

Standing Committee on
Economic Development
and Environment



Report on Long-Term Post-Pandemic Recovery: Recommendations to the GNWT

19th Northwest Territories Legislative Assembly

Chair: Mr. Jackie Jacobson

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ECONOMIC DEVELOPMENT AND ENVIRONMENT**

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SPEAKER OF THE LEGISLATIVE ASSEMBLY

Mr. Speaker:

Your Standing Committee on Economic Development and Environment is pleased to provide its *Report on Long-Term Post-Pandemic Recovery: Recommendations to the GNWT* and commends it to the House.

Mr. Jackie Jacobson
Chair, Standing Committee on
Economic Development and Environment

**STANDING COMMITTEE ON
ECONOMIC DEVELOPMENT AND ENVIRONMENT**

**REPORT ON LONG-TERM POST-PANDEMIC RECOVERY:
RECOMMENDATIONS TO THE GNWT**

TABLE OF CONTENTS

INTRODUCTION	1
ENHANCING BUSINESS DEVELOPMENT INVESTMENT CORPORATION PROGRAMS	3
Recommendation 1	3
REVISING THE BUSINESS INCENTIVE POLICY	4
Recommendation 2	5
CRITICAL INFRASTRUCTURE DEVELOPMENT	6
Recommendation 3	6
Recommendation 4	8
Recommendation 5	8

STANDING COMMITTEE ON ECONOMIC DEVELOPMENT AND ENVIRONMENT

REPORT ON LONG-TERM POST-PANDEMIC RECOVERY: RECOMMENDATIONS TO THE GNWT

INTRODUCTION

The Standing Committee on Economic Development and Environment (SCEDE) has witnessed the acute and severe decline in the NWT's private sector from COVID-19. The decline in business activity continues to affect NWT businesses today, and while the path through the pandemic may be short term for some businesses, others will take much longer to recover.

Businesses across the NWT were ordered to reduce or completely shut down their operations. A handful of businesses were able to innovate and provide altered services to remain open. Many small and medium businesses however have quickly depleted financial reserves and are struggling to survive.

Total employment in the NWT fell by 400 persons in April, while the employment rate dropped to 62.3%, the lowest for that month in the past 10 years. Compared to last year at the same time unemployment rates rose among all major worker groups, the highest among those who: live outside of Yellowknife; are female; aged 25 and older.¹

The NWT economy relies heavily on the extractive, non-renewable resource sector, especially the diamond mining industry representing 21% of the overall economy. Although mining, oil and gas have declined drastically since 2007, it still remains the NWT's most dominant economic sector. Next to mining, oil and gas, the services industry, comprise the vast majority of the remaining economy at 68%, and is dominated by public administration at 32%.²

The NWT's private sector, which is narrowly comprised of non-renewable exports, is volatile as it's subject to global commodity prices. The NWT has witnessed Dominion Diamond Mines ULC the controlling owner of Ekati Diamond Mine and 40% owner of Diavik Diamond Mine, suspend operations at the Ekati mine site and file for creditor protection order leaving over \$13 million hung up in unpaid expenses among NWT businesses during COVID-19. The NWT resource sector support services, arguably the most important economic linkage in the NWT economy continues to wait out the

¹ Newstats, NWT Bureau of Statistics, April Labour Force Activity, May 8, 2020

² Economic Review 2020-2021 Northwest Territories, Department of Finance, GNWT, February 25, 2020

uncertainty of the global pandemic as diamonds remain volatile, which furthers the NWT's private sector uncertainty at this time.

The GNWT is heavily reliant on federal financial support as its primary revenue source, accounting for slightly more than 80% of the GNWTs' total revenues of \$2.186 billion.³ While the GNWTs' total operational expenditures (pre-pandemic) is estimated at \$1.983 billion, the GNWT can largely run on federal government transfer alone.⁴ Government administration can act as a stabilizing force to the NWT economy through this recession. The NWT economy will remain much more stable through the recovery of COVID-19 than other Canadian jurisdictions dependent on private sector activity to fund government services. However, the medium and long-term outlook for the NWT was concerning before COVID-19, and is even more concerning now as we emerge out of the pandemic. The NWT economy is stable, but it is stagnant.

