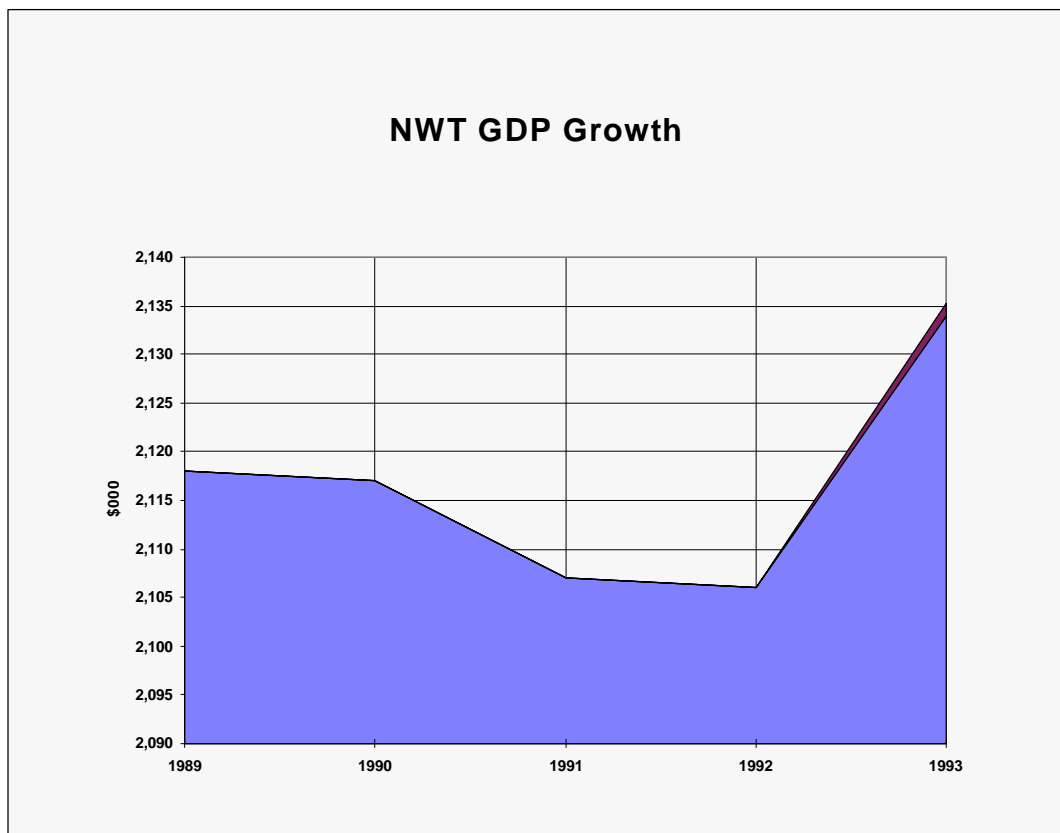


Table of Contents

Recent Economic Performance	1
Sectoral Analysis	7
Mining	7
Oil & Gas	11
Construction	12
Tourism	14
Arts & Crafts	16
Commercial Fishing	18
Fur Harvesting	19
Forestry	20
Food Processing and Agriculture	21
Public Sector	22
Impending Employment Challenge	23
Future Employment Prospects	29
Mining	29
Service Sector	32
Tourism	34
Arts & Crafts	35
Renewable Resource Industries	36
Land Claims	38
Conclusion	39

Recent Economic Performance

The NWT economy is only recently emerging from a recession which began in the early nineties. Territorial **GDP at Market Prices** showed no growth between 1990 and 1992, and actually declined by 0.5% between 1990 and 1991. In fact, if these figures were adjusted for inflation rates of 4.8% and 5.6% rates in 1990 and 1991 respectively, growth would actually have been even lower in real (constant dollar) terms. However, the economy showed moderate signs of recovery in 1993, climbing by a rate of 1.3% over 1992, although this remained below the Canadian average of 3.4% for the same period.



GDP at Market Prices, NWT/Canada (\$millions)				
Year	NWT	Growth	Canada	Growth
1993	2,134	1.3%	707,651	3.4%
1992	2,106	0.0%	684,713	1.9%
1991	2,107	-0.5%	672,110	0.4%
1990	2,117	0.0%	669,236	2.9%
1989	2,118	10.1%	650,199	7.1%

Source: GNWT Statistics Bureau.

The drop in GDP resulted largely from falling **investment** which, like GDP, began its descent in 1990. Both public and private capital expenditures declined substantially between 1990 and 1992; private sector investment continued to drop in 1993, though its effect was offset by a large 38.5% increase in public spending. In the table below, the relatively high private sector spending in 1989 is largely attributable to completion of development work on the original Colomac mine, as well as major commercial building construction in Yellowknife .

Private and Public Investment (\$millions)				
Year	Total	Growth	Public	Private
1989	967.3		315.3	652.0

Source: GNWT Statistics Bureau.

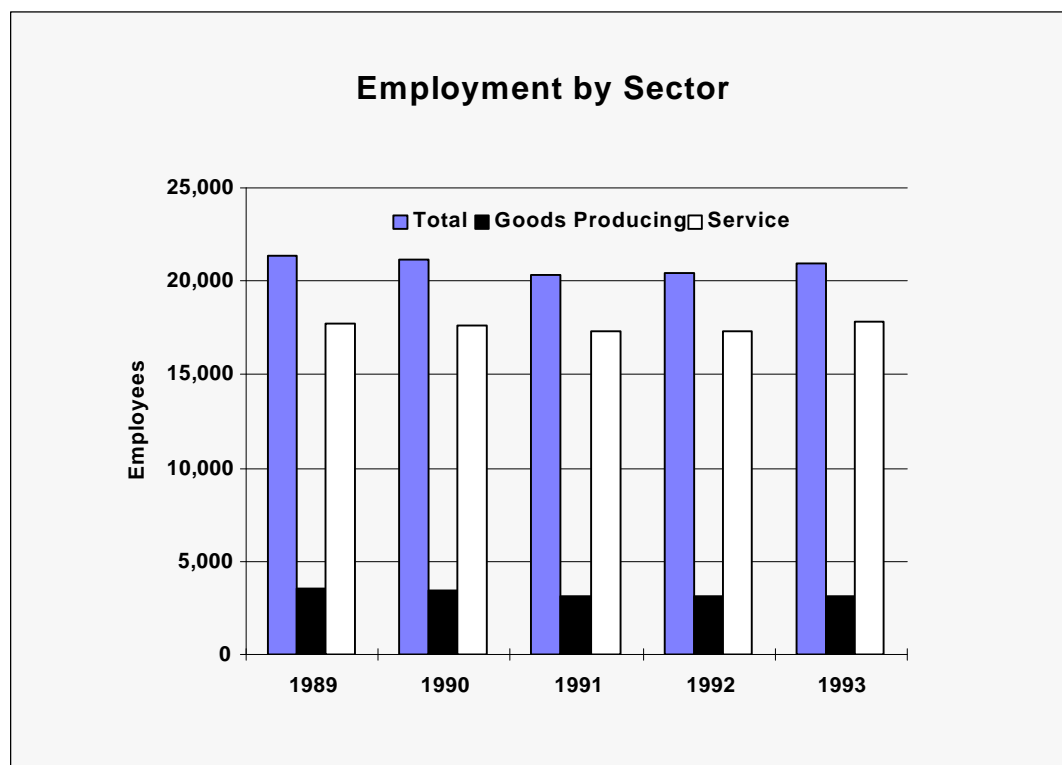
Employment trends followed GDP in the early 90s. There were approximately 380 fewer people working for wages and salaries in 1993 than there were in 1989, a drop of almost 2%. Total employment has been showing small but steady gains since 1992, thanks to growth in the service sector;

employment in the goods producing industries continued to fall in 1993, after a marginal rise in 1992.

Although total employment dropped during the recession, the NWT continued to have the highest **average weekly earnings** in the country (currently about \$700 per week versus about \$560 in Canada as a whole). Average weekly earnings in the goods producing sector displayed steady increases (at least in nominal dollars) between 1989 and 1992, from \$860 to \$932, dipped slightly in 1993, then climbed again to \$968 in April of 1994. Service industry earnings also declined in 1993, but by April were substantially higher than they were in 1989 (\$677 per week versus \$581 in 1989).

Average personal income (based on tax returns) also showed steady gains, at least in nominal terms, going from \$27,367 in 1989 to \$29,921 in 1991 (the latest year for which figures are available).

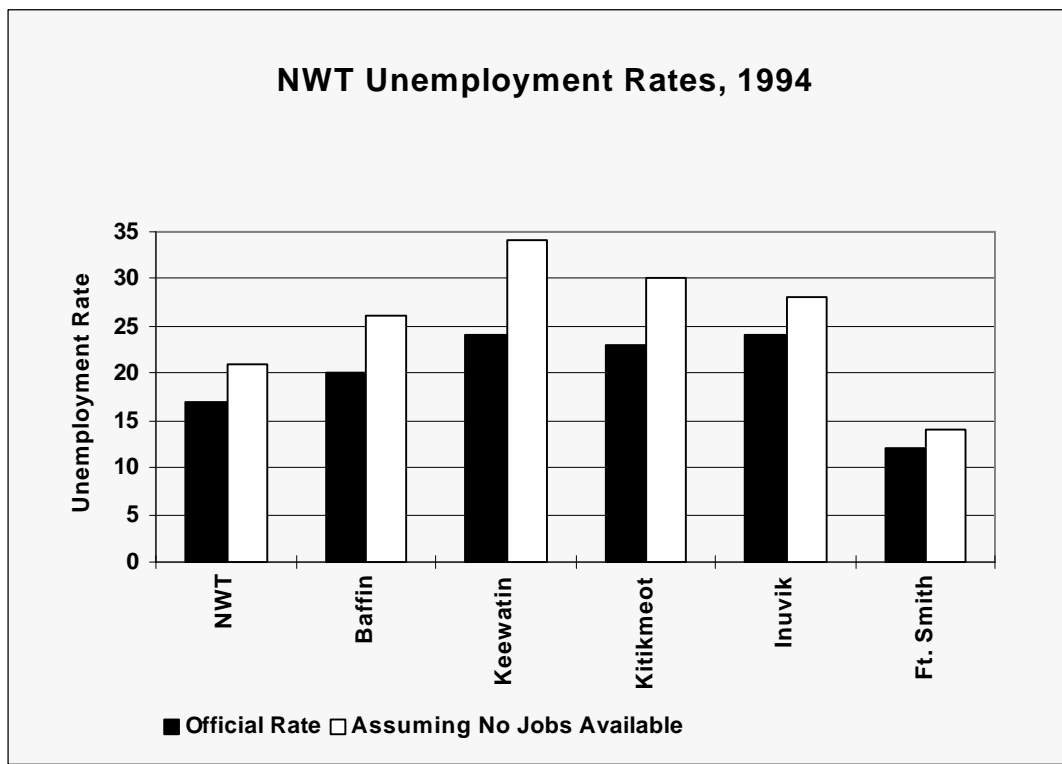
Job losses in the early 90s caused significant increases in **unemployment insurance** cases and payments. The number of people claiming UIC for all



reasons swelled by 53% between 1989 and 1992, from 1,542 to 2,353, before shrinking again to 2,203 in 1993. Despite the decline in claimants, however, the amount of UIC paid out during this period almost doubled from \$20.3 million in 1989 to \$40.4 million in 1993.

According to the GNWT Statistics Bureau's Labour Force Survey, the NWT **unemployment rate** was 17% in the winter of 1994 — 1% higher than it was during the 1989 survey. The 1991 Census found an unemployment rate of 13% during the summer, when more jobs are typically available. Significantly, the labour force **participation rate** also rose between the two GNWT surveys — from 70% in 1989 to 73% in 1994 — meaning (essentially) that more people were actively looking for work. The survey attributed this increase to greater participation by women, people aged 45-64 and native people. Growth in participation was higher in Nunavut than in the west.

