

2009

NWT Chamber response to proposed Business Incentive Policy changes



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Background: The Government of the Northwest Territories (GNWT) first introduced the Business Incentive Policy (BIP) in 1976 as a means to ensure preferential consideration of NWT-based businesses during the procurement process. The current incarnation of BIP has been in place since 1992. In January of this year the GNWT indicated a desire to make several changes to the policy in response to concerns identified by a number of interested stakeholders.

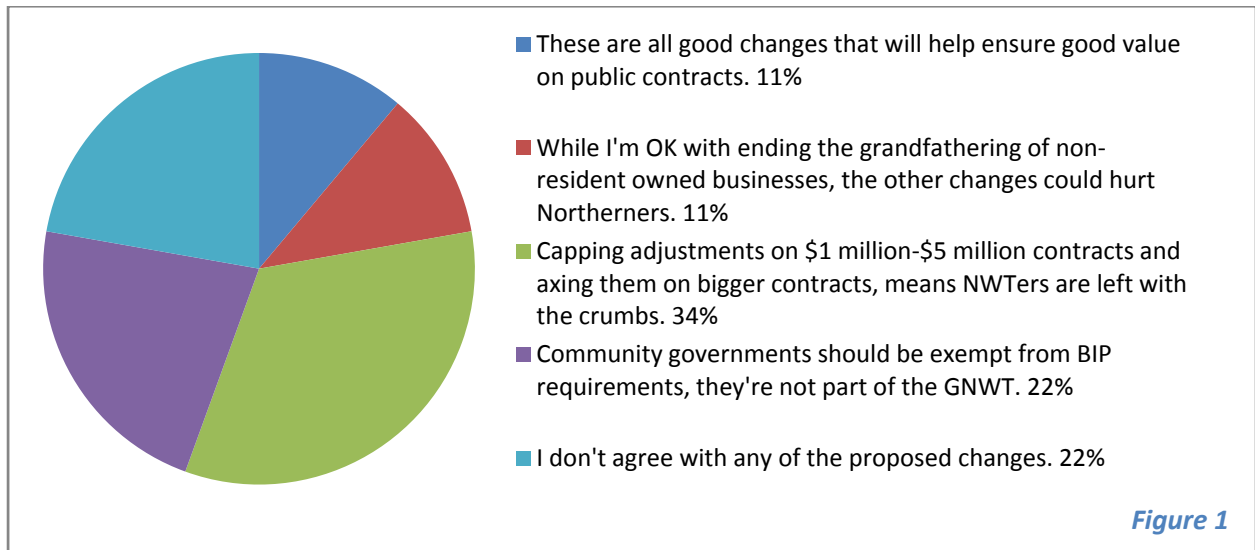
Proposed changes: The GNWT is currently proposing four separate changes to BIP. To briefly summarize the proposal, these would include:

- I. **Communities:** Removing the requirement for communities, along with certain boards and agencies, to apply BIP during the tendering process.
- II. **Capping/Eliminating Large Adjustments:** Capping BIP adjustments at \$200,000 on contracts valued at \$1 million or more and eliminating them altogether on those worth \$5 million or more.
- III. **Grandfathering:** Eliminating the ability of non-resident-owned firms to receive a “Northern business” designation as it relates to the application of BIP; this process is commonly referred to as grandfathering.
- IV. **Standardized Administrative Format:** Updating the language and formatting to ensure BIP is consistent with current GNWT policy formats.

NWT Chamber methodology: In determining a response to these proposed changes, the NWT Chamber of Commerce conducted an on-line poll during the month of February. Only its members – as well as those of the community chambers of commerce in Fort Simpson, Fort Smith, Behchoko, Norman Wells, Hay River, Yellowknife and the Northern Aboriginal Business Association – were eligible to vote in this password-protected process. During the course of the month, the website received 1,888 hits.

The NWT Chamber also solicited comments by way of its electronic member forum, which again is only accessible through the password protected portion of its website, www.nwtchamber.com. Follow-up interviews were also conducted via the telephone and face-to-face with several members; individual participants ranged from business owners to procurement experts.

It is clear that making changes to BIP is a polarizing issue. Some businesses went so far as to say that this policy is the only reason they are based in the NWT. As such, the NWT Chamber of Commerce is unwilling to make a blanket statement, either in support or against, the four proposed changes. Instead it has prepared a position statement on each item individually based on the feedback received during its month-long investigation.



As illustrated in *Figure 1* above, results from our on-line polling process underscore the diverse range of opinions related to the proposed BIP changes which exist within the chamber movement around the Northwest Territories.

It is worth noting that 11% of respondents indicated they were fully in support of all of the changes as they would help ensure the GNWT gets good value for money spent on public contracts. At the same time, 22% said they didn't support any of the proposed changes to the current policy. As these two categories combined only represented a minority of respondents which largely cancelled each other out, the NWT Chamber worked to formulate its position statements based on the idea that in general most businesses would like to see some changes to BIP.

