

NORTHWEST TERRITORIES MANUFACTURING STRATEGY

STRATÉGIE MANUFACTURIÈRE DES TERRITOIRES DU NORD-OUEST

What We Heard Report Rapport « Ce que nous avons entendu »

Summary of notes and findings / Remarques et constatations
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Table of Contents

Executive Summary	4
Résumé.....	5
Introduction	6
The Engagement Process.....	7
Context.....	8
Public Forums and Stakeholder Meetings.....	9
Major Themes.....	10
Regional Economic Conditions and Market Characteristics.....	10
Freight, Physical Infrastructure and Regional Characteristics	11
Labour Recruitment, Labour Retention, and Training.....	13
GNWT Procurement.....	15
Business Incentive Policy (BIP) and Northern Manufactured Products Policy (NMPP).....	16
Interdepartmental Communication	19
Access to Capital	19
Information Sharing.....	19
Availability of Land.....	20
Diamond Manufacturing	20
Opportunities.....	21
Conclusion.....	22

Executive Summary

The Government of the Northwest Territories' 2016-2019 Mandate includes the commitment to: "develop a northern manufacturing strategy in collaboration with industry and the NWT's Manufacturers' Association and to expand the manufacturing sector, identify potential areas of growth, promote and market products manufactured in the NWT and aid in the professional and technological advancement of the industry."

In the fall of 2017, engagement sessions were held across the five regions of the Northwest Territories (NWT) to define the state of manufacturing and to identify challenges and opportunities that will guide the government's development of this Strategy.

Public meetings were held in Inuvik, Norman Wells, Fort Simpson, Fort Smith, Hay River and Yellowknife. Additionally, private, face-to-face sessions, were held with key stakeholder groups, businesses operating in the manufacturing sector, and with industry in general.

In their words, the project team sought to understand what "**needs to be done**", "**wants to be done**", and finally "can be done."

The combined results of their engagements are summarized in this *What We Heard report*. Its content is grouped into seven themes:

- Regional Economic Conditions and Market Characteristics;
- Freight, Physical Infrastructure and Locational Characteristics;
- Labour Recruitment, Labour Retention and Training;
- Business Incentive Policy (BIP), Northern Manufactured Products Policy (NMPP);
- GNWT Procurement;
- Availability of Land; and
- Opportunities.

A common refrain, heard in every public engagement session, is that of cost – doing business in the north is higher than most other jurisdictions in Canada. The two 'costs' that enjoined the most discussion were those of freight and utilities. Manufacturing relies on shipping – raw material in and finished product out. Manufacturing is also a transformative process that often requires powering and heating a large space; and in the NWT that is expensive.

Staff recruitment, training and retention issues were identified as perhaps the most significant challenge to achieving a thriving manufacturing sector. Considering the complexity of finding skilled tradespeople, the risks associated with unskilled labour, and the cost of training apprentices, manufacturers are continually challenged to balance opportunities for growth with the realities of a workforce that is afforded more attractive work conditions in other industries and southern jurisdictions.

Explicit to the GNWT, the Business Incentive Policy (BIP), Northern Manufactured Products Policy (NMPP) and overall GNWT procurement policies and practices were dominant topics of most engagements.

While land was only identified as a minor concern in the short-term, it was acknowledged that if the manufacturing sector were to grow, access to land would eventually become a challenge.

Opportunities exist, for manufacturing in the NWT but for it to become the economic contributor envisioned by the GNWT, the sector will need to be nurtured and supported in a manner that builds resilience and independence for all manufacturers regardless of who their buyers may be.

Résumé

Le mandat 2016-2019 du gouvernement des Territoires du Nord-Ouest (GTNO) comprend l'engagement suivant : « *Nous élaborerons une stratégie manufacturière nordique en collaboration avec l'industrie et l'Association des manufacturiers des TNO afin d'accroître le secteur manufacturier, de cibler les secteurs de croissance potentiels, et de promouvoir et mettre en marché des produits fabriqués aux TNO, et nous contribuerons à l'avancement professionnel et technologique de l'industrie.* »

À l'automne 2017, des séances de consultation du public ont été tenues dans les cinq régions des TNO pour définir l'état du secteur manufacturier, ainsi que les freins et les perspectives à étudier dans le cadre de l'élaboration de la stratégie.

Ces séances publiques ont eu lieu à Inuvik, Norman Wells, Fort Simpson, Fort Smith, Hay River et Yellowknife. En outre, des séances privées individuelles ont été organisées avec des parties prenantes, des entreprises du secteur manufacturier, et avec des acteurs de l'industrie en général.

Selon ses dires, l'équipe chargée du projet a cherché à comprendre **les besoins, les attentes et les capacités** de l'industrie.