Of course, these are *official* unemployment rates and as such do not include those who would like to work but who have not actively sought work because they perceive that there are no jobs available for them. Including these

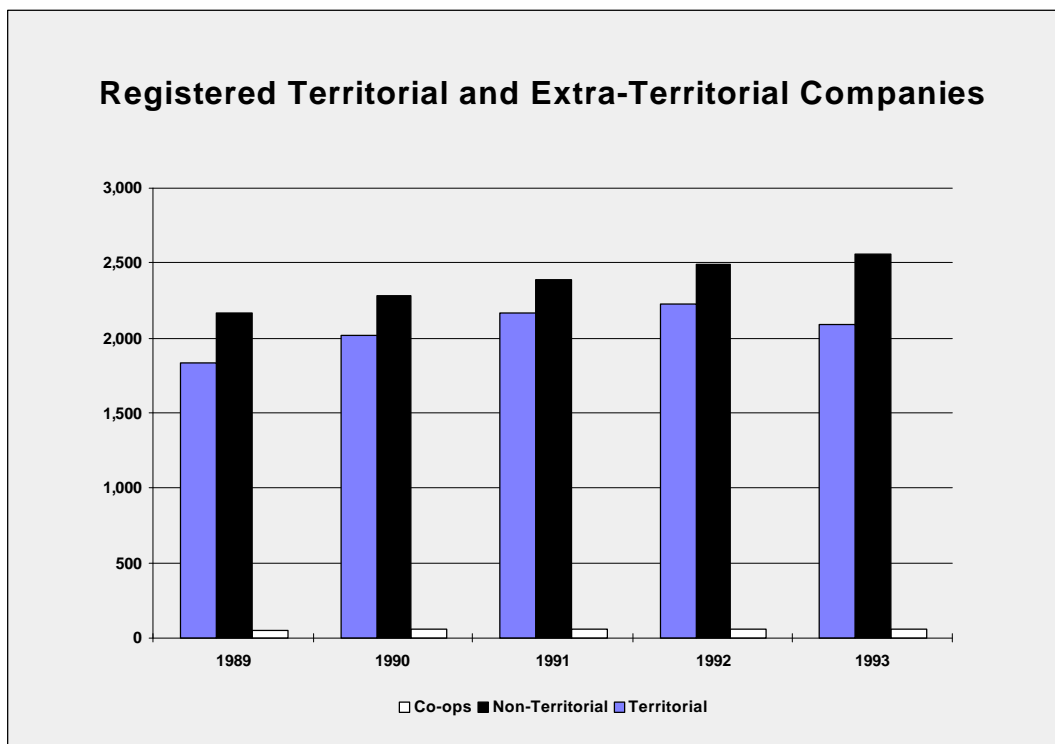


people would obviously result in higher unemployment and participation rates.

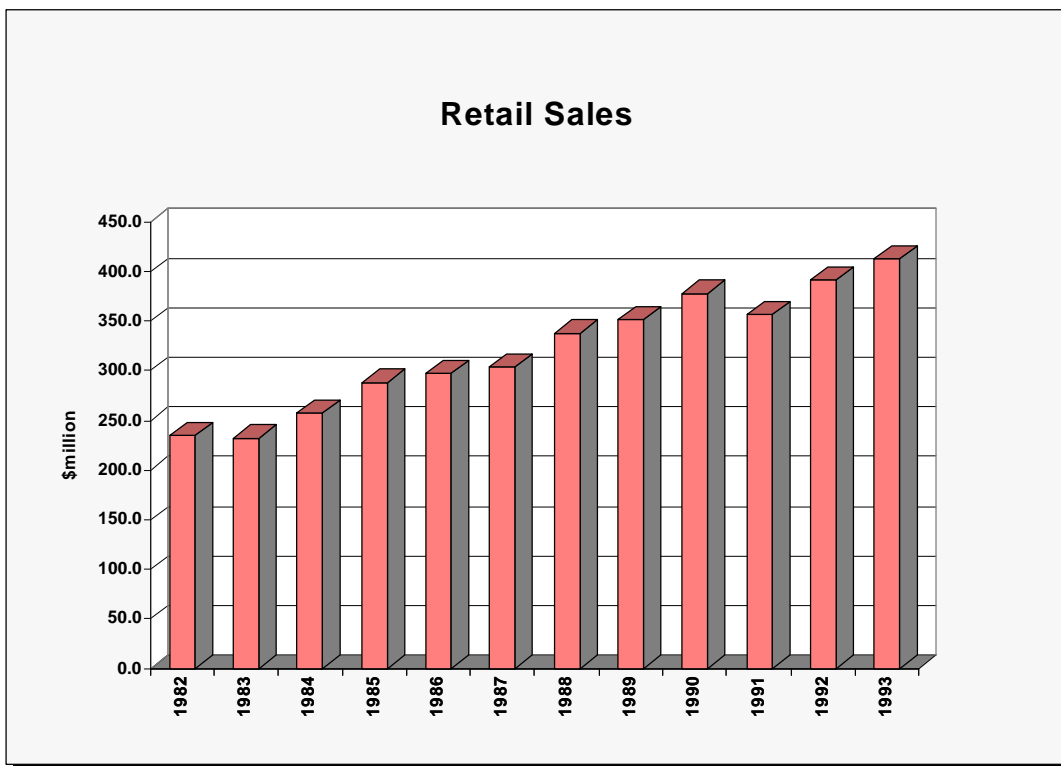
Social assistance payments also increased, from approximately \$19.5 million in 1989 to \$27.6 million in 1993, or by roughly 43%, while the total number of recipients rose by 35%, from 3,141 to 4,238.

The number of corporations registered in the Northwest Territories (excluding societies) grew steadily from 4,056 in 1989 to 4,714 in 1993, a gain of 658 companies. However, pre-tax **corporate profits** dipped by 56%, from \$358 million to \$199 million during the same period.

Retail sales, on the other hand, showed impressive gains, from \$351.3 million in 1989 to \$412.1 million in 1993 (again, in nominal dollars). As one of the fastest growing sectors in the economy, combined supermarket and grocery, furniture, motor vehicles and gasoline sales increased their share of GDP by 60% between 1985 and 1992.



Some of this gain in sales is attributable to the dramatic influx of national chain stores into Yellowknife during the period. Some is attributable to sheer growth in NWT **population**, which had reached 63,600 by April of this year, a 10% increase over 1991, despite net out-migration for the period.



Sectoral Analysis

Mining

Notwithstanding recent declines in production and employment, mining continues to be the NWT's single largest private sector employer and by far its largest exporter. Excluding mineral exploration, the industry pays more than 2,000 employees (about 10% of total NWT employment) more than \$100 million in wages. Average annual wages in mining are about \$65,000, i.e. \$15,000 (30%) more than the national industry average. In addition, mines and exploration companies collectively purchase about \$50 million in goods and services annually in the NWT, and pay governments many millions in taxes, royalties and lease payments, to mention a few mining-related financial benefits.

Mineral Production				
Year	Gold (kg)	Silver (kg)	Lead (tonnes)	Zinc (tonnes)

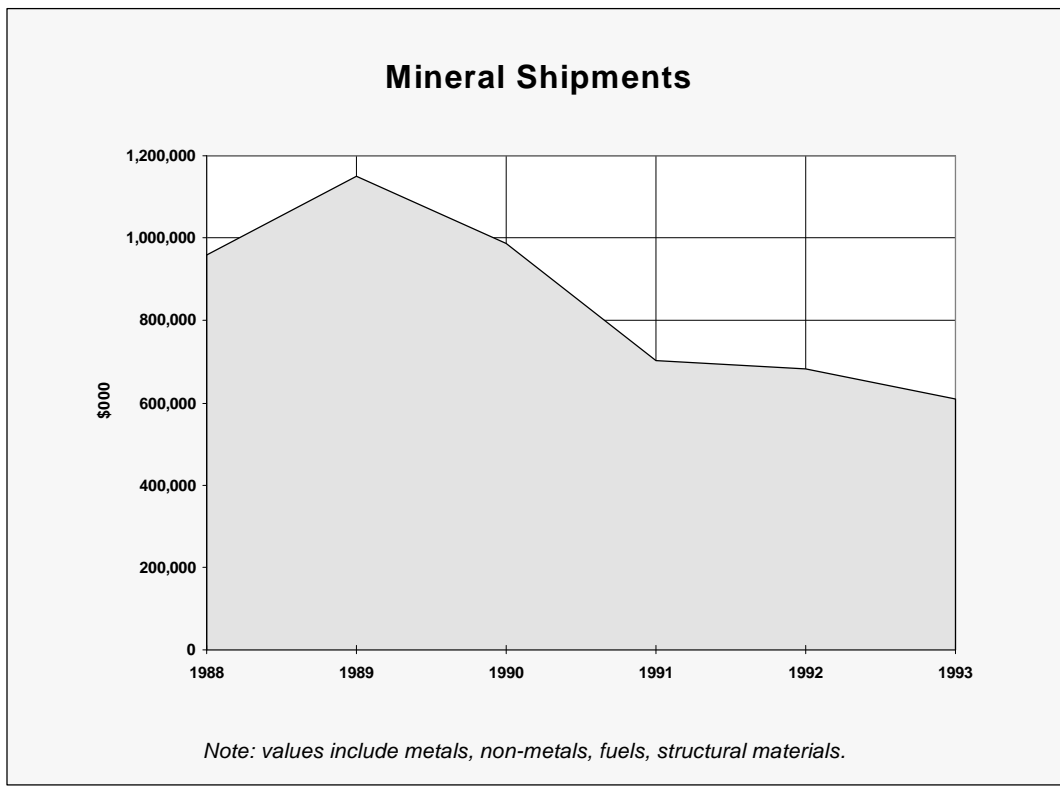
Source: GNWT Statistics Bureau.

NWT mines produce roughly 8.5% of Canada's gold, 15% of its zinc and lead, and 1% of its silver. In 1993 the NWT ranked fourth among the provinces and territories in the production of gold, third in zinc and lead, and seventh in the production of silver.

The Colomac mine shut down temporarily a few years ago, but reopened again this year, joining the four other operating gold mines — Miramar's Con, Royal Oak's Giant, Treminco's Ptarmigan and Echo Bay's Lupin — along with Cominco's Polaris and Conwest's Nanisivik lead-zinc-silver mines. With the possible exception of Ptarmigan — which has nearly exhausted known reserves and is seeking additional outside investment — and depending mainly on gold prices (which averaged about \$370 this year), all of these mines will likely remain operational until at least 2000.

Owing largely to a fall in zinc and gold prices, the value of NWT mineral shipments has fallen in recent years. However, with increases in gold prices this year, and the addition of Colomac's output — projected at 170,000 ounces at full production by 1995 — shipments are expected to rebound.

Mineral exploration alone contributes significantly to territorial GDP. The industry has spent an average of \$44 million annually over the past five years, reaching a peak of \$60 million in 1993. To put this in perspective,

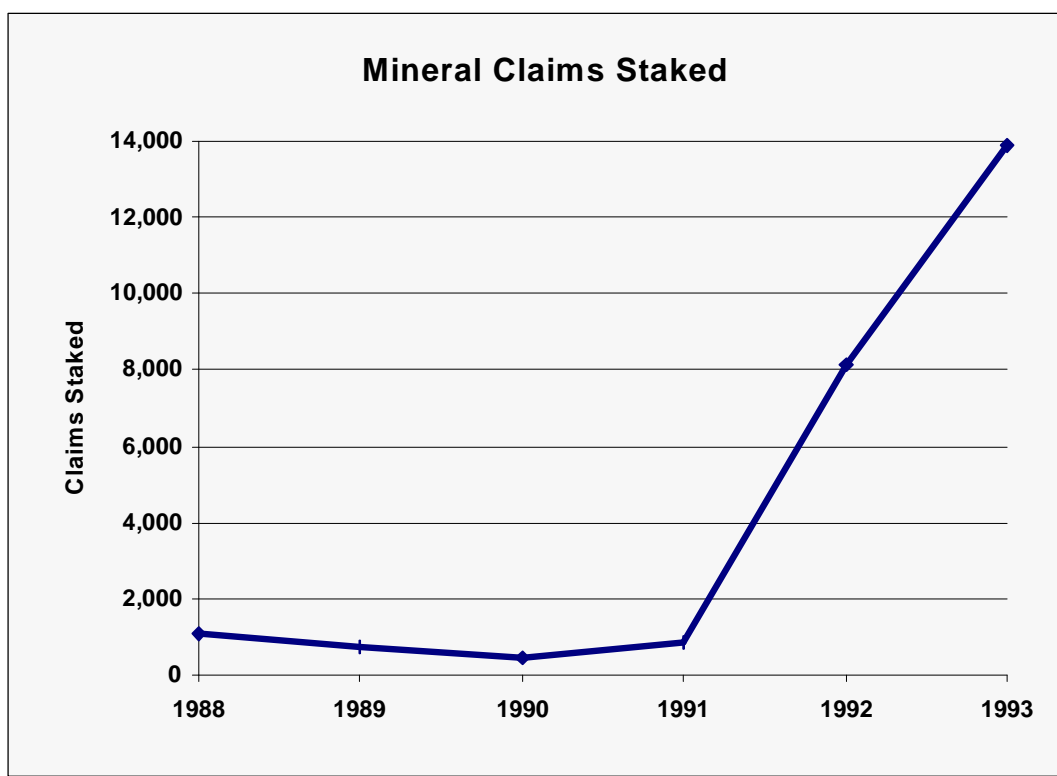


exploration contributes much more to the territorial economy than the combined value of fish, fur and arts & crafts sales annually.