Due to the NWT's small population, there are limitations for the GNWT to increase own-source revenues. Since 2015, during the construction of the Gahcho Kué diamond mine; private investment has trended downward, while public investment has trended upward.⁵

The government walks a fine balance of moving forward with large public infrastructure projects that reduce the cost of living for residents and make the NWT more attractive for investment, while minimizing borrowing debt and stimulating local business development.

The GNWT across all departments needs to train and instill client service skills that support and promote small businesses across the NWT. The value of well-trained front line GNWT staff, knowledgeable and familiar with the potential capabilities of NWT businesses cannot be underestimated at this time in our economic recession.

Small businesses need to risk start-up and be supported through small government contracts over time to enable a diversified and healthy private sector that contributes to the GNWT's own source revenue through tax regimes. The larger businesses are pillars of the economy and need to be engaged and supported to expand into larger territorial, domestic and even international markets.

Although the GNWT may be in a healthy credit position today the long-term plan for the economy has to increase own source revenues through the acceleration of a vibrant private sector in order to maintain a positive credit rating.

³ Fiscal Review, 2020-2021 Northwest Territories, Department of Finance, GNWT, February 25, 2020

⁴ GNWT, Finance, Budget 2020 Highlights, Feb 2020

⁵ Newstats, NWT Bureau of Statistics, Private and Public Capital Investment, 2020 Intentions, January 27, 2020

ENHANCING BUSINESS DEVELOPMENT INVESTMENT CORPORATION PROGRAMS

Committee recognizes the swift action of the NWT Business Development Investment Corporation (BDIC) to implement two new support programs in response to COVID-19.

Committee had concerns that the loan programs available to businesses are not sufficient without being guaranteed or forgiven by the Government. Businesses in the NWT incur high operating costs and in many cases have already have taken on loans or debts and cannot further extend themselves to take on additional loans through COVID-19 without any certainty for when their business might recover. Many businesses do not have the equity or liquidity to be sure they can pay back the loan.

Until Canada withstands the potential second and third wave of COVID-19, and the NWT lifts all public health orders, many businesses in the NWT will be under extreme pressure. BDIC programs delivered in response to COVID-19 should extend support measures until the economy recovers.

Further, Committee is concerned the application process may be too onerous for small businesses.

As such the Standing Committee on Economic Development and Environment encourages the Government to: simplify and shorten the application process; provide loan forgiveness options; flexible repayment options; as well as deferral payment options (without accumulating interest) for businesses until the economic depression caused by the public health crisis has subsided.

Additionally, Committee wants to see the BDIC prioritize developmental lending opportunities in small communities. Programs such as the Venture Investment Program hold great potential to expand the private sector by providing equity investment into businesses. Equity investment opportunities should be pursued and actively promoted by the BDIC especially at this time.

Recommendation 1:

SCEDE recommends that the GNWT, through amendment of BDIC programs, increase business relief efforts through measures not limited to: extending loan payment remission and providing loan forgiveness options. SCEDE also recommends the BDIC expand investment programs to stimulate economic development. SCEDE recommends the amendments to the loan program, and a plan to expand the investment program be completed and reported back to Committee as per Recommendation 5.

REVISING THE BUSINESS INCENTIVE POLICY

The GNWT spends over \$260M annually on products and services. The GNWT alone can be a primary driver of economic recovery in the NWT through purchasing power. The purpose of the Business Incentive Policy is to give preference to businesses that are owned and operated within the NWT.⁶ It is designed to promote economic growth and capacity within NWT businesses and the economy. Yet Members hear from constituents' territory-wide of the challenges accessing government procurement opportunities.

Members have heard of the success stories in other circumpolar regions that level the playing field for small businesses competing for government contracts. Small business agencies provide financial *and* contractual assistance, as well as business development advice.⁷

Committee is urging the GNWT to implement more forward thinking policies and services that more effectively support and develop capacity among NWT businesses to compete for government contracts. Specifically increasing client services and support to compete for GNWT contracting opportunities beyond the anticipated workshops and online one-stop-shop would be valuable.

50.7% of the total population is Indigenous⁸, and yet there is no specific policy in the NWT that supports the development of Indigenous businesses. At the national level and across the country governments have established Indigenous business policies and strategies, with incentives such as advance communication, set-asides, sole source contracts, to build capacity and competitive edge within the Indigenous private sector.^{9,10,11}

Revising the GNWT Business Incentive Policy to strengthen Indigenous participation in the NWT supports the economic measures laid out under the Tłı̨chǫ Agreement, the Sahtu Dene Metis Comprehensive Land Claims, the Gwich'in Comprehensive Land Claim Agreement, the Inuvialuit Final Agreement and the NWT Métis Nation Land and Resources Agreement-in-Principle.