Les résultats de ces consultations seront compilés dans le rapport intitulé *Ce que nous avons entendu*. Les résultats sont divisés en sept thèmes :

- Conditions économiques régionales et caractéristiques du marché
- Fret, infrastructures physiques et caractéristiques des sites géographiques
- Recrutement, rétention et formation de la main-d'œuvre
- Politique d'encouragement aux entreprises et politique sur les produits manufacturés aux TNO
- Approvisionnement du GTNO
- Disponibilité des terres
- Perspectives

Lors de chaque séance, on a entendu la même chose : faire affaires aux TNO revient plus cher qu'ailleurs au Canada, notamment en ce qui concerne le fret et les services publics. Le secteur manufacturier dépend fortement du transport, qu'il s'agisse de faire venir des matières premières ou envoyer des produits finis. C'est aussi un secteur de transformation qui nécessite de l'électricité et du chauffage dans de grands bâtiments, et cela coûte cher aux TNO.

Le recrutement, la formation et la rétention des employés ont été définis comme le principal frein à la croissance du secteur manufacturier. Comme il est très difficile de trouver des travailleurs spécialisés, risqué de recourir à de la main-d'œuvre non qualifiée et coûteux de former les apprentis, les manufacturiers sont constamment obligés de trouver un équilibre entre les perspectives de croissance et les réalités du marché de la main-d'œuvre qu'il faut attirer avec des conditions de travail meilleures que dans d'autres secteurs ou provinces.

La politique d'encouragement aux entreprises, la politique sur les produits manufacturés aux TNO et l'ensemble des politiques et pratiques d'approvisionnement du GTNO sont des thèmes qui ont été largement discutés lors des consultations.

La question de la disponibilité des terres a quant à elle été qualifiée de mineure dans l'immédiat même si l'accès aux terres deviendrait un problème si le secteur manufacturier était appelé à se développer.

Des perspectives existent pour le secteur manufacturier aux TNO, mais pour que ce dernier devienne un moteur économique comme le souhaite le GTNO, il faudra le soutenir de façon à ce qu'il devienne fort et autonome pour tous les manufacturiers, quels que soient les acheteurs.

“We will develop a northern manufacturing strategy in collaboration with industry and the NWT’s Manufacturers’ Association to expand the manufacturing sector, identify potential areas of growth, promote and market products manufactured in the NWT and aid in the professional and technological advancement of the industry.”

-Mandate of the Government of the Northwest Territories 2016-2019

“Our territory is blessed with a resilient, ingenious manufacturing community. Manufacturing is a small, but important industry that has high potential for the NWT, and is an important part of our government’s commitment to diversifying our economy to give our residents more opportunity for success.”

- The Honourable Wally Schumann, Minister of Industry, Tourism and Investment, Minister of Infrastructure, Member of the Legislative Assembly of the Northwest Territories;

Manufacturing still has the greatest multiplier effect, in terms of job creation, of any sector of the economy.

- William Clay Ford, Jr.

Introduction

The 2017 engagement process on manufacturing in the Northwest Territories (NWT) was completed to inform the drafting of the GNWT’s proposed manufacturing strategy; and to ensure it will be broadly representative and inclusive of the interests of all people; and fully considering of the diversity of geography, economic opportunities and challenges.

Community engagements took place in each of the NWT’s five regional centres and meetings held with industry representatives and existing manufacturers and organizations, including the GNWT, who have a stake in manufacturing in the NWT.

Engagements and meetings were structured to solicit input, perceptions, and evidence to define a realistic and achievable balance between what “needs to be done,” “wants to be done”, and finally, “can be done.”

An understanding of the environmental (market) factors identifies what “needs” to be done. Dialogues, public engagement sessions and industry meetings determine what stakeholders “want” to do. Finally, manufacturing facility tours and industry meetings demonstrated what is and “can” be done.

The major themes reported in this document are a summary of public sessions, private interviews, teleconferences and correspondence received in writing.

The findings are reported on an aggregated basis and presented in a manner so as to maintain the confidentiality and anonymity of respondents. The commentary captured in this report is provided in as close to its original form as possible, but has been edited for reading. Direct and indirect quotes are used to accentuate the comments provided.

It should be recognised that where examples were provided by participants they are reported here without any qualification, confirmation or fact checking.

It is also important to note that most participants were limited in their time to provide comment and so much of the conversation focused on challenges and areas that participants felt can be improved.

Themes were often found to have two components, those being; conditions external to government and conditions explicitly linked to the Government of the Northwest Territories (GNWT).

For the purposes of this report, the feedback received is a statement of the current manufacturing environment, and a description of the factors that impact manufacturing in the Northwest Territories.

The Engagement Process

The communities of Inuvik, Norman Wells, Fort Simpson, Fort Smith, Hay River and Yellowknife were visited by a project team comprised of ITI staff and consultants from Kellett Communications (Kellett). To ensure that engagements were as open and unfettered as possible, engagements, meetings and interviews were conducted by Kellett.

The primary engagement tool was face-to-face meetings with existing manufacturers, prospective manufacturers, key stakeholders and members of the public.

A web-based engagement portal was used to gather feedback from those who were unable to attend engagement opportunities in person. Written submissions were also actively encouraged and solicited at every step of the process.

In total, the project team engaged in 11 public sessions involving 79 people and a further 60 stakeholder engagements involving another 120 people. Taking into account people who were involved in more than one engagement session, there were 71 face-to-face engagement sessions involving as many as 174 individuals.