While mineral exploration remained depressed across Canada during the recession, the discovery of diamonds at Lac de Gras in 1991 sparked one of the biggest staking rushes in Canadian mining history. The number of claims staked annually rose sixteenfold, from a mere 831 in 1991 to 13,903 in 1993. By the end of 1993, the area staked was 11.8 million hectares (29.1 million acres) — almost double that of 1992 and larger than the combined areas of New Brunswick and Nova Scotia.

There are some 150 companies involved in diamond exploration in the NWT, three of which are the largest international mining companies in the world: Broken Hill Propriety (BHP) of Australia, Rio Tinto Zinc (RTZ) of England, and De Beers of South Africa (through Monopros).

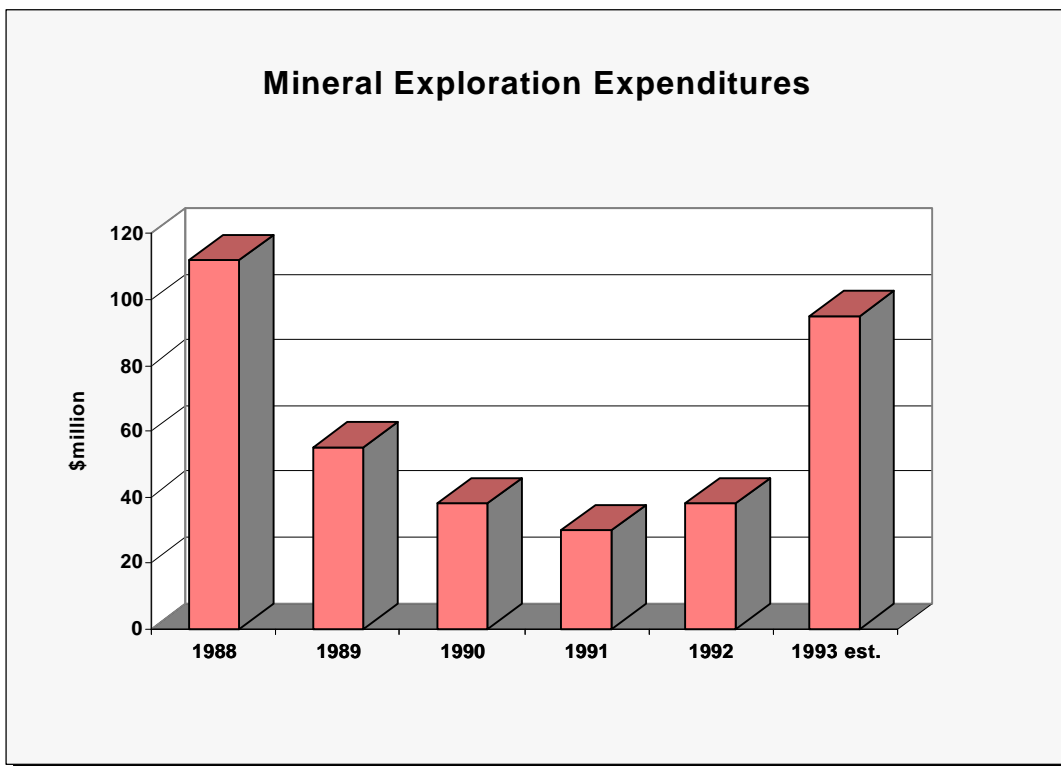
Most of the exploration activity has focused on the Lac de Gras region, although companies have also been operating in the Keewatin and the Arctic



Islands. In addition, several companies were exploring for a variety of precious and base metals at various locations throughout the NWT.

The NWT moved into second place in terms of Canadian exploration spending in 1993, with estimated expenditures of \$94.6 million, about twice those of the previous year. BHP/Dia-Met, alone, has pumped some \$20 million into the economy during the past year, and employs about 150 workers, 40 of whom are Dogrib.

In addition to diamond exploration, several companies are test drilling promising gold properties at various locations in the NWT, again mostly in the Slave Province.



Oil & Gas

At present, the NWT is producing oil and gas at Norman Wells and Pointed Mountain, and Panarctic ships a relatively small amount of oil annually from its Bent Horn field in the High Arctic. Production declined during the recession but picked up again last year.

Oil and Gas Production				
Year	Crude Oil (cu. m.)	Marketable Gas (1000 cu. m.)		
	Norman Wells	Norman Wells	Pointed	Total
1993	12,787	130,735	79,041	209,775
1992	8,563	125,709	66,563	192,272
1991	7,513	126,246	68,266	194,512
1990	12,055	119,010	59,473	178,483
1989	14,486	120,664	74,852	195,516

Source: GNWT Statistics Bureau.

Esso recently received federal cabinet approval to expand its Norman Wells field boundaries and proceed with a \$30-million, 18-month program to drill 12 new wells. Expected to begin next September, the project will create about 65 seasonal jobs as well as spin-off benefits for local businesses, increase production by 7% to 32,100 barrels a day from the current 30,000, and extend the field's life for another 12 years to 2020.

There are tremendous territorial petroleum reserves in the Beaufort Sea and Mackenzie Delta, in particular, but given the current combination of relatively low petroleum prices and plentiful reserves elsewhere, COGLA officials say those reserves are highly uneconomic at the moment and will likely remain so for at least another five, and probably 10, years. However, in southwestern NWT, six petroleum companies recently acquired exploration rights on eight parcels of land in the Cameron Hills near the Pointed Mountain gas field. Their collective bids pledged close cooperation with Fort Liard and \$22.6 million in expenditures over four years. Also, the federal government recently opened 2,000 square miles of land for exploration in the Sahtu.

Construction

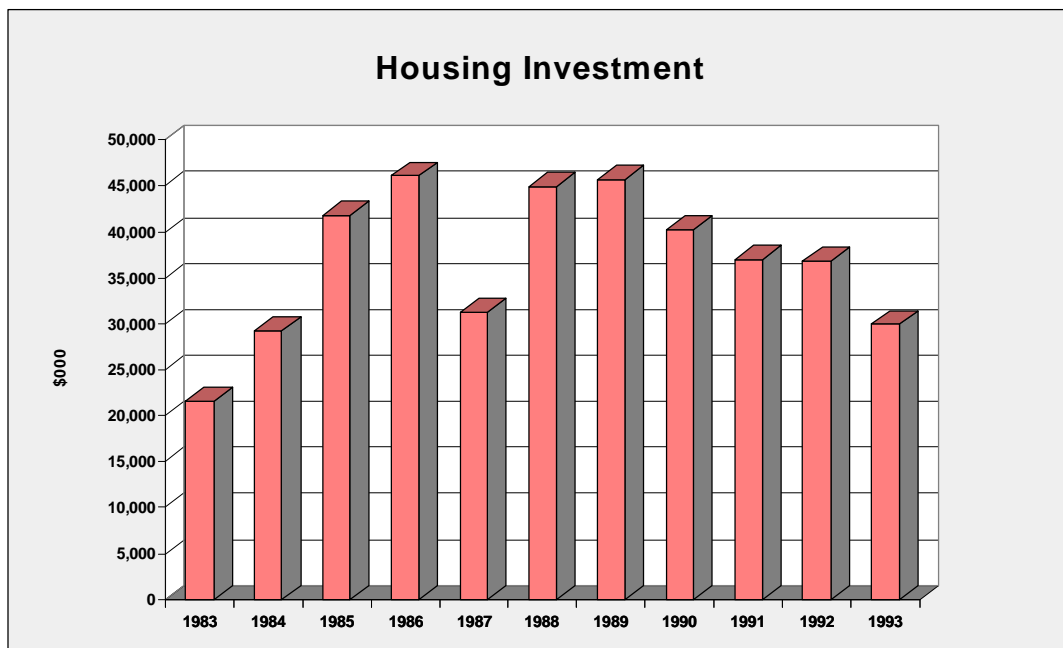
The approximately 2,000 people employed by the NWT construction industry must have welcomed the increase in *public* investment in 1993, because news emanating from other standard sources of income and employment for the sector was universally bad. Total *private* capital expenditures plunged 75% between 1989 and 1993, from \$652 to \$160 million, bringing total expenditures to \$420.9 million — less than half its pre-recession 1989 level.

Capital Expenditures on Construction (\$millions)

Year	Private	Public	Total
1993	91.4	213.8	305.2

Source: GNWT Statistics Bureau.

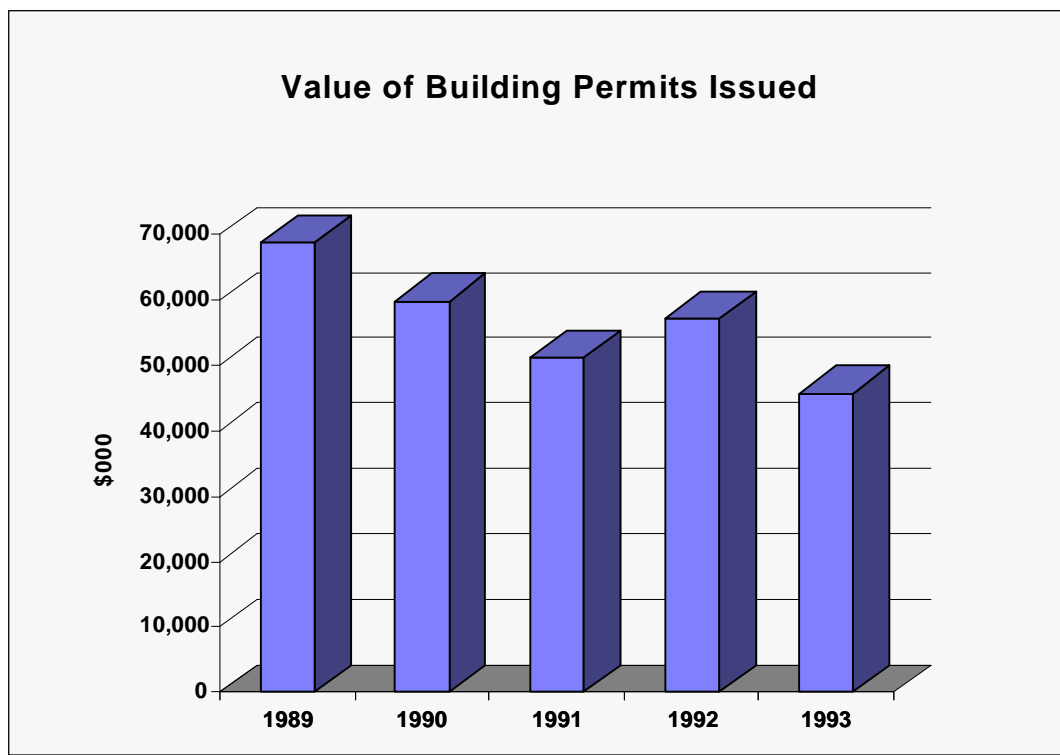
Private housing investment dropped during the same period by 35%, from approximately \$40 to \$30 million, while the value of building permits followed suit, slumping 33% from about \$69 to \$46 million.



The 1995-96 Main Estimates indicate the territorial government intends to further reduce capital spending in the next fiscal year to \$194.7 million from an estimated \$221.4 in 1994-95. These estimates include expenditures on equipment, new construction, renovation and other works.

According to the NWT Construction Association, the industry is now pinning its hopes for future business on the mining industry, land claims settlements, and joint ventures in other countries, such as Russia and China, where local experience and expertise in northern building techniques is in increasing demand.

The sector should also benefit from the NWT's portion of the National Infrastructure Program and the Aboriginal Infrastructure Program. The federal and territorial governments are expected to spend \$5.4 million each over three years, beginning this year, in addition to potential municipal contributions of \$1.6 million, for a total of over \$12 million over three years. Projects approved to date include \$160,000 for a television facility in Taloyoak as well as building renovation projects in several communities across the NWT.