Specifically the Committee is recommending the GNWT:

- Review and revise criteria for eligibility under Schedule 3: Majority Non-Resident Owned Businesses (grandfathered businesses);

⁶ GNWT, Business Incentive Policy, <https://www.iti.gov.nt.ca/en/services/business-incentive-policy>

⁷ U.S. Small Business Administration, <https://www.sba.gov>

⁸ NWT Bureau of Statistics, Indigenous Peoples, 2106 Census, November 2, 2017

⁹ Government of Canada, Indigenous and Northern Affairs Canada, Procurement Strategy for Aboriginal Business

¹⁰ Government of Yukon, Procurement Improvement Framework, April 2018

¹¹ Government of British Columbia, Indigenous Procurement Initiative

- Revise eligibility requirements to include NWT labour force requirements;
- Revise the 'lowest bidder' evaluation process to provide weight to other aspects of the bid such as NWT and Indigenous labour development
- Review bid adjustment percentages for contracts over \$1,000,000; and
- Expand provisions for monitoring and compliance of BIP companies.

In addition to the revisions of Policy, the GNWT needs to improve interdepartmental awareness, training and procedures that enable large contracts to be broken down to sizes where NWT businesses can successfully compete. GNWT staff must understand NWT business capabilities better. Processes need to be established to ensure staff persons are seeking out, engaging and working collaboratively with NWT businesses especially Indigenous businesses in all competitive processes.

The Committee further recommends the GNWT increase awareness of tools that can be used in procurement to encourage northern manufacturing. Committee notes the proactive actions from government to communicate with, support and promote manufacturers of COVID-19 related supplies and would like to see this continue and expanded upon.

Committee recognizes the commitment under the mandate to strengthen procurement policies and practices, and improving participation in the Business Incentive Policy by NWT companies. Committee is recommending tangible action on this in a shorter term. Committee stresses the urgency to have an amended Business Incentive Policy integrated into government services as soon as possible.

A key pillar of the NWT economy is the private sector. The business decisions of the GNWT will directly impact the ability of businesses to grow, expand, diversify and innovate. Building capacity and encouraging innovation within the private sector needs to be top priority for all contracts and business opportunities by all GNWT departments. The effective participation of the private sector is not only integral to community resilience but has been demonstrated to greatly assist in the recovery phases of a crisis.¹²

Recommendation 2:

SCEDE recommends the GNWT review and revise the Business Incentive Policy in collaboration with the business community as well as Members of the Legislative Assembly. SCEDE recommends this work commence immediately, and notwithstanding Recommendation 5, report to Committee on the status of work by September 1, 2020 including a comprehensive work plan and a projected implementation date for the updated Business Incentive Policy.

¹² Archibald, Andrew, and Gilles Rhéaume. *Building Resilience: Cooperation and Coordination for an Effective Response*. Ottawa: The Conference Board of Canada, 2009.

CRITICAL INFRASTRUCTURE DEVELOPMENT

Strategic investments in energy infrastructure will contribute to higher standards of living for northerners, lower the territory's high-energy costs, and improve private-sector business cases for future investments. Investing in infrastructure today sets up tomorrow's economic growth.

Moving forward through COVID-19, the need to be resilient and self-sufficient is increasingly apparent to all NWT residents. Sustainable energy (for residents, business and industry) is a priority item for Committee.

The Energy Action Plan 2019 – 2022 has identified the expansion of transmission line development to Fort Providence and Whatì. Longer term goals include: hydropower expansion; connecting the transmission line south to the North American electrical grid; as well as north to potential future mining projects. The total capital investment required for this project is over \$1B.

The Committee recognizes Indigenous ownership in this project is critical, and acknowledges the federal funding provided in 2019 to support Indigenous engagement of the Taltson Hydro Expansion project. Committee would like to know the results of this funding. Committee also acknowledges the mandate of the GNWT to establish collaborative partnerships with Indigenous governments for the Taltson Hydro Expansion Project.