The website was accessed 262 times and several follow-up communications were conducted by phone or e-mail. Participation in the engagement sessions was proportionate to the volume of manufacturing existing in a region.

Active support and engagement was sought from:

- Members of the Northwest Territories Manufacturing Association (NWTMA);
- Existing and Prospective Manufacturers;
- Regional Chambers of Commerce;
- Sector experts in areas that include, but are not limited to, Agriculture, Construction, Tourism and Transportation;
- Procurement departments that include, but are not limited to, Government and Mining;
- Experts in the deployment of key technologies that support the various manufacturing sectors;
- Training organizations; and
- Members of the Legislative Assembly of the Northwest Territories.

Kellett deployed a multi-disciplinary team (the project team) comprising:

- Frans Barnard - Facilitator
- Dr. Glenn Brophey - Subject Matter Expert
- Sean Feretycki - Project Manager and Junior Consultant
- William Kellett - Supporting Consultant
- David Ramsay - Senior Advisor

Context

The number of people employed in the NWT manufacturing sector (direct and indirect) in 2015 was approximately 140. In 2014, the estimated revenue derived from manufacturing was \$35 million, up from \$12 million in 2012. (Statistics Canada)

Items on the Northern Manufactured Products Policy (NMPP) registry include:

- Signs;
- Industrial and Residential Modular Structures;
- Cabinets and Countertops;
- Pontoons and Specialized Steel Components;
- Fuel Trucks and Tanks;
- Pre-cast Concrete Blocks; and
- Windows.

The full listing of NMPP products is available through the ITI website under NWT Manufactured Products Policy at: <http://www.iti.gov.nt.ca/en/services/nwt-manufactured-products-policy>

The NWT manufacturing sector also includes a number of small-scale “cottage,” artisanal and micro manufacturers (i.e. individuals producing and selling out of their homes). The most prominent types of this manufacturing are the processing of locally harvested animal, plant and biomass products and the creation of arts and fine crafts.

Participation in local food production is increasing in all regions in the NWT. It ranges in production scale from small gardens to commercial greenhouses and includes the harvesting of wild products. The processing, transformation and/or packaging and sale of mushrooms, berries, syrup, herbs, plants and animal products for food, medicinal and other purposes are examples of NWT products currently available for local consumption and sale.

Characterized by a wide range of traditional and modern products, the NWT arts and fine crafts sector makes an important contribution to the economy as an export industry, as a support to the growing tourism sector and as a cultural identifier.

It is against this contextual background that the extensive community and stakeholder engagement occurred during the fall of 2017 and early 2018.

Public Forums and Stakeholder Meetings

In addition to public engagement meetings held during the fall of 2017, additional interviews, meetings, and teleconferences were carried out with stakeholders between October 2017 and January 2018.

Engagement sessions aligned with the research methodology for creating the draft Northern Manufacturing Strategy. That methodology can be found in the NWT Manufacturing Strategy Discussion Paper (Appendix One).

Input was received from the following individuals and organizations:

- Yellowknife Public Session;
- Yellowknife Chamber of Commerce;
- GNWT Regional Officers;
- ACE Enterprises Ltd.;
- C.R. Enterprises Ltd.;
- Arctic Farmer Inc.;
- Dominion Diamond Corporation;
- Energy Wall and Building Products Ltd.;
- Fiberglass North;
- Arctic Green Energy;
- NWT Brewing Company Ltd.;
- Paul Bros. Nextreme Inc.;
- Signed;
- Arctic Storage and Rentals Ltd.;
- Inuvik Public Session;
- Inuvialuit Regional Committee;
- Gwich'in Tribal Council;
- Aurora Research Institute;
- Fort Simpson Public Session;
- Fort Simpson Chamber of Commerce;
- Norman Wells Public Session;
- Norman Wells Chamber of Commerce;
- Fort McPherson Tent and Canvas;
- Fort Smith Public Session;
- Hay River Public Session;
- Fort Smith Chamber of Commerce;
- Hay River Chamber of Commerce;
- Aurora College, Fort Smith Campus;
- Aurora Manufacturing;
- Aurora Wood Pellets Ltd.;
- Blackstone Homes;
- Northwest Territories Fishermen's Federation;
- Pellets on Demand;
- Poison Painting;
- Sunrise Cabinets & Millwork Ltd.;
- NWT Association of Communities;
- NWT Construction Association;
- NWT/NU Chamber of Mines;
- Business Development Bank of Canada (BDC);
- Canadian Northern Economic Development Agency;
- Northwest Territories Business Development and Investment Corporation;
- NWT Housing Corporation;
- GNWT Procurement Shared Services;
- GNWT Design and Technical Services;
- GNWT Education, Culture and Employment (Training, apprenticeships);
- GNWT Industry, Tourism and Investment, Economic Diversification Division (Agriculture);
- GNWT Industry, Tourism and Investment, Diamond, Royalties and Financial Analysis;
- GNWT Industry Tourism and Investment Regional Officers;
- GNWT Industry Tourism and Investment, BIP & Contract Registry & Reporting System;
- GNWT Environment and Natural Resources, Environment Division (Climate Change);
- GNWT Municipal and Community Affairs;
- Town of Fort Smith;
- The Honourable Wally Schumann, Minister of Industry, Tourism and Investment, Minister of Infrastructure, Member of the Legislative Assembly of the Northwest Territories for Hay River South;
- The Honourable Caroline Cochrane, Minister of Municipal and Community Affairs, Minister Responsible for the Northwest Territories Housing Corporation, Minister Responsible for the Workers' Safety and Compensation Commission, Minister Responsible for the Status of Women, Minister Responsible for Addressing Homelessness, Member of the Legislative Assembly of the Northwest Territories for Range Lake;
- Mr. RJ Simpson, Member of the Legislative Assembly of the Northwest Territories for Hay River North;
- Mr. Kieron Testart, Member of the Legislative Assembly of the Northwest Territories for Kam Lake;
- Mr. Cory Vanthuyne, Member of the Legislative Assembly of the Northwest Territories for Yellowknife North;
- Mr. Kevin O'Reilly, Member of the Legislative Assembly of the Northwest Territories for Frame Lake;