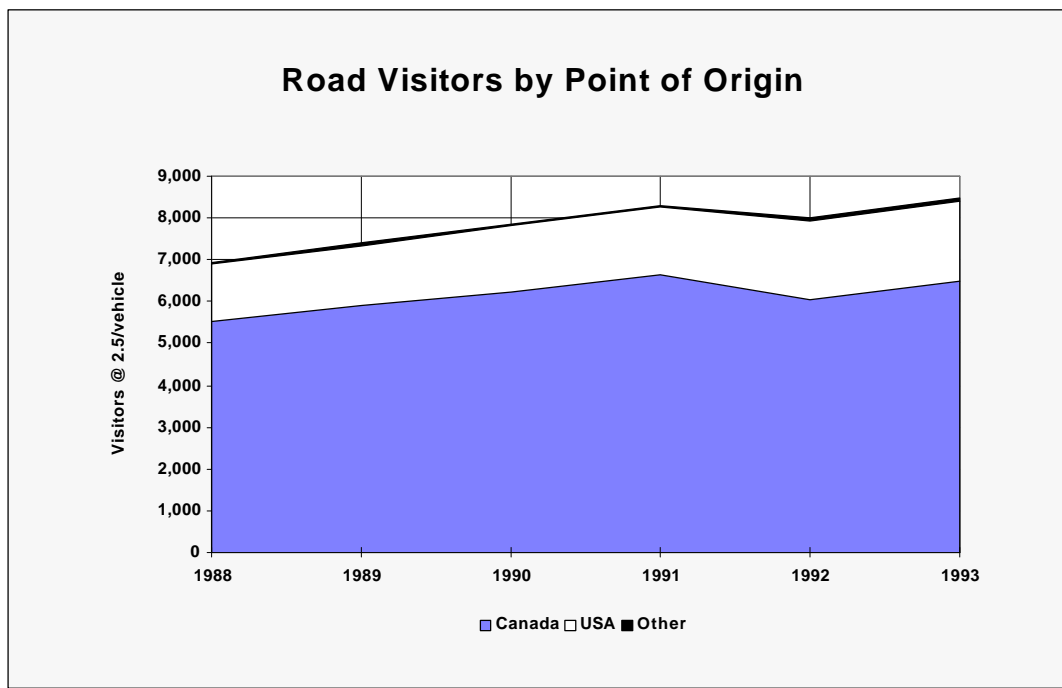


Tourism

Following a period of steady growth during the 1980s, tourism visitation slumped in the early 90s (as it did across the country) as a result of the world-wide recession, but picked up again after 1992.

According to vehicle counts at the Mackenzie, Liard and Peel river crossings, “rubber tire” traffic fell in 1992, but regained momentum again in 1993. Based on counts to the end of July, ED&T officials expect the volume will be even higher this year. Registration at three major visitor centres at the 60th Parallel and Yellowknife showed a similar trend, while the Inuvik centre experienced annual increases between 1989 and 1992, before falling in 1993 (see illustration next page).

By July of this year, the joint ED&T/industry co-op marketing campaign had elicited 9,814 general inquiries — 20% more than the 8,148 for all of 1993. According to a survey of participants, the consumer shows this year produced 425 trips for tourism operators of all types, versus 403 last year. Total projected visitor expenditure resulting from the shows is \$604,000 for all types of operators (assuming an average expenditure of \$1,120 per visitor).



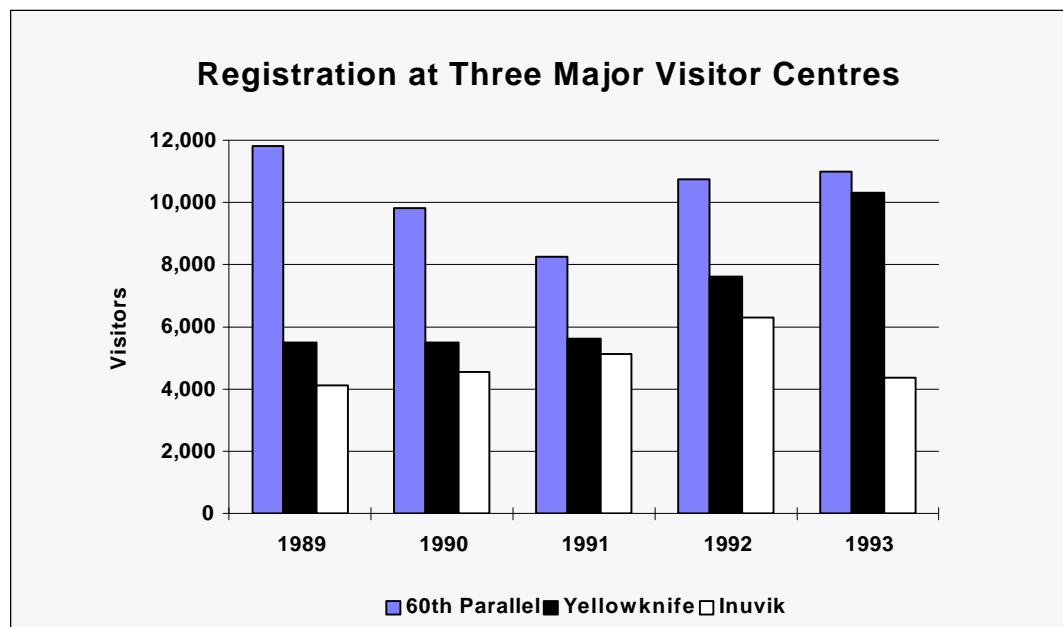
In Yellowknife, the number of Japanese attracted by northern lights viewing has grown from some nothing in 1988 to an estimated 1,000 this winter.

In the Eastern Arctic, Baffin package tour operators have experienced fluctuating annual returns recently, although naturalist trip revenues almost doubled between 1993 and 1990:

Baffin Package Tour Receipts				
Type of Package	1990	1991	1992	1993
Total	1,918,665	2,257,776	1,931,237	2,649,156

Source: ED&T, Baffin Region.

While sport fishing license sales continued to decline steadily between 1989 and 1993, hunting outfitters appeared to fare better. For example, the pending repeal of the Marine Mammal Act in the States (which forbade importation of polar bear skins) has produced an unprecedented upsurge in bookings for high-priced polar bear hunts for several years hence.

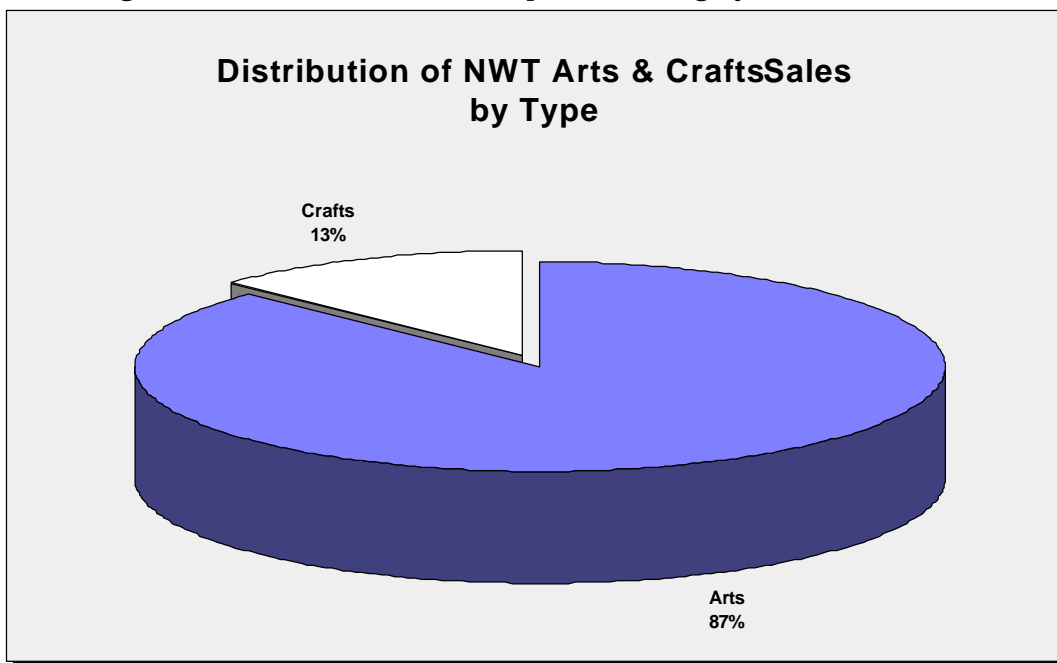


Arts & Crafts

The GNWT Statistics Bureau's 1994 survey of the NWT's traditional labour force indicates that some 6,000 territorial residents (roughly 13% of the working-age population) are involved in the production of arts or crafts. Of these, 2,741, or approximately 45%, sold their work, but the vast majority made less than \$1,000 in sales:

Estimated Revenues from Craft Sales	
Revenues	Number of People
<p><i>Source: GNWT Statistics Bureau, preliminary figures.</i></p>	

ED&T estimates there are approximately 152 territorial businesses involved in producing, buying or selling arts and crafts, and puts total annual retail sales at approximately \$28 million. According to a 1993 survey of Canadian dealers selling NWT arts and crafts, this represents roughly 2.5% of an estimated

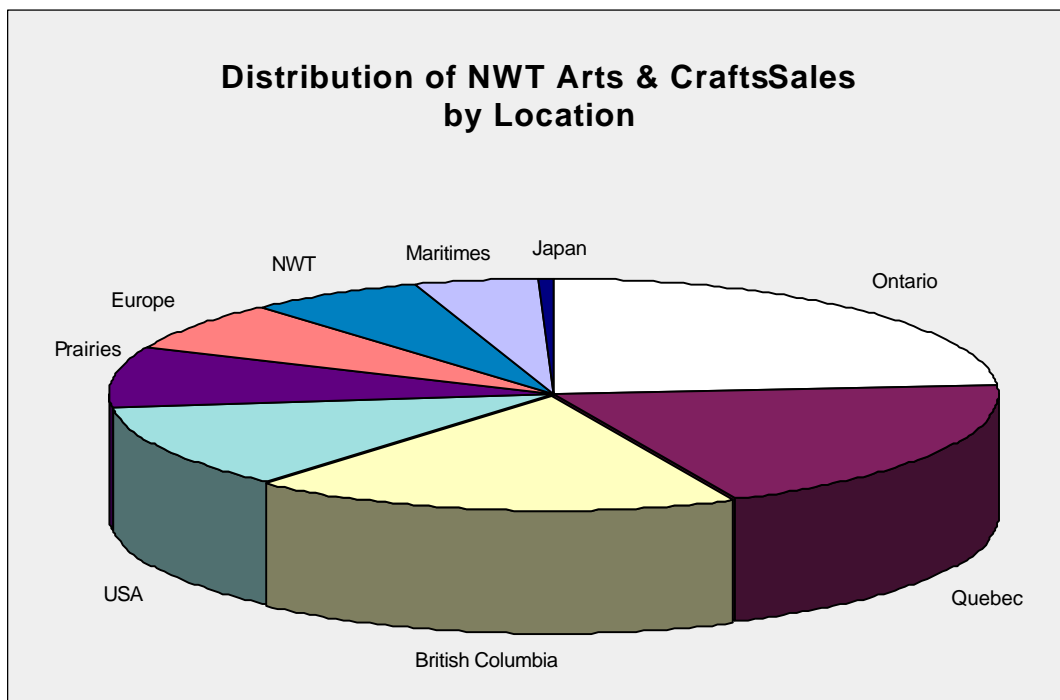


\$2 billion Canadian market. According to a 1993 survey of wholesalers, more than half of all sales are in Ontario (24%), Quebec (19%) and British Columbia (18%).

Tourists purchase 46% of all products, while collectors account for 23%. Inuit art, carvings in particular, comprises by far the bulk of all arts & crafts sales, and Inuit craft sales are about twice those of Dene crafts.

The Northwest Company is spearheading a drive to enhance arts & crafts sales in the lucrative U.S. markets. The wholesale company has created two new retail outlets in major cities and revitalized a third, all of which purchased an average of \$85,000 from various NWT suppliers. The company plans to open 10 more outlets this year which, based on the above average, would generate another \$850,000 in annual wholesale purchases, roughly half of which would go to producers. The NWT Development Corporation is also actively pursuing a greater share of the American gift market.

Three art festivals in Inuvik, Yellowknife and Rankin Inlet generated some \$250,000 for local producers last summer. In addition to tourists, they also attracted dealers from the United States and a film crew from Japan

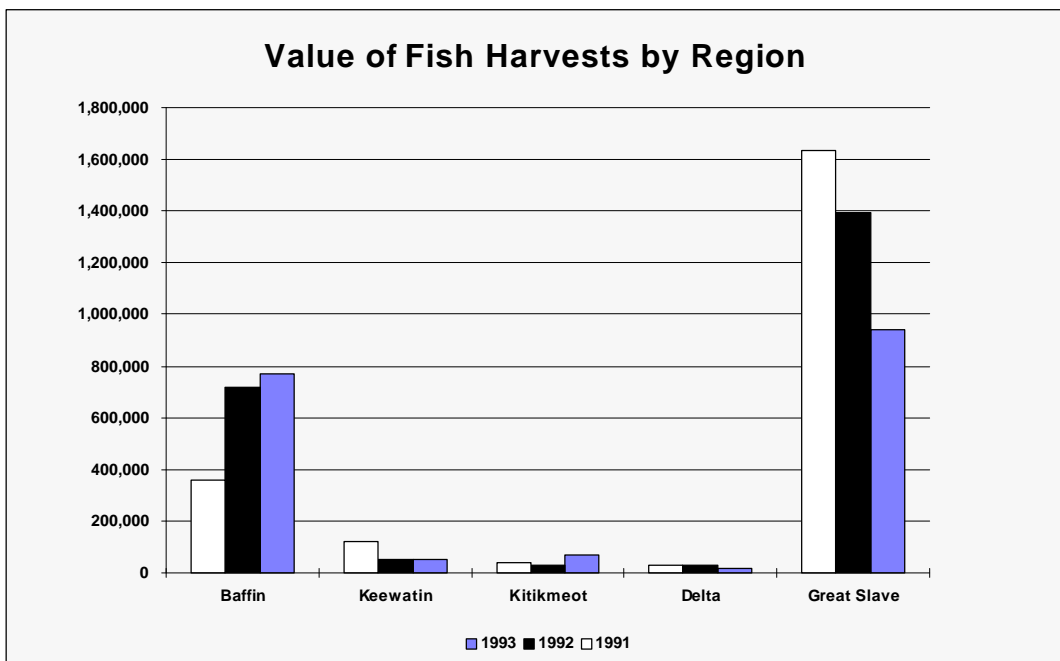


Commercial Fishing

Poor demand continues to plague the Great Slave Lake fishery. The 52 licensed harvesters and 90 helpers received about 40% less in 1993 than they did in 1991 for their whitefish, trout, northern pike, inconnu and pickerel sold through Freshwater Fish Marketing Corporation (FFMC) processing plant in Hay River. However, in an effort to diversify markets, the NWT Fishermen's Federation sold about 20,000 pounds of fish through Northern Stores and other outlets across the NWT in 1993, and expects to double sales this year.