NWT Chamber position statements: The following are the official position statements from the NWT Chamber of Commerce on each of the proposed changes to the policy.

Communities

The NWT Chamber of Commerce supports removing BIP requirements from municipalities and certain boards and agencies other than those listed in the proposed changes (NWT Business Development and Investment Corp., NWT Housing Corp., Health and Education Boards and Housing Associations).

To ensure fairness and transparency with regards to tendering at the municipal and board level, the Chamber further feels the GNWT should take immediate steps to ensure compliance with the Agreement on Internal Trade, specifically Annex 502.4 which was signed April 17, 1999.

This annex, which covers procurement provisions for municipalities, municipal organizations, school boards and publicly-funded academic, health and social service entities, states the following under Section G, *Fair Acquisition Process*:

After the date of entry into force of this Annex, entities covered by this Annex shall be required to post tender notices on the electronic tendering system or systems, referred to in paragraph 7, for all covered procurement.

To date few municipal and board-related tenders in the NWT are made available to potential bidders using an electronic tendering system. It is the GNWT's responsibility to ensure compliance with this agreement. It also operates an electronic tendering system of its own that is accessible at www.contractregistry.nt.ca.

The NWT Chamber recommends that the territorial government take immediate action to have all municipal and board-related contracts posted for potential bidders to consider using some sort of electronic tendering system. In cases where municipalities do not currently have such systems of their own, they should employ the GNWT system rather than incurring additional development and administrative costs and a duplication of effort between the various levels of government.

Capping/Eliminating Large Adjustments

The NWT Chamber of Commerce rejects the idea of capping BIP adjustments at \$200,000 on contracts over \$1 million and eliminating adjustments altogether on contracts over \$5 million.

Given the current state of the economy, both within the NWT and beyond, never has it been more critical for the territorial leaders to ensure Northerners benefit from Northern spending. It is estimated by government officials that during the next year or two there will be approximately five or six contracts awarded worth more than \$5 million so the impact of this change would not be small.

2009 Northern mineral exploration and deposit appraisal spending intentions						
(in millions)						
Territory	2005	2006	2007	2008	2009*	Percentage decrease expected this year
Northwest Territories	\$96.3	\$176.2	\$193.7	\$133.1	\$28.4	78.66
Nunavut	\$176.7	\$210.6	\$338.0	\$273.6	\$168.2	38.52
Yukon	\$54.0	\$106.4	\$144.7	\$123.4	\$25.3	79.50
<i>Source Natural Resources Canada, * Intentions</i>						<i>Figure 2</i>

As well, much of the NWT business community relies on the mineral exploration sector for at least a portion of its revenues. Given the spending reductions illustrated in *Figure 2*, the Chamber insists now is the time for government to do whatever it can to assist resident companies.

2009 Northern capital spending intentions

(in millions)

Territory	2005	2006	2007	2008*	2009**	Percentage decrease expected this year
Northwest Territories	\$1,469.4	\$1,848.3	\$1,994.8	\$1,799.6	\$1,215.3	32.47
Nunavut	\$468.8	\$472.7	\$862.7	\$1,285.4	\$729.6	43.24
Yukon	\$518.1	\$567.4	\$613.3	\$604.8	\$546.2	9.69

*Source Statistics Canada, * Preliminary Actual, ** Intentions* *Figure 3*

Further to this point, public and private capital spending intentions are expected to fall by more than 32% this year as illustrated by *Figure 3*. As one South Slave wholesaler put it during an interview with the NWT Chamber, “People up here need help, not caps and limits ... If the government is sick of mark-ups after it awards contracts, it should do a better job of policing the deals it signs.”

Now is not the time to start eliminating what little protection exists for the NWT-owned businesses which form the backbone of our economy and together employ tens of thousands of residents.

Grandfathering

The NWT Chamber of Commerce supports the GNWT desire to no longer grant “Northern business” status to any additional non-resident-owned businesses as it relates to this policy.

Additionally, the NWT Chamber supports the continued grandfathering of those non-resident-owned firms already designated as “Northern businesses” as defined by the 1992 version of BIP.

Standardized Administrative Format

The NWT Chamber fully supports updating BIP to better align with more recent GNWT approaches to policy formats and language.

Good governance and policy consistency are critical to the success of any organization – whether it’s the territorial government, a chamber of commerce or a multi-million-dollar company.

Summary: The NWT Chamber of Commerce appreciates having had the opportunity to comment on these proposed changes to the Business Incentive Policy.

As the only pan-territorial voice of business across all sectors of the economy, the Chamber trusts the GNWT will consider our concerns and recommendations related to these proposed changes ahead of presentation for final approval.

Should this not occur, we would strongly encourage all MLAs to reject these proposed changes to the Business Incentive Policy outright as they would not be in the best interest of the NWT business community or the residents of the Northwest Territories.

If you require additional information or clarification about the NWT Chamber of Commerce position on any of the proposed changes to BIP, please contact:

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