Major Themes

Regional Economic Conditions and Market Characteristics

“We don’t have the volumes to be specialist manufacturers. We’re not going to make 1,000 [product] in a year because there’s no one to buy it. We’re making a dozen different things.”

“Look at the shop. This isn’t a production line, this is a job shop. We have equipment that lets us be flexible, and we need to train our people to be flexible too.”

In all areas visited, the decline in resource extraction has depressed local economic conditions, leaving few opportunities to develop manufacturing. In the absence of primary resource extraction, most participants felt that manufacturing is limited to small scale opportunities and cannot, independently, revitalize a region’s economy.

A consequence of reduced resource extraction activity is that skilled labourers with transferable skills related to primary resource extraction have left the Territory; and few of those who remain have the ability to shift skills into entrepreneurial ventures. Reduced economic activity also means fewer residential housing projects and reduced demand for manufactured goods.

Many smaller communities identified the need to focus on local job creation. Preference was expressed for local construction jobs over regional manufacturing jobs (i.e. stick build housing using local labour over importing manufactured prefabricated housing.)

The small pool of purchasers for manufactured goods was a recurring issue. With varying regional degrees, the majority of purchases come from the GNWT, NWT Housing Corp, mines, local governments and indigenous governments. There is insufficient demand for a single product or service. This means businesses need to offer a wide variety of goods and services - as evidenced by the equipment configuration in many shops. For existing manufacturers, it also means limited time to dedicate to process improvements, or innovation.

Participants identified that cottage or micro-manufacturers have limited capacity outside of their core businesses. They require assistance with prototyping, marketing, access to markets, access to capital, scale-up, and other non-production activities. Entrepreneurs and start-ups could benefit from business support services.

Particularly in smaller communities, participants identified a deficit in business development; (one region no longer had ready access to hardware or lumber supplies). It was noted that there is little available in the form of marketing, bookkeeping, accounting, entrepreneurial and legal support. These conditions contribute to a higher risk of business failure and a reluctance to engage in manufacturing ventures. Few are willing to take the risk of starting a new business.

The concept of business incubators and Makers Space type facilities was raised as a means of providing manufacturers access to equipment and training on a trial basis; reducing the risks associated with adopting new equipment and innovation while increasing access to professional support and technical resources.

Communities identified that the Yellowknife-centric allocation of GNWT jobs disadvantages smaller communities. Some participants noted the existence of a “job culture” in the NWT - meaning most residents look to a major organization – government, mining, or oil and gas – to provide jobs. This mind set is not one that supports entrepreneurial activity.

Freight, Physical Infrastructure and Regional Characteristics

Freight and transportation infrastructure

“We’ll never be the next auto manufacturing hub. Why would you pay to ship things up just to ship them back down again?”

“The cost of operating in North is very high. Everything costs so much more, [...] Housing, wages, energy, and freight costs are higher [...] everything travels an extra 1,000 miles.

In all regions, freight costs were identified as high, and in all cases, a challenge for manufacturers. The cost of inbound freight (bringing in raw inputs) and outbound freight (shipping finished manufactured products) is a factor for manufacturers looking to move material and products.

Participants noted the importance of improving inter-settlement trade. Major exports of NWT products are not anticipated. Instead most saw value in manufacturing to replace imports and in focusing on meeting local and regional demand.

Opportunities were identified in shipping in flat materials and doing final assembly on-site to create local jobs and reduce freight costs.

Manufacturers in the South Slave generally have year-round access to road and rail and benefit from a close proximity to the major population and transport hubs of Alberta. However, even with access to better shipping schedules, more reliable services, and somewhat better shipping rates, they are still not on an equal footing with southern manufacturers.

As the point of origin for barging, Hay River was identified as the best-positioned community for manufacturing and shipping to other regions.

In the North Slave, inbound freight issues could be addressed by adding rail infrastructure and improving the management of marine transportation. Rail infrastructure would reduce the cost of incoming heavy materials while increasing options for the shipping of manufactured products to Alberta and the South.

In communities that depend on seasonal infrastructure such as ice roads and barges, significant vulnerability exists during freeze-up and break-up. Participants commented on the economic consequences of climate change as ice roads become less predictable.