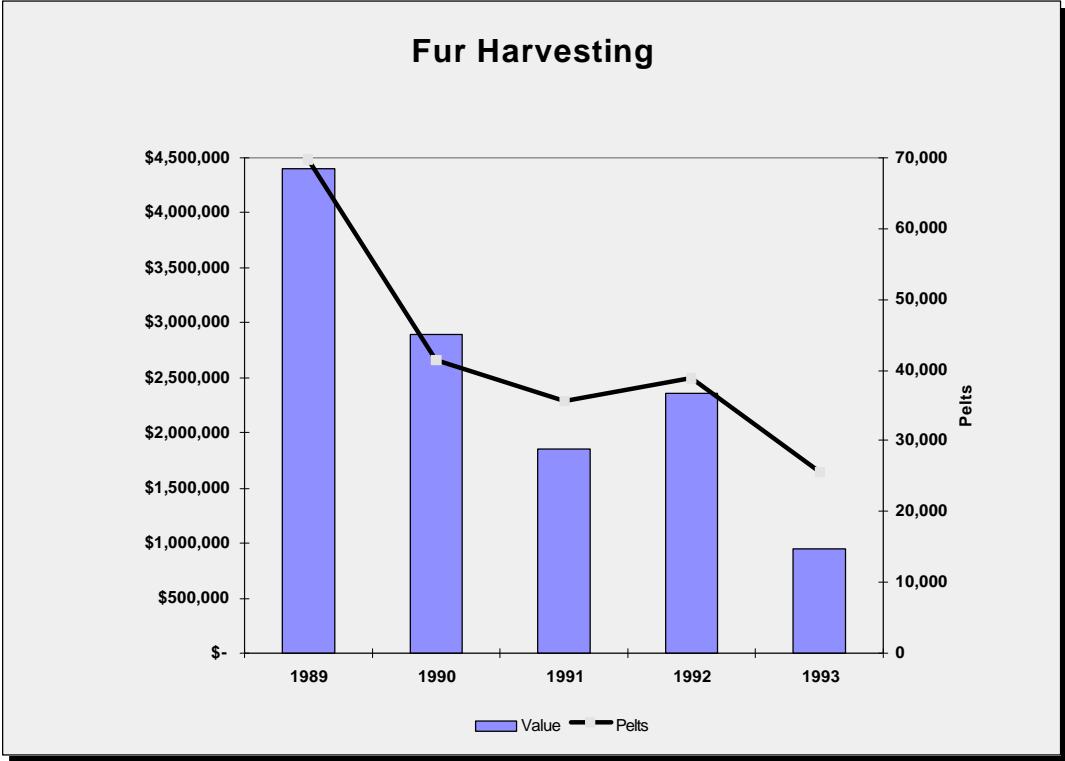
Baffin char sales declined between 1991 and 93, but turbot sales enjoyed annual gains during the period. It is now the sole winter supplier of turbot on the East Coast, and total Baffin commercial fish sales have reached 80% of Great Slave sales.

Among the much smaller NWT operations, the Keewatin arctic char fishery and the Mackenzie Delta experimental whitefish operation experienced roughly 50% declines in the landed value of their catches in 1993 over 1991. The Kitikmeot char fishery also slumped in 1992 when FFMC stopped purchasing the region's fish, but by 1993, the value of sales had outstripped those of 1991.



Fur Harvesting

Falling domestic and international demand caused by the anti-fur lobby efforts has wreaked havoc on territorial commercial fur revenues and led to substantially reduced production. Total harvest was at its lowest level ever in 1993, and in the Eastern Arctic the sealing industry has all but disappeared. In the Western Arctic both the value and number of pelts taken have also declined dramatically over the past five years, but a good deal of this decline has resulted from low populations of lynx and marten (the latter being the most significant NWT species in commercial terms), which in turn has resulted from a paucity of hare. But short supply has bumped up prices, and as hare populations are beginning to recover, Renewable Resources officials predict better times ahead.

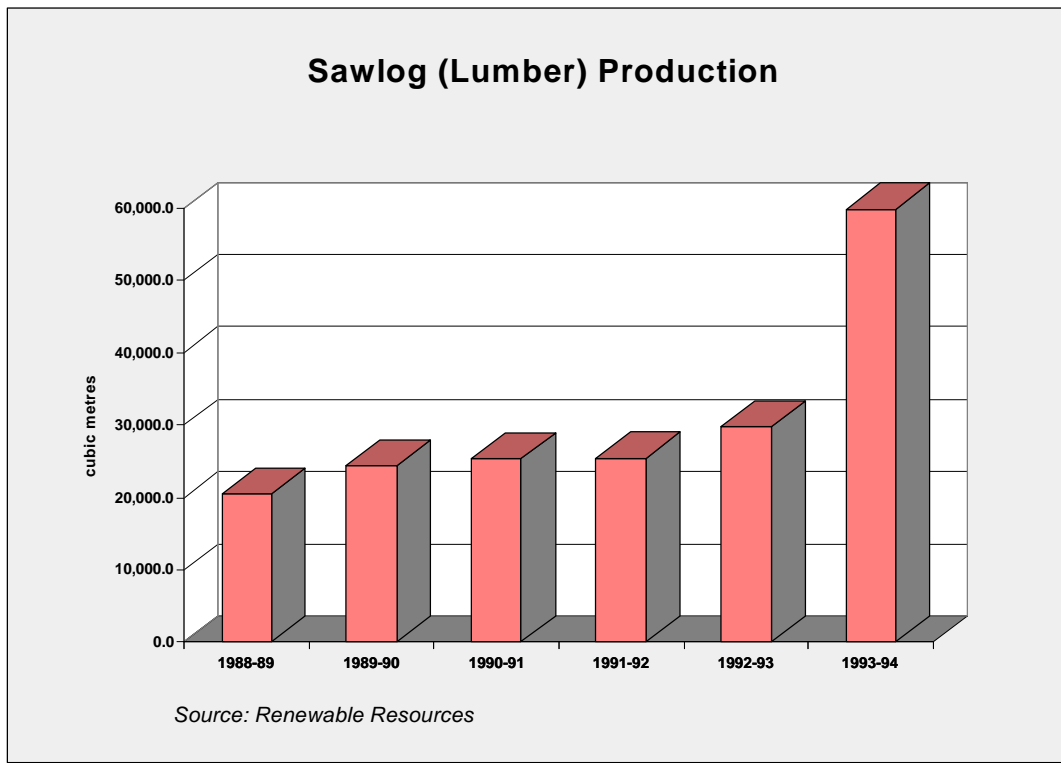


Forestry

The fledgling South Slave forest industry has experienced a veritable boom over the past few years. Demand for softwood has soared mostly in response to massive American rebuilding projects necessitated by a succession of hurricanes, floods and earthquakes, on the demand side, as well as forest fires and withdrawal of large tracts of land in the northeastern states, on the supply side.

According to Renewable Resources, the industry harvested an estimated 59,884 cubic metres (11,976,800 board-feet) of sawlogs (the source of 2x4s, etc.) in 1993-94 — an almost 200% increase over the previous year's 29,754 cubic metres (5,950,800 board-feet). Meanwhile, the price per cubic metre has jumped to roughly \$70 from about \$40 two years ago.

The reopening of the Fort Resolution sawmill in 1993 created about 40 milling and harvesting jobs directly and generated several spin-off opportunities for independent loggers and others.



Food Processing and Agriculture

Egg production has declined in the NWT as a result of a legal dispute between territorial producers and the Canadian Egg Marketing Agency (CEMA) over the right to export eggs outside the NWT.

Northern Poultry's sister company Northern Pork currently raises 35-50 hogs a week for slaughter in Edmonton. The EDA is funding construction of an abattoir in Hay River which is expected to employ 10 people in the processing of 105 local and imported pigs a week beginning in 1995. The NWT currently produces about 162,000 kilograms of pork (live weight).

Keewatin Meat and Fish in Rankin Inlet employed 14 people in the processing of an estimated 58,000 kilograms of caribou purchased from HTAs across the region in 1994. In Cambridge Bay, Kitikmeot Foods processed about 34,000 kilograms of muskox and caribou in the same year. Both enterprises produce standard meat cuts as well as salami, jerky, pastrami, paté, etc. for resale through regional retailers and the occasional southern Canadian outlet. The Inuvik Region harvested 49,000 kilograms of caribou and muskox in 1994, while experimental caribou export projects in the North Slave Region produced 16,000 kilograms.

Small-scale market garden operations in Hay River and Norman Wells continue to supply a modest amounts of cucumbers, cabbages and broccoli, etc. to local retailers.

Public Sector

Governments collectively remain the largest territorial employer and biggest purchaser of northern goods and services in the north.

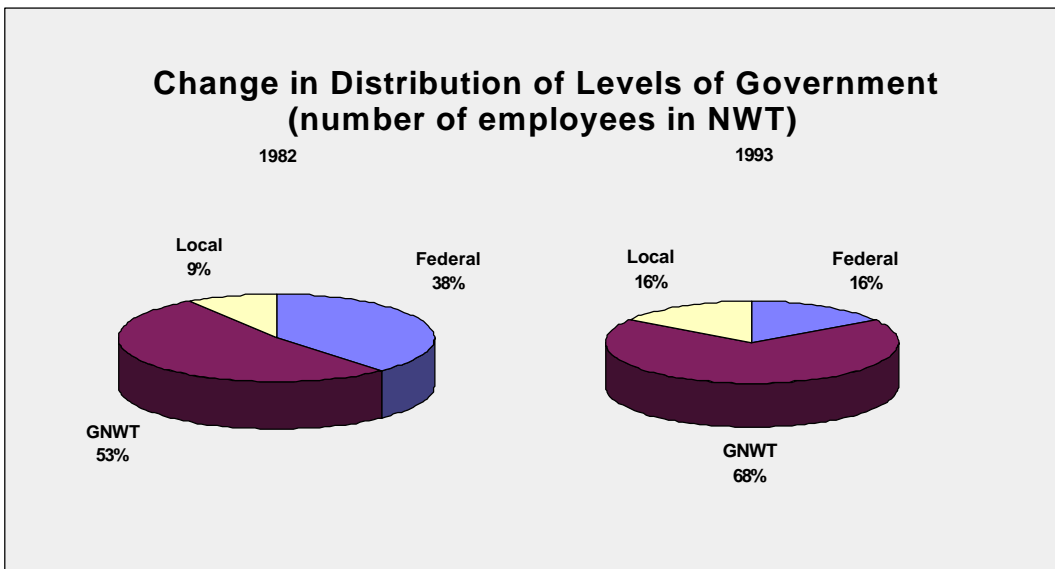
Total NWT public sector employment has risen steadily throughout the nine-ties, despite a marginal decline in federal government staffing.

Total payroll, however, declined slightly between 1992 and 1993, at all levels of government.

Public Sector Employment and Payroll					
Year	Number of Employees				Total Payroll (\$000)
	Total	Federal	GNWT	Local	
1993	9,629	1,556	6,572	1,501	421,960
1992	9,437	1,567	6,444	1,426	422,899
1991	9,491	1,563	6,530	1,398	405,193
1990	9,314	1,519	6,410	1,385	382,736
1989	9,002	1,527	6,112	1,363	343,345

Source: GNWT Statistics Bureau.

