businesses. This could be an opportunity for the GNWT to lead the way on getting back to work and showing the rest of the NWT how to do so safely and effectively. When employees are in the offices, they are out of their houses, spending money in their community. This could be an opportunity for the GNWT to lead the way on getting back to work and showing the rest of the NWT how to do so safely and effectively.

Further, NWT businesses (owner/operators) with no or very few employees do not have access to information on how to re-open safely from WSCC. Health Enforcement Officers may be better positioned to provide on-site business re-opening guidance as businesses need assistance with what is needed to re-open.

Finally, there is a need for more staffing to Protect NWT and 811 Hotline and clearer information about who can get an exemption and how.

B. MEDIUM-TERM PRIORITIES

6. Gaps in federal and GNWT relief funding for certain sectors

There are gaps in federal and GNWT relief funding for certain sectors, particularly the aviation industry and the mineral exploration industry. Even more troublesome is that funding for Indigenous businesses has not been rolled out.

The GNWT should be aggressively advocating for infrastructure funding to move forward with the Mackenzie Valley Highway, the Slave Geologic Province All-Weather Road and the Taltson Hydro-electric Project.

The GNWT could also consider the creation of a Northern Indigenous Investment Fund that will facilitate Indigenous ownership and participation in large scale infrastructure project thereby lessening the GNWT debt load and provide certainty to investors.

7. NWT economy has been in decline for a number of years.

The decline in the NWT economy has been largely as a result of the minerals industry, languishing exploration investment and maturing diamond mines. This has been confirmed and reinforced by many including the Conference Board of Canada, the Premier's 2018 NWT Economic Symposium in Inuvik and later with industry in 2019, the Indigenous Leaders Summit 2018 and again in 2019. Jobs, investor confidence and access to capital are needed to prevent further harm to the NWT economy.

The NWT BAC believes that the NWT economy can be re-invented and will emerge stronger through: collaboration, diversification of the economy and development of Regional Economic Development Plans.

8. Many GNWT residents and businesses lack capacity and skills to engage meaningfully in the wage economy and to develop strong businesses.

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There is a need to build up the local capacity and skills of NWT residents and business. The BAC believes that residents and businesses should connect with GNWT Departments of ECE and HR (Finance) to identify areas of co-operation.

- 9. NWT private sector employees are facing pay cuts but the workload remains the same. Businesses are seeing their employees going to government jobs or leaving the territory.**
- 10. There is a significant amount of regulation and “red tape” that act as barriers for NWT and Indigenous businesses.**

Also, members of the BAC believe that this is an opportune time for the GNWT to find ways to eliminate duplication of regulation and eliminate useless red tape that hinders growth and investment in the NWT. One way to accomplish this would be to ensure that NWT businesses should not be required to be licensed under more than one government act, but only under the act that relates directly to the goods or services they deliver.

C. LONG-TERM PRIORITIES

- 11. Lack of childcare is a barrier for entry or re-entry to the workforce.**
- 12. Some NWT private sector employees are looking to move to southern jurisdictions where economies are opening up and there is more work.**

There are also examples of private sector employees, who cannot live off the “CEWS” program of 75% subsidy up to \$58,000 per year, going to take jobs with government. This is extremely unfortunate and speaks to the perception that the business community has that government has not felt the pain of private industry.