The Inuvik-to-Tuktoyaktuk highway was identified as helpful for goods destined for Tuktoyaktuk, but it will have a limited overall impact on manufacturing in the region.

Electricity, Utilities (Heat) and Communications

“The cost of heat and power has a bigger impact on the people working in the shop than it does on the business. The real problem is that my [employees] each have to pay more for heat and power at home...”

“Don’t add layers to bad policy. We need to address the root issues – address power and costs.”

There is a universal desire in the NWT to reduce the cost of living, and mitigate the price difference of operating in southern vs. northern jurisdictions. High electricity, fuel and internet costs, in particular, make operations expensive and attracting and retaining skilled labour challenging. The cost of travelling to, from and within the Northwest Territories was repeatedly noted as a deterrent to attracting families to settle from other regions or outside of the NWT.

While these costs were described as a challenge to manufacturing, they were also cited as a compelling reason to maintain incentive policies such as the BIP and the NMPP which provide a means of “levelling the playing field”.

The cost of electricity was noted as an issue for all manufacturers and a particular challenge for businesses with energy-intensive processes. Fuel costs – in particular heating costs – were consistently described as “very high”.

Particular to the South Slave region, the extension of the Talston hydroelectric system was identified as a significant means of encouraging manufacturing.

The proximity of Fort Smith to the Talston-hydro system provides that community with the lowest-cost electricity in the NWT. Manufacturing in Fort Smith should hold a competitive advantage. There are areas in the South Slave region that do not have access to three-phase electric power. To operate, manufacturers requiring three-phase power must generate their own electricity.

The cost of internet access was generally mentioned as “contributing” to a high cost of living in the NWT. In at least one instance, the cost of internet access was also identified as an impediment to research and innovation.

The introduction of fibre-optic cable in communities was presented as an opportunity for the development of knowledge-based industries which could include some forms of manufacturing. Northwestel was identified as being willing to open access in communities for local Internet Service Providers (ISP’s). The concept of local ISP’s improving access was challenged, however, by those who believe that limited returns on investment make it unlikely that any ISP would survive and access would not be improved.

Miscellaneous

With existing three-phase power and road infrastructure, the former site of the Pine Point Mine was specifically and repeatedly recognised as a potential opportunity. As its history functionally makes the site a “brownfield” area, the GNWT was encouraged to facilitate zoning the area for industrial use.

Participants, generally, spoke favourably of a mining project returning to the Pine Point area; and the economic momentum that mining, manufacturing and other activities can provide for South Slave communities while providing the critical mass required for secondary and tertiary economic growth. The theme of resource development contributing to growth in manufacturing was common and is captured further in other sections of this report.

Labour Recruitment, Labour Retention, and Training

“We want to see support for wage and training costs for skilled labour, especially related to First Nations.”

“The GNWT doesn’t see the cost to employers of training a skilled workforce. (They should) look at it the same way as SFA.”

“We need an incentive to take on apprentices especially when we lose half of our apprentices to Alberta as soon as they’re journeymen.”

“Skilled labour is so busy on lucrative GNWT contracts, they don’t want to work at market rates in the private sector. This splits the market, and the private sector can’t compete.”

An issue of significant concern, in all regions, is the ability of manufacturers to attract and retain skilled, and even appropriate unskilled, staff.

It was felt that the high cost of housing, heating, services and household goods functionally erodes the value of a compensation package within the NWT and encourages people to “earn Northern and spend Southern” by maintaining their main household elsewhere and only flying in/out of the NWT for seasonal work.

For many participants, the specific difficulty of finding appropriate housing represents a significant challenge to recruiting and retaining skilled staff. In most regions, the high cost and low availability of rental housing; and the high cost of existing homes and the low availability of starter homes were identified as barriers.

Manufacturers focus on recruiting skilled tradespeople who demonstrate behavioural characteristics that best fit with the lifestyle of the Territory. Generally, however, participants described the available skilled labour force as a split between a few long-term, reliable members of the community, and transient employees who will only stay in the NWT for a few years.

While confidence in staff is a pre-requisite to grow and develop a positive reputation, employers noted that with limited options and few candidates, they are limited in their ability to manage unacceptable performance. For some participants, this single issue is an inhibitor of growth and expansion.

The GNWT’s apprenticeship programs were flagged as requiring updating. With the evolution of educational, apprenticeship and certification requirements for skilled trades, manufacturers felt that NWT high school and postsecondary programming also need to keep pace.

It was suggested, that more could be done to counter the notion that trades are a lower level of career attainment than those requiring a university degree.

Manufacturers highlighted that first-year apprentices represent a significant expense to the employer – both in training costs and lower productivity. With the bulk of funding targeted to the apprentice and not to offset employer costs, there is less incentive to train an apprentice. This is amplified when apprentices frequently leave at the end of their apprenticeship and employers lose their investment.

Wage parity was identified as a strong competitive element to manufacturers – many of whom feel that they spend the time and effort to recruit and train staff only to then lose them to government or mines that pay higher wages and benefits.