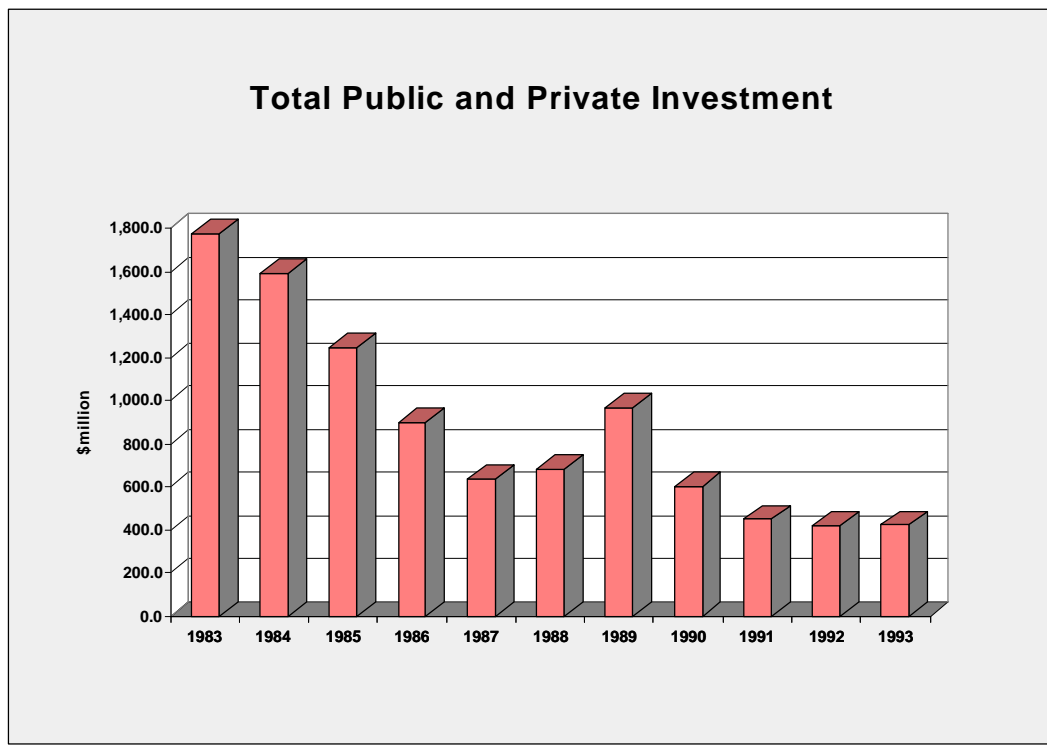
Devolution of authority from the federal to the territorial government and from the territorial to municipal governments has led to significant changes over the past decade:



Impending Employment Challenge

The 1990s marked the beginning of the end of four decades of tremendous growth in the Northwest Territories. During the 1970s and 80s, alone, *real* territorial GDP rose by 157%, because investment rose by 95.7%, government expenditures on goods and services rose by 88.3%, transfers to persons rose by 332.9%, and exports rose by 81.7%. (Source: Jack Stabler and Eric Howe, *Native Participation in Northern Development: The Impending Crisis in the NWT*, in *Canadian Public Policy*, 1990.)

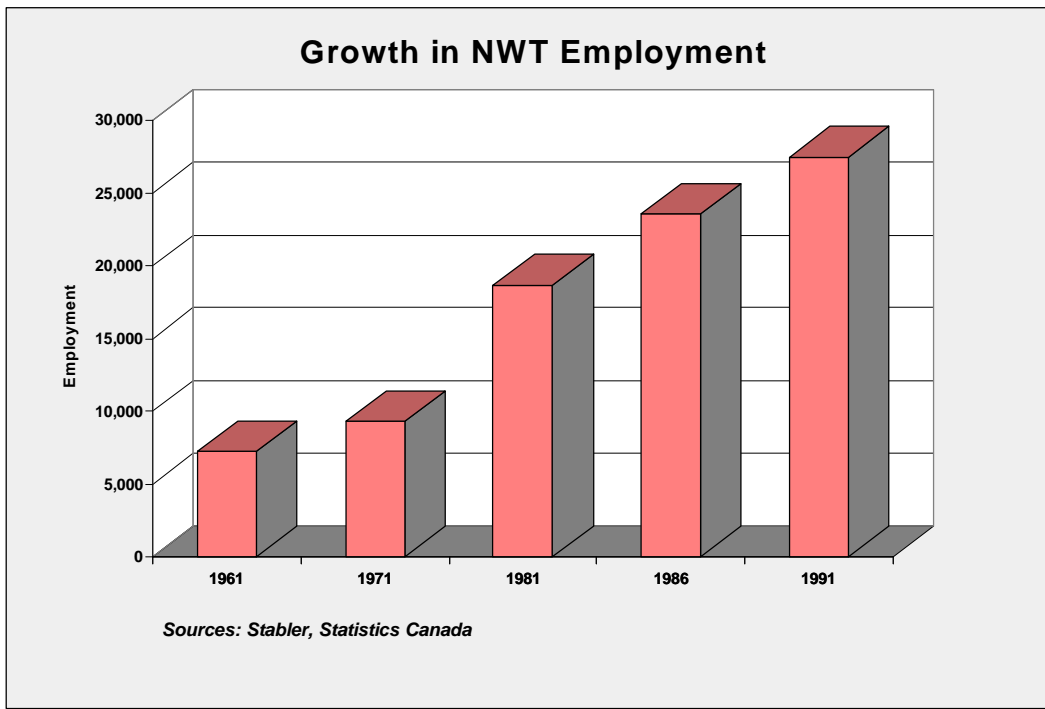
In the early and mid-80s, much of this investment was a direct result of Petroleum Incentive Program (PIP) grants, which precipitated an oil & gas exploration boom in the Beaufort Sea and High Arctic Islands, as well as construction of the pipeline from Norman Wells to Alberta, the opening of the



Nanisivik and Polaris mines, and mineral exploration inspired by flow-through share tax breaks.

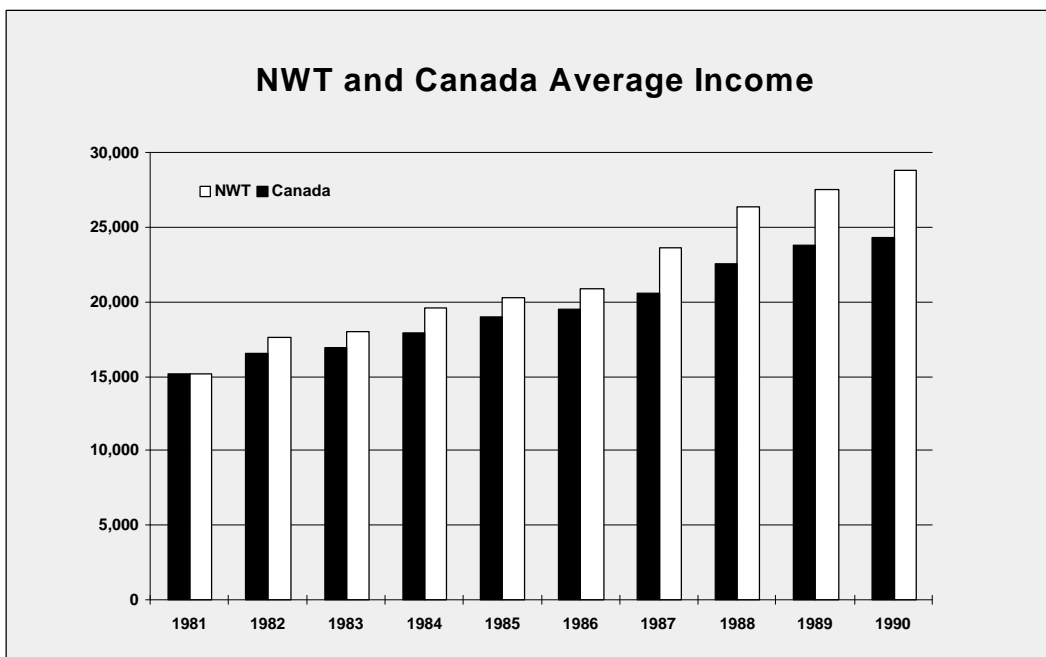
However, with the exception of exports — mainly minerals — virtually all growth over the past four decades was directly or indirectly attributable to government (mostly federal) spending. This took the form of both transfers to individuals and investments to develop infrastructure such as housing, educational, recreational and health facilities, transportation systems, etc., as well as the rapid expansion of government itself. Thus transfers to territorial residents soared by 333% in the 70s and 80s versus 187% nationally and, for example, the number of public servants more than quadrupled. That is also why the 1986 Census could report that 62% of all territorial houses had been built since 1970 and only 8% of the housing stock was more than 30 years old.

Total employment also doubled between 1971 and 1991, from 10,600 to more than 20,000, but unemployment also rose, from 4.2% in 1971 to 16% in 1989, and again to 17% at last official count in 1994. In other words, the tremendous economic growth was still not sufficient to accommodate the



increase in the total number of people looking for work. Or at least it did not create the kind of work for which NWT residents had the required skills or to which they were willing to move within the NWT, and which therefore led to substantial in-migration. Further, the official rate (based on the GNWT Statistics Bureau's 1994 winter labour force survey) does not count those of working age wanted to work but saw no point in actively looking because they knew there were no jobs available (at least not in their home communities). Adding this "hidden unemployment" would yield an unemployment rate of more than 21% (although the rate remains 6% for non-natives). In fact, in most communities, even the *official* rate was over 20% and in many cases exceeded 30%.

Income levels have also risen considerably during the past 30 years, and average income (as determined by tax returns) grew at a faster pace in the NWT than in Canada as a whole during the 1980s. However, median income — a more accurate reflection of actual income — was considerably lower than the average, and varied widely by region and type of community. In communities with populations exceeding 1,000, plus the resource towns of Norman Wells and Nanisivik the median was \$27,176, based on 1989 average incomes and 1991 populations, whereas median incomes for



communities with populations of 500-999 and less than 500 were \$15,757 and \$12,655 respectively. Although these figures are based on slightly out-dated data, they are adequate to make the point that incomes in the major centres and resource towns are considerably higher than both the national average and incomes in smaller communities, i.e. the communities which generally rely more heavily on the traditional economy.

Median Average Income for Communities with Populations Over 1,000 plus Norman Wells & Nanisivik					
Community	Population	Income	Community	Population	Income
Yellowknife	15,179	37,318	Eskimo Point	1,323	8,168
Iqaluit	3,552	31,626	Baker Lake	1,186	17,167
Hay River	3,422	27,632	Fort Simpson	1,142	24,445
Inuvik	3,206	29,374	Pangnirtung	1,135	16,138
Fort Smith	2,480	26,978	Cambridge Bay	1,118	29,842
Rankin Inlet	1,706	25,373	Coppermine	1,069	16,871
Rae Edzo	1,521	14,759	Norman Wells	627	37,438
Eskimo Point	1,323	15,708	Nanisivik	294	50,256
Median Average Income					26,176

Source: GNWT Statistics Bureau.

The crucial question now is what will happen in the next 10 years and beyond, if after a prolonged economic boom we still have one of the highest unemployment rates in the country and — quite apart from a much higher cost of living — one of the lowest per-capita incomes? What will happen now that the major source of that boom — investment in infrastructure — is no longer required? Certainly there is still considerable pent-up demand for housing and a need for a myriad of other facilities and services, but there is also certainly no need to start building houses, medical facilities, schools, etc. from scratch, as was the case after the war. And in any event, the federal government's \$500-billion-plus debt will severely impede federal and territorial government investment capabilities. It will also impede their ability to maintain the level of transfer payments to which northerners have become

accustomed, and which in any case, after 30 years of catch-up spending, are now on a par with national norms (and perhaps even higher, when subsidized housing expenditures are taken into account).

Using 1991 Census population and labour force data, assuming no change in the current participation rate of 73.4% (and ignoring migration and mortality rates), there will be *approximately* 6,650 more men and women looking for jobs in the year 2001 than there were in 1991, and another 10,660 more in 2006.

Projected Growth in NWT Labour Force				
Age Group:	1991	1996	2001	2006
0-4	7,365			
5-9	6,190	7,365		
10-14	5,345	6,190	7,365	
<i>Working Age:</i>				
15-19	4,755	5,345	6,190	7,365
20-24	5,375	4,755	5,345	6,190
25-29	6,120	5,375	4,755	5,345
30-34	5,575	6,120	5,375	4,755
35-39	4,625	5,575	6,120	5,375
40-44	3,850	4,625	5,575	6,120
45-49	2,545	3,850	4,625	5,575
50-54	1,870	2,545	3,850	4,625
55-59	1,445	1,870	2,545	3,850
60-64	980	1,445	1,870	2,545
<i>Subtotal Working Age</i>	<i>37,140</i>	<i>41,505</i>	<i>46,250</i>	<i>51,745</i>
Assumed Participation Rate	73%	73%	73%	73%
Calculated Labour Force	27,112	30,299	33,763	37,774
Increase Over Previous Period		3,186	3,464	4,011
Cumulative Increase			6,650	10,662
% Cumulative Increase		12%	25%	39%
<i>Calculations based on 1991 census.</i>				

Zero unemployment is neither realistic nor indeed desirable from a macro-economic standpoint, and there would undoubtedly be considerable out-migration if unemployment rates rose significantly. Still, 10,000 new jobs over 12 years — an average of more than 1,600 per year — would seem a reasonable order-of-magnitude estimate of the looming challenge. Given that the economy generated roughly 300 jobs annually, on average, between 1984 and 1993, it will be an enormous challenge, especially with declining government spending, as discussed in the following section.