The Committee is additionally concerned of the capacity for northern businesses to maximize benefits in the construction phase. The GNWT can engage stakeholders and work interdepartmentally to lead efforts that advance NWT business capacity for the purposes of maximizing northern benefits from the construction, operations and maintenance phases.

Committee also recognizes the GNWT is making efforts to modernize GNWT procurement to reflect best practices, and notes these practices should be formalized prior to future construction of major projects.

Recommendation 3:

SCEDE recommends the GNWT work with Indigenous stakeholders and define the Indigenous ownership of the Taltson Hydro Expansion. Committee further recommends the GNWT lead interdepartmental efforts with project stakeholders to develop a plan that builds capacity among northern businesses to maximize benefits from the construction of this project.

In today's digital world, the internet is integrated into every aspect of our lives and we increasingly rely upon it for ever-expanding uses including social, recreational, educational, health, employment, financial, business and innovation opportunities.

While all communities in the NWT have access to the Internet, the northern part of the territory is still largely connected on outdated, slow, intermittent infrastructure. The southern part of the territory, while connected to the Fiber Link, lacks redundancy, and is subject to outages. While the Mackenzie Valley Fiber Link project has completed, the distribution system in northern communities is still lacking and residents remain disconnected from the benefits of high-speed Internet access. The user-price for northern communication services remains the highest in the country.¹³

Furthermore, 20.3% of NWT households do not have Internet access.¹⁴ When looking at households without Internet connection across the territory the regions with lowest access are the Tłı̄chǫ and Dehcho at nearly half of households not connected, followed by the Sahtu and Beaufort Delta at 30% not connected.¹⁵ Most major highways in the NWT have intermittent cellular service at best. COVID-19 has highlighted the critical importance of ensuring all NWT residents have consistent, reliable and faster access to information from their homes.

Canada's Connectivity Strategy features two main objectives: that all Canadian have access to broadband at speeds of at least 50 Mbps download and 10Mbps upload and mobile wireless services coverage is available where Canadians live and work, and along major road corridors.¹⁶

Included in the new Universal Broadband fund, the Government of Canada (GOC) will look to secure advanced, new low-latency Low Earth Orbit Satellite (LEO) capacity. A process was launched in the spring of 2019 to bring reliable high-speed Internet access to even the most challenging to reach rural and remote homes and communities in Canada.¹⁷

Northwestel's vision aligns with Canada's to bring 50/10Mbps Internet with unlimited data options to every community in the NWT. The company has submitted application to Canadian Radio-television and Telecommunications Commission to invest in Fibre-to-the-Home and LEO satellites to deliver on these objectives.¹⁸

¹³ Canadian Radio-television and Telecommunications Commission, Communications Monitoring Report 2018

¹⁴ NWT Bureau of Statistics, Number of Households with Home Internet Access, 2014

¹⁵ NWT Bureau of Statistics, Number of Households with Home Internet Access, 2014

¹⁶ Government of Canada, Innovation, Science and Economic Development, Canada's Connectivity Strategy, December 10, 2019

¹⁷ Government of Canada, Budget 2019, Building a Better Canada: Universal High-Speed Internet

¹⁸ Northwestel, News, Fibre-to-the-Home, LEO Satellite, unlimited data at core of Northwestel's applications to CRTC Broadband Fund, October 8 2019

Improving the Internet connection in the NWT must be done in collaboration with industry, and supported through GNWT and Government of Canada investments.

Committee acknowledges the GNWT mandate to advance work to support fast and reliable broadband Internet services in all NWT communities and would like to see this work prioritized in response to COVID-19. In support of the efforts to secure funding and produce community business cases, Committee is looking for initial costed plans for the: development of community distribution systems off the Mackenzie Valley Fiber Link; as well as LEO satellites to the most remote communities.

Recommendation 4:

SCEDE recommends the GNWT complete a costed plan to provide broadband Internet connectivity across the territory comparable to the rest of Canada. In addition to the financial costs of extending broadband distribution into all communities, the plan should identify ownership model options (such as public, private or partnership) for the delivery of broadband services. Notwithstanding Recommendation 5, Committee recommends the costed plan be provided to Committee by September 1, 2020.

Recommendation 5:

The Standing Committee on Economic Development and Environment recommends the Government provide a response to the recommendations contained in this report within 120 days.