Participants identified low-skill and lower paying jobs as especially difficult to fill, noting that high school graduates and entry-level apprentices have compensation expectations that are unrealistic and often have some combination of workplace issues such as tardiness, absenteeism, and low productivity.

Other participants identified that the NWT has fallen behind other jurisdictions in terms of wages for skilled staff; a further disincentive to those who otherwise may have considered relocating to the NWT or returning after securing trade or professional designations.

Difficulties were described with managing capacity and workflow for individuals participating in both the wage economy and the traditional economy. While important for the individuals, the mixed participation creates significant challenges around project timing and project completion.

While the Northwest Territories Nominee Program was recognized and is used by some manufacturers, it is seen to be slow and not without hurdles.

Participants recommended that exit surveys for professional and skilled tradespeople leaving the NWT be considered, as a way to inform and enhance recruitment and retention strategies. (A retention interview or survey of immigrants, or in-migrants from other parts of Canada, should also be undertaken for the same reasons.)

The GNWT's Student Financial Assistance (SFA) program was identified as a major strength in the NWT; substantially better than almost every other jurisdiction in Canada. It is felt, however, that NWT youth do not recognize this. Participants recommended that the GNWT enhance their contact with SFA recipients to make them aware of both benefits and employment and apprenticeship opportunities associated in returning to the NWT.

The GNWT's Department of Education, Culture and Employment indicated its willingness to find ways to improve the success and adoption of the apprenticeship programs. The Department is aware of the shortage of skilled labour, and limited availability and experience of journeypersons.

The NWT Apprenticeship, Trades and Occupational Certification Strategy 2017-2022 aims to address many of these challenges and reflects a need for innovative apprenticeship sponsorship programs, client-centred services, and connection with schools.

GNWT Procurement

“I don’t expect to be handed every job, but I’d like to be asked to bid.”

“The GNWT needs to prioritize and choose – save money or create jobs – because right now they’re treading an awkward middle ground.”

“I’ve spent my whole life getting really good at manufacturing [product]. I should have spent my life getting really good at filling out applications. I probably would have made more money and done less work.”

The GNWT’s procurement policy and practices drew numerous observations from participants. Manufacturers and prospective manufacturers described challenges with restrictive or prohibitive policies. Some implied that the GNWT does not take the NMPP seriously.

Manufacturers expressed difficulty in getting answers to questions about design requirements and technical standards. It was noted that GNWT project managers do not adequately enforce the NMPP and BIP, and that no penalties exist for general contractors who do not comply with the NMPP and BIP.

Participants called for NMPP products to be better specified in RFPs and for major components to be separated and purchased separately. The need was identified to protect subcontractors supplying a manufacturer who fails to meet its obligations.

Specific frustration was expressed with the level of consultation and rationale on changes to technical specifications that required manufacturers to retool or modify their operations. It was noted that changing technical specifications can be a way to avoid the NMPP. Manufacturers see this as deviating from the spirit and intent of the NMPP.

In the same vein, participants expressed frustration with negotiated RFPs, design-build contracts and large construction projects. There is a belief that procurement methodologies differ for different types of buyers.

For some, the GNWT’s increase of its single-source purchasing limit has meaningfully reduced the GNWT’s RFP and RFQ process; raising concerns regarding transparency and oversight.

Participants identified what they viewed as conflicting GNWT priorities regarding purchasing: while budgets are said to be shrinking and purchasers are being asked to reduce costs on a contract, the GNWT wants to use procurement to create jobs.

For their part, GNWT departments expressed a strong interest in improving communication with the NWT Manufacturing Association, and recommended a solution that would see a GNWT representative sit as a non-voting member of the Association; to identify upcoming challenges, answer questions, and act as a conduit for information.

Business Incentive Policy (BIP) and Northern Manufactured Products Policy (NMPP)

“A business that relies on the GNWT to pay 20% more needs to be rethought. We need to be independently competitive, and the GNWT should focus its efforts on reducing costs and taking away the barriers that make us less competitive than the South.”

“Freightliner manufactures trucks, but they don’t make any of the parts. They’re only in the business of assembly, but no one would argue that they’re not a manufacturer.”

“I try to buy local, but I can’t afford the 25/30% price increase that manufacturers are used to getting.”

The BIP and NMPP were, by far, the most discussed topics of the engagement process. Specific to these policies, comments and opinions covered transparency, enforcement, reach, process, definition, pricing exploitation, and the reduction of free market forces.

The reach of the NMPP was frequently raised, especially by manufacturers who do not sell products to government, and thus derive zero benefit from the NMPP. It was noted that the small pool of purchasers for manufactured goods is even smaller for NMPP products as purchases from community governments and indigenous organizations are not subject to NMPP or BIP.

For many, the cost - in time and money - of the application process when considered against the low GNWT demand is a deterrent to engaging the NMPP.

Because the NWT is functionally a small market, successful manufacturers must operate “job shops” offering a wide variety of services. This means they are less likely to stock inventory, have a regular catalogue of items, and invest the time and effort to put a selection of their products through the NMPP process. Manufacturers noted the requirement to have stocked finished product does not align with small order volumes. A suggested alternative is to assess NMPP on stocked raw materials, and the capability to finish or transform the materials.”