Future Employment Prospects

Barring unexpected — and, considering the federal debt, highly improbable — increases in federal spending, the territorial mining and service industries are the most likely sources of significant sources of growth and investment, and hence employment, in the foreseeable future.

The Beaufort Sea and Mackenzie Delta petroleum reserves are unquestionably potential future sources of employment and income, but they will probably remain untapped for another 10 years or more. Should unanticipated international events raise the price of oil enough to make drilling profitable, development in these two areas might generate a combined total of about 3,000 direct and indirect jobs, although most of them would be in the initial construction phase, and therefore relatively short term.

Mining

At the moment, the Lac de Gras diamond play and Metall Mining Corporation's Izok Lake zinc-copper-lead-silver deposit appear to hold the greatest promise for industrial expansion in the medium term.

Located about 270 km south of Coppermine and 80 km west of the Lupin gold mine, Izok is the largest undeveloped zinc-copper deposit in North America. It has grades twice as high as those of the former Pine Point mine. Despite a 1992 industry-government study indicating it would be economically feasible to develop a deep-sea port at Coppermine and winter road to the property — both of which would be needed to make the project economic — poor base-metal markets have forced Metall to postpone start-up indefinitely.

However, assuming eventual start-up, the open-pit mine would be expected to operate for a minimum of 13 years, possibly followed by underground mining. It would employ about 250 workers in addition to an estimated 500 people who will be required to construct the mine, port and road, as well as to maintain the road and port. Moreover, by substantially reducing Echo Bay's Lupin mine costs for fuel and other supplies, a winter or all-weather road would allow the mine to remain operational beyond its present forecast closure, thus preserving some 375 jobs for another eight years.

Further south in the Slave Province, exploration and bulk sampling are continuing at a feverish pace to determine the commercial viability of diamond mining in the Lac de Gras area. The BHP/Dia Met operation 300 km north of Yellowknife is the most advanced. Although a feasibility study will not be complete until early next year, the companies recently upgraded an original \$500-million proposal to mine three kimberlite pipes for 20 years, to five pipes for 25 years. Production would begin late in 1997 at 9,000 tonnes of kimberlite a day, rising to 18,000 tonnes in the tenth year — provided regulatory approval is granted in 1995. However, the federal government only recently announced a public environmental and socioeconomic review of the project, and a decision is not expected for another 12 to 18 months. Late approval could delay start-up by a year for lack of access to winter roads. Of course, this assumes the project is approved; some potential opponents, including the World Wildlife Fund and Sierra Legal Defence Fund environmental groups are watching the project closely.

BHP and Dia Met recently reported discovery of 13 new diamond-bearing pipes, bringing the property total to 39. Aber Resources also recently released encouraging exploration results on a nearby property. In the wake of these and other recent precious and base metal discoveries, the federal government has also launched a five-year, \$11.2-million study of overall mineral development in the NWT.

Diamond mines are especially valuable from an economic development perspective for several reasons. Yellowknifers are fortunate in that the Con and Giant mines have been in operation since the war, because most gold mines usually exhaust reserves within 10-15 years. But diamond mines typically last a minimum of 20 years, and 40-50 is not uncommon. They are also much more profitable than gold mines, and generally employ more people.

Using a computerized input-output model, the GNWT Department of Energy, Mines & Petroleum Resources and the Bureau of Statistics have prepared a number of employment projections based on a series of possible scenarios, including construction of a port at Coppermine, an all-weather or winter road from Yellowknife to the port site, and the development of one or more gold and diamond mines. What might be described as the medium-impact scenario assumes construction of the port and an all-weather road, and development of the Izok deposit, one new gold mine and one diamond mine. It also takes into account an extended Lupin mine operation.

Assuming a 1994 start, the above scenario would generate approximately the following total number of jobs in the NWT:

1997— 1999	1,300
2000 — 2006	2,500
2006 — 2012	2,500

Total jobs encompass direct jobs (mine employees), indirect jobs (mine supplier employees) and induced jobs (employees of businesses catering to direct and indirect employees). In addition, the model estimates this medium-impact scenario would add a total of \$12.6 billion to GDP over 19 years (between 1995 and 2013) and generate a total of \$2.4 billion in labour income during the period, i.e. an average of about \$127 million annually, which is more than the total of current operating mines' annual payrolls.

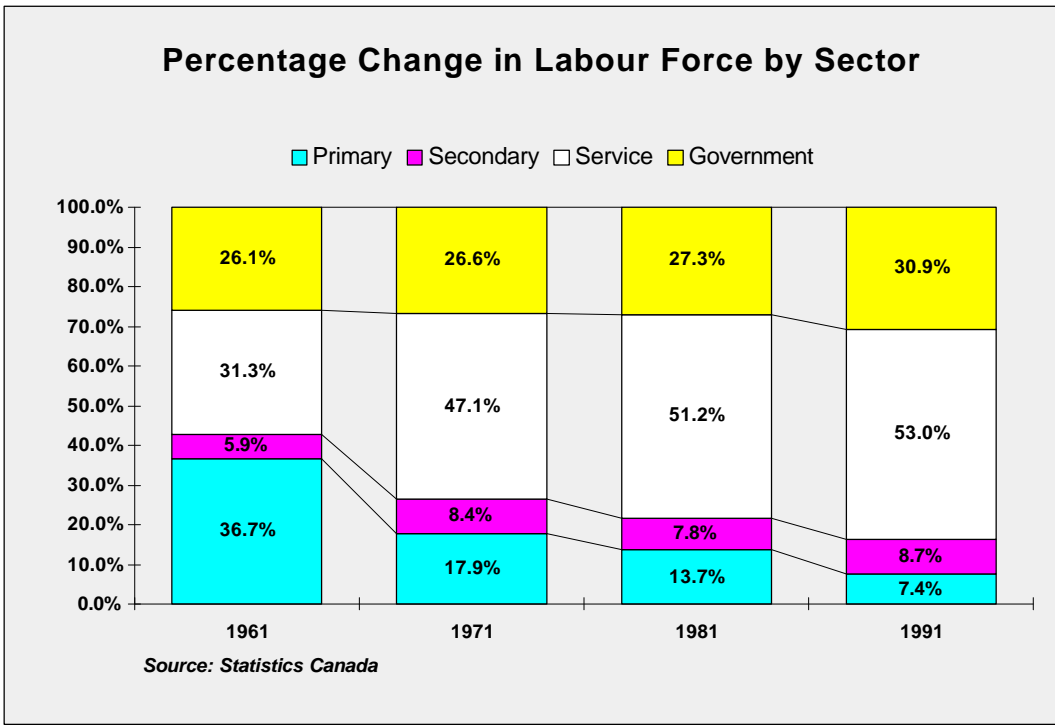
Of course, these are merely predictions. There could be fewer jobs created or there could be more, depending largely on the economic viability of diamond mining in the NWT, but according to EMPR officials, hundreds of kimberlite

pipes have yet to be discovered in the Canadian Shield, and while the vast majority of them will not prove economic, the mere chance of finding a multi-million dollar deposit is sufficient incentive to keep exploration companies busy in the north for many years to come.

A Department of Northern Affairs publication has already listed 19 “promising” mineral deposits in the NWT, 15 of which would be favourably impacted by the construction of a port and/or road. The publication also cited three promising deposits in the Keewatin and one in the South Slave region. Moreover, even if prospectors don’t find economical diamonds, we can reasonably assume close scrutiny of millions of hectares of land will lead to the discovery of economical deposits of gold and base metals.

Service Sector

Like the rest of Canada (and indeed the entire industrial world) the NWT has witnessed major sectoral shifts over the past several decades. Although the goods-producing sector — especially mining — still dominates *private* territorial income and employment, it has nonetheless declined steadily in relative



economic importance over the years. Conversely, the service sector (both private and public) has grown steadily. As shown below, the percentage of people working in the NWT primary sector (e.g. mining, fishing, hunting) declined by almost a third between 1961 and 1991, from 36.7% to 7.4%, while the percentage of people working in the service sector grew by more than 20%, from 31.3% to 53.0%. (Employment in secondary, or manufacturing, industries has also grown slightly.)

Among other factors, changes in the sectoral distribution of GDP reflect fluctuations in the prices of the sector outputs — in the NWT, particularly the world price of minerals — and the closure of the Pine Point and Tungsten mines in the 1980s, for example. But more importantly, they also reflect technological change. Simply put, technological innovation has allowed NWT mining companies (and virtually all industries) to produce the same amount output with fewer workers today than 20 years ago. Significantly, it has also allowed them to pay their employees higher average wages and still remain competitive in an increasingly competitive global economy.

According to the Economic Council of Canada, almost 90% of national employment growth since 1967 took place in the service sector, and virtually all net new jobs created in the 1980s were service sector jobs. The NWT has experienced a similar trend, as evidenced by the tremendous commercial growth in Yellowknife and regional centres over the past decade. The relative importance of the mining industry has rendered this trend somewhat less dramatic than in the rest of the country, and indeed development of a few of the mineral prospects discussed above might well reverse the trend, but they would also be accompanied by growth in the construction industry and all manner of direct, indirect and induced services, from expediting, retail and wholesale to transport, communications, utilities finance and insurance and many more.

According to a recent study of business opportunities in the mining industry, the NWT's operating mines spent \$207.6 million on goods and services, of

which only \$35.2 million, or 17%, was spent in the NWT. Similarly, NWT business captured only \$11.3 million, or 29%, of the \$39.4 million spent on exploration in 1992. The study concluded local businesses could increase their share of mining expenditures considerably — provided they become more aggressive in pursuing these opportunities and improve their management and marketing skills — especially in the provision of: assay services, safety training, plumbing supplies and other construction materials, catering, and geological and engineering services.

Tourism

Although the nature of tourism offerings and the level of product development vary considerably among regions, the NWT tourism industry can be classified into three basic product types: outdoor adventure; fishing and hunting; and auto touring.

Increasing international interest in the kinds of natural and cultural attractions the NWT has to offer bodes well for further development of the outdoor adventure segment. According to ED&T's new marketing strategy, Canada's low inflation and exchange rates are starting to improve visitation, and the NWT has only just begun to capture a share of the growing "gray travel boom" — i.e. the ever-increasing number of affluent retirees who have the time, resources and desire to engage in "soft-adventure" focused on history, nature and wildlife viewing, culture, crafts and ecotourism. By the turn of the century roughly one-third of the American population will have joined this huge potential travel market. In addition, younger North American and European adults are exhibiting a growing interest in soft adventure as well as hard adventure products, like kayaking/canoeing, dogsledding, hiking/backpacking and cross-country skiing, especially when packages include contact with aboriginal people. In fact, high-yield outdoor adventure is the fastest growing segment of the travel industry, both here and virtually everywhere else in the world. It is also relatively recession-proof, and will likely supplant fishing,

hunting and auto touring as the NWT's principal tourism revenue-generator in the years ahead.

As for the NWT's traditional consumptive tourism products, although sport fishing is not considered a growth market, there are nonetheless an estimated 12 million anglers in North America, and the NWT would have to attract only a tiny percentage of that group to keep the territorial industry viable. Likewise, NWT outfitters need only entice a fraction of the international big-game hunting market to make a respectable profit. The fact that the number of hunters appears to be growing at a modest rate while opportunities for big-game safaris are diminishing worldwide augers well for future demand, as does the fact that the NWT has a near-monopoly of some animals and is considered the "last frontier" by the North American hunting community. Nonetheless, while sport fishing and hunting is still the largest generator of tourism revenues in the NWT, fishing in particular will face intense competition to maintain its share of a mature continental and international market. Consumptive tourism will also have to contend with competing domestic use of limited fish and game populations.

While auto touring, at roughly 13,000 trips annually, is currently the largest single source of territorial visitors, these tourists spend relatively little during their travels, compared with the other two types of visitor. Further, road travel is only possible in the southwestern and northwestern portions of the territory. According to the strategy, the NWT could also capture a far greater share of the North American rubber tire traffic, provided the right attractions and services are in place to draw motorists away from more traditional — and far less costly — North American holiday travel routes.

Arts & Crafts

Arts & Crafts is a significant economic factor in the Eastern Arctic, and research indicates there are large untapped international markets for Inuit

producers, as well as potential for increasing the NWT's share of the domestic gift and souvenir markets.

Some progress has already been achieved in the American market, as we saw. Overseas, there is now a gallery in Korea and development work is underway in Japan.

Further success in tapping into art markets will depend largely on artists maintaining high standards of quality. Success in exploiting the gift and souvenir market will depend on artisans' ability and willingness to supply the kinds of products the market wants at a price the market dictates. According to a 1993 survey, the majority of Canadian retailers consider NWT arts & crafts to be above average in terms of quality, but many also said they were overpriced. One cautioned that increasing competition from high-quality but less expensive Latin American and African products could threaten the NWT's existing share of the domestic market. As well, recent NWT tourist surveys indicate higher domestic souvenir sales will require greater product variety and price sensitivity.

Arts and crafts is quite a lucrative occupation for true Inuit sculptors, a few of whom earn \$100,000 or more a year. But for the majority of non-salaried Inuit and Dene artists and artisans it will likely remain only a source of occasional supplementary income for a dwindling few — dwindling because fewer and fewer young people have the skills necessary to produce traditional arts and crafts, and many of those who do are unwilling to accept the extremely low returns from a time-consuming and painstaking occupation. Noteworthy in this regard is the fact that the NWT Craft Society's Yellowknife retail store was forced to close last year for lack of salable products.

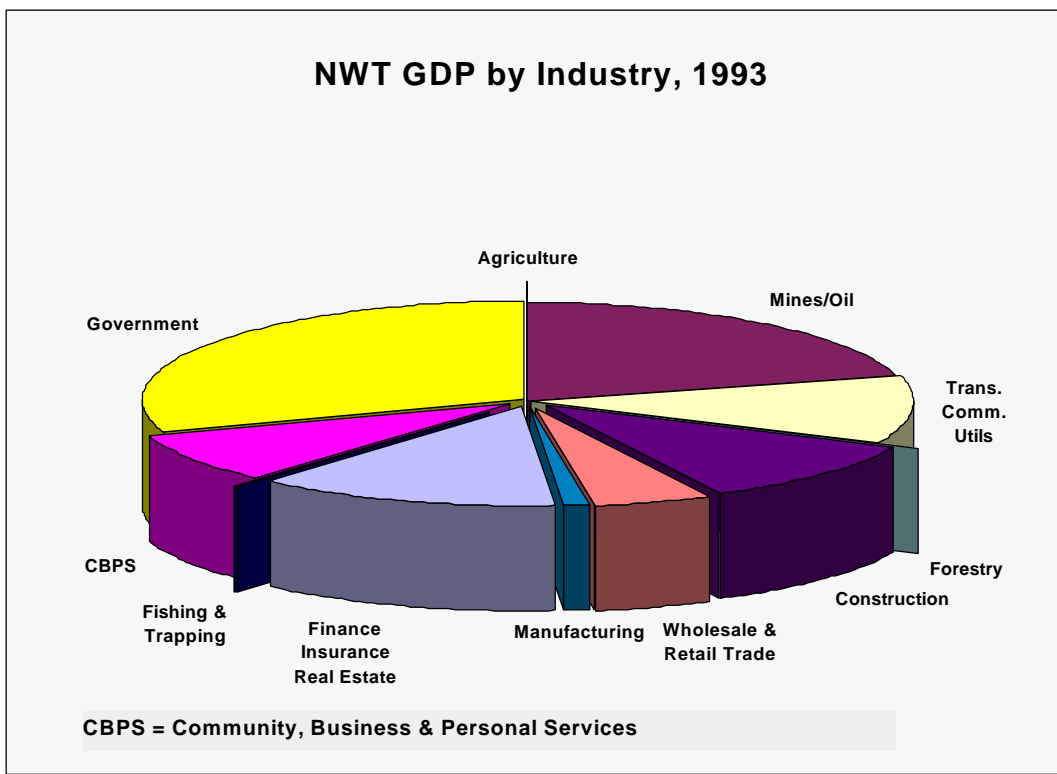
Renewable Resource Industries

The NWT's forestry sector appears to have been rejuvenated at an opportune time, and with proper management has the potential to become a significant supplier of NWT construction materials once the boom precipitated

by U.S. natural disasters winds down. Forestry Canada estimates the total gross volume of merchantable NWT timber (10 cm stump diameter) is 446 million cubic metres, of which 71% is coniferous.

After many years of trial and error, food processing is making encouraging inroads in terms of import replacement. In Cambridge Bay, for example, Kitikmeot Foods processed some 2,200 caribou for domestic consumption, as opposed to some 350 only two years ago. Further development, especially in large markets like Yellowknife, will require a willingness and ability on the part of producers to supply country food products on time and to market-determined standards. Any future relatively large-scale development in the South Slave — the NWT's prime traditional agricultural region — will depend first and foremost on ready access to commercial land, which in turn will require policy changes.

For a few energetic entrepreneurs, commercial fishing can yield a decent living, but for several hundred northerners involved it will probably remain only a small, yet important source of cash supplements for many years to come.

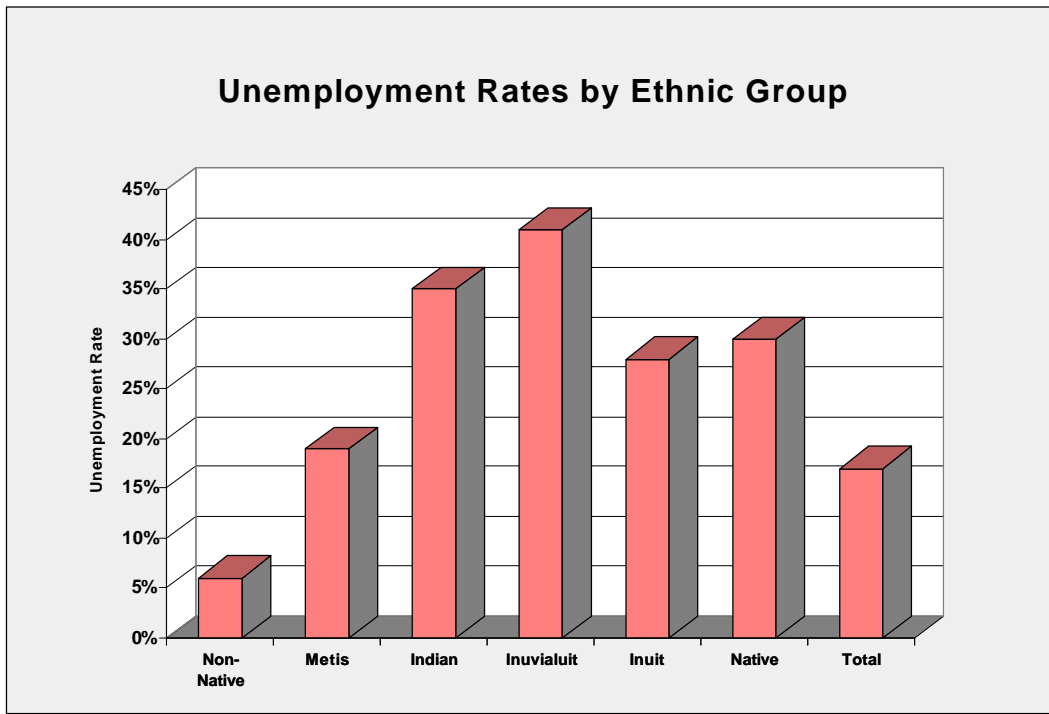


Realistically, unless there is a drastic and unexpected turnaround in the long-term effects of anti-fur lobby, fur trapping will have a very hard time regaining its former economic importance.

Land Claims

Land claims are another actual and — in the case of unsettled claims — potential source of new investment, but these inflows would be relatively small. Not counting mineral royalty shares, the Nunavut, Gwich'in and Sahtu claims provide for about \$795 million over 15 years. Assuming outstanding claims in the Fort Smith Region are settled on a similar per-capita basis, the average potential annual capital inflow would be about \$82 million for 15 years, or about 3.8% of current GDP, although some of this will understandably be invested in ventures outside the NWT.

Claim settlements will undoubtedly generate some direct employment in self-government organizations and native development corporations, etc. There will also be spin-off opportunities for construction companies to build the infrastructure required by these organizations, as well as for retail and other



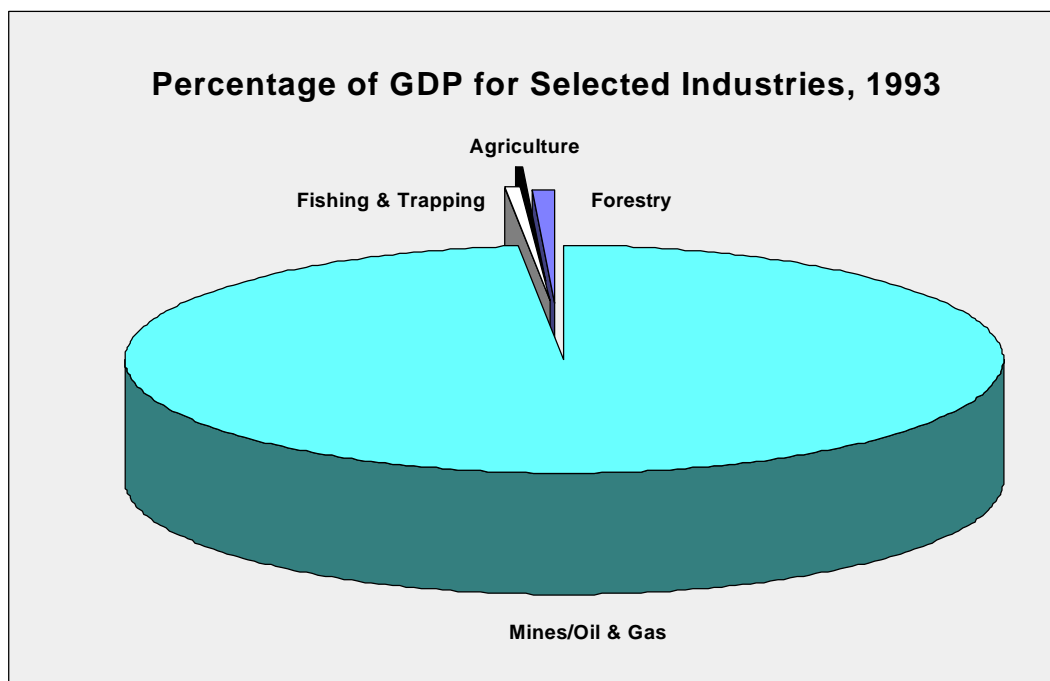
service businesses. However, settlements in themselves should by no means be viewed as panaceas for unemployment, as is evident from the fact that the Inuvialuit — who have benefited from a settlement for the past decade — have the highest unemployment rate of any territorial ethnic group.

Probably the biggest economic benefits flowing from settlements will be removal of uncertainty surrounding land tenure, which has been a significant impediment to mineral development in the past. In addition, joint ventures with mining and exploration companies may well prove to be lucrative investment targets for claims capital.

Conclusion

In the final analysis, only mining and the service sector are likely to provide considerable numbers of new jobs for the majority of territorial residents looking for work in the NWT over the next 10 years and beyond.

This is not to say that there won't be any new jobs in, say, small-scale manufacturing or construction, but future prosperity in these sectors — and indeed the service sector, for that matter — will depend heavily on future mineral



developments (including, eventually, petroleum). As for the renewable resource industries, like arts and crafts and tourism, they can be important, albeit mostly seasonal and/or erratic, sources of supplemental cash and income “in kind” (not to mention welcome alternatives to welfare) for many. But sheer numbers favour mining in the long run. A single mine provides more person-years of direct and indirect employment than the commercial fishing, forestry, trapping and agriculture sectors combined. Conversely the GDP contributions from the renewable industries could double or triple without significantly affecting overall territorial unemployment rates.

Of course there are also some 25,000 existing jobs, many of which will become available to future job seekers through normal attrition. Moreover many of these jobs — like teachers, nurses, tradespeople and thousands of managerial positions, for example — are currently filled by people recruited from outside the NWT primarily because there are not enough northerners qualified to fill them.

According to the 1994 labour force survey, approximately 61% of all NWT jobs are held by non-natives. While not all non-natives are non-northerners, a large percentage of them can be expected to vacate their positions and leave the territory long before the normal retirement age, thus opening up thousands of additional jobs for northerners who do gain the education and training needed to fill them. Evidently this is already occurring, because the percentage of jobs occupied by non-natives has declined from 62% in the 1989 study and 66% in 1984. Still, even if northerners suddenly assumed two-thirds of the 15,800 jobs currently held by non-aboriginals, we would still be left with some 9,000 aboriginal people who said they wanted work but couldn't find it.

Moreover, educational levels will have to improve dramatically before significantly more northerners are in a position to assume existing skilled positions. According to the 1991 Census, 27% of NWT residents had only Grade 9 or less, compared with 14% for Canada, and only 25% of northerners had