Participants frequently highlighted the issue of manufacturing vs. assembly; identifying that custom manufacturing is excluded by the NMPP definition that states value-added assembly can only be considered if one or more of the major components are manufactured in the NWT.

Discussions on the scope of the NMPP also included the possible inclusion of intellectual property, or digital manufacturing (software).

Participants identified a number of exploitable loopholes in the NMPP.

- (Example) A manufacturer, who after achieving NMPP status for its product, ceased main production, ordered near-finished goods from Alberta, and simply finished them. While this resulted in a major local workforce reduction, the GNWT still paid the NMPP premium for its goods.
- (Example) In the event that a single supplier is listed for an NMPP product, the current structure offers an optional non-automated price-checking system for NMPP goods. If the price check is not conducted, a manufacturer could apply rates higher than those approved in the NMPP.

Participants also highlighted a (perceived) lack of transparency in decision making related to the NMPP. One manufacturer expressed specific frustration in not being allowed to defend its product's evaluation; and in the lack of information and clarification around that process.

While some participants lamented the lack of an appeals process; and one participant recommended the establishment of an independent judicial appeals body and process, others noted that any appeal process should not delay an active project – and factors such as timelines for barges or ice roads could not afford to be disturbed.

BIP and the NMPP were identified by some participants as creating two markets, those selling to the GNWT and those not. It was suggested that business not selling to the GNWT are disadvantaged by the inflation and manufacturers who apply the 25% price bump to private sector buyers force these companies to seek better pricing in the South.

Participants also had differing opinions on the benefit that should be given to NMPP products. Some argued for a continuation of the current 25% threshold, while others wanted to see a reduction.

Those in favour of a continuation expressed the view that current adjustments were barely enough to offset the cost of doing business in some communities and even regions. This view was countered by others who described the 25% price bump as “corporate welfare”. The latter suggested that the NMPP fails to address underlying challenges faced by manufacturers and discourages innovation and efficiency.

Two schools of thought were heard on what the objectives of the BIP and NMPP should be. One opinion stated that both policies should be rooted in job creation - recognizing that local jobs lead to a healthy economy, and more people mean greater transfer payments from the federal government. The other opinion voiced was that the BIP and NMPP should discourage foreign ownership and the sale of NWT-owned businesses to non-resident owners. Most participants believe the primary metric for NMPP decision-making should be job creation.

Manufacturers who do not produce for sale to the GNWT asked for alternative ways to incentivise manufacturing.

In general terms, the GNWT's enforcement of the BIP and NMPP was described by participants as unsatisfactory. A number of manufacturers recounted instances in which they believe policies were misinterpreted or ignored resulting, seemingly, in arbitrary decision-making.

The issue of foreign investment was also raised. The current structure of the NMPP requires a company to first be qualified under the BIP; requiring 51% ownership by an NWT resident (with the exception of those organizations listed on BIP Schedule 3). As a non-NWT owned firm would not qualify for BIP or NMPP, and the primary GNWT incentive for manufacturers would not be applicable; it is felt that the policy effectively discourages foreign investment.

“The shift from a monopoly to a closed oligopoly does little to restore free market forces.”

“At what point is the value generated by a job outweighed by the cost to create it?”

While it was acknowledged that ongoing training is needed on the requirements and application of the NMPP, GNWT departments also spoke to challenges of working with the NMPP.

Departments and contractors alike highlighted that there is no functional way to check pricing within the NMPP. Overall, the NMPP encourages pricing at the maximum threshold.

Departments noted challenges related to performance, both as a standalone procurement event, and inside of larger purchases by a subcontractor.

Despite previous failures by a manufacturer to deliver products on-time, at the specified quality or to the correct location, the language of the NMPP does not allow a purchaser to seek other options - if an Approved Manufacturer is the only one in the Territory.

Departments reported instances in which performance failures have delayed major projects (i.e. by missing the last barge and forcing a project delay into the next year). Such delays are compounded in instances where an NMPP product is being purchased by a general contractor inside of a larger contract.

The NMPP does not have a provision for removing manufacturers who fail to perform and does not have a penalty for manufacturers who engage in price gouging. The absence of such evaluation criteria within the NMPP was a challenge expressed by every Department that purchases products under the NMPP. Departmental purchasers noted that the policy disproportionately favours manufacturing jobs over other types of jobs and businesses. While it is generally acknowledged that the employment potential from value-added manufacturing is greater than that of wholesaling, the NMPP does not have a provision to measure that value add.

A cross-section of stakeholders – departments, businesses and other participants – identified that the NMPP may discourage innovation. The subsidy provided an NMPP product allows manufacturers to continue using outdated processes, practices and production methods with no incentive to upgrade.

It is noted that a northern manufacturer that works to lower their freight, labour and/or energy costs will be independently competitive sooner rather than later. The GNWT was encouraged to shift its support from paying higher prices for manufactured products to reducing operating costs for manufacturers.

Interdepartmental Communication

The general perception of manufacturers is that GNWT departments are isolated from each other. Some noted that they have received conflicting advice from different departments and have had challenges clarifying policy; the end-result is a frustrating system that requires skill to navigate.

Several participants questioned the ability of the GNWT to enforce and account for the NMPP with the responsibility and delivery of the policy is split between departments.

Access to Capital

Participants noted that non-bank lenders do not actively communicate their offerings. Further, programs and services from non-bank lenders were commonly described as confusing and difficult to navigate.

Participants requested that deposits or progress payments for large contracts be considered on a case-by-case basis. Noting the objective of developing and growing the manufacturing sector, progress payments would help smaller firms to execute larger projects by helping to manage their cash flow and their need to access capital.

Some manufacturers also noted the need for higher lending limits from non-bank lenders, especially if these higher limits would lead to capacity development, or allow a northern manufacturer to take on work that might otherwise go to a southern competitor.

Information Sharing

Participants expressed the view that access to GNWT information could be improved. Many manufacturers were unaware of GNWT funding and support programs for business.

Advanced signalling, or forecasting of GNWT procurement activity was suggested as a means to assist manufacturers to scale up, scale down, purchase equipment, and prepare for upcoming opportunities.

Participants discussed numerous means for manufacturers to more-easily access government resources, supports, programs and funding.

Departments indicated a desire to advance improved information sharing; pathfinders, conferences and trade shows, digital information sharing platforms, and regular updates for public-facing staff were all identified as potential options.

Availability of Land

“The shortage of titled commercial land means that businesses have a hard time growing, and new businesses have a hard time finding a place to start.”

The availability of land for commercial activity was top-of-mind in three regions but received little or no attention in the remaining two.

While land was only identified as a minor concern in the short-term, it was acknowledged that if the manufacturing sector were to grow, access to land will eventually become a challenge.

Unsettled land claims add complexity to mineral resource development, forestry, processing, and other economic activities that feed manufacturing. Leased land reduces access to capital, as land cannot be used as collateral. This in turn reduces investment confidence and serves as a deterrent for entrepreneurs.

Particularly in smaller communities, a limited tax base means that municipal services are often underfunded and planning processes and services are unlikely to receive the resources needed to support economic objectives such as manufacturing.

Diamond Manufacturing

It should be noted that diamond manufacturing is being addressed through a separate framework. The diamond manufacturing industry has unique conditions that warrant a separate and dedicated approach. Details of the Diamond Policy Framework are available through the Department of Industry, Tourism and Investment.

Opportunities

“(Can we) convert the creativity and on-the-land knowledge to build momentum, create businesses, and create a culture of innovation?”

Participants, in general, were excited by the economic opportunities envisioned using the ‘whole sector’ approach taken in the *NWT Manufacturing Strategy Discussion Paper*. Moving past the standard view of manufacturing (cutting wood or stamping metal) stimulated an active and lively set of discussions in all regions.

In particular, participants encouraged exploration of user-driven supports for crafters, artisans and micro manufacturers including sales and business training, digital marketplace training and support for tourism-focused manufacturing workshops to capitalize on identified markets.

Interest was expressed in opportunities to scale-up traditional skills such as tanning.

The importance of user-generated solutions was emphasized; and that initiatives need to be led by the people who would be using the supports, while supported with funding from government.

Manufacturing using recycled materials, biomass - or as a response to climate change and permafrost loss, was

identified as a potential opportunity. Training locals to work with new parts, processes, and equipment such as the Triodetic Spaceframes used for several buildings in Inuvik offers practical opportunities, if not for manufacturing, at least for employment.

The concept of “Makers Space” and business incubators represents a significant opportunity at multiple levels: stimulating interest in the trades; encouraging a culture of innovation; supporting existing entrepreneurs with experience and exposure to different equipment and processes; and introducing youth to the practical applications of science to industry.

Similarly, increasing telecommunication capacity, increasing access to technology and an increased adoption of technology and fostering post-secondary partnerships were all seen as important step toward increased innovation, new products, or the use of existing technologies in new ways to meet unique Northern needs. Examples given were drones and submersibles for terrain mapping, cold-weather systems and 3D printers to encourage prototyping.

Conclusion

The results of this engagement will assist in guiding the government's planning and drafting of a strategy to grow the NWT's manufacturing sector.

This document captures a sampling of the input that was heard. It has been compiled to provide an understanding of the challenges, ideas and opportunities raised by NWT residents, manufacturers and stakeholders but does not truly reflect a weighting of these issues.

Many discussions addressed the common challenges of working and operating a business in the North.

Of the few common themes that emerged from engagements, there is an on-going need to address the cost of doing business in the NWT. There is a need to find new markets for northern manufactured products; and to create supports for NWT manufacturing beyond the government's Northern Manufacturers Policy. Finally, there is the recognition that more communication and clarity is needed.

The overarching value of the engagement process is that it has defined the approach that must now be taken. Collectively, these conversations and meetings have confirmed the challenges and opportunities that exist. They have also identified issues and concerns that need to be investigated further and subject areas that need to be better understood.

This is the work that will now take place to support the shaping and drafting of the government's strategy to grow the NWT manufacturing sector.

Feedback

If you have questions or comments about this report, please contact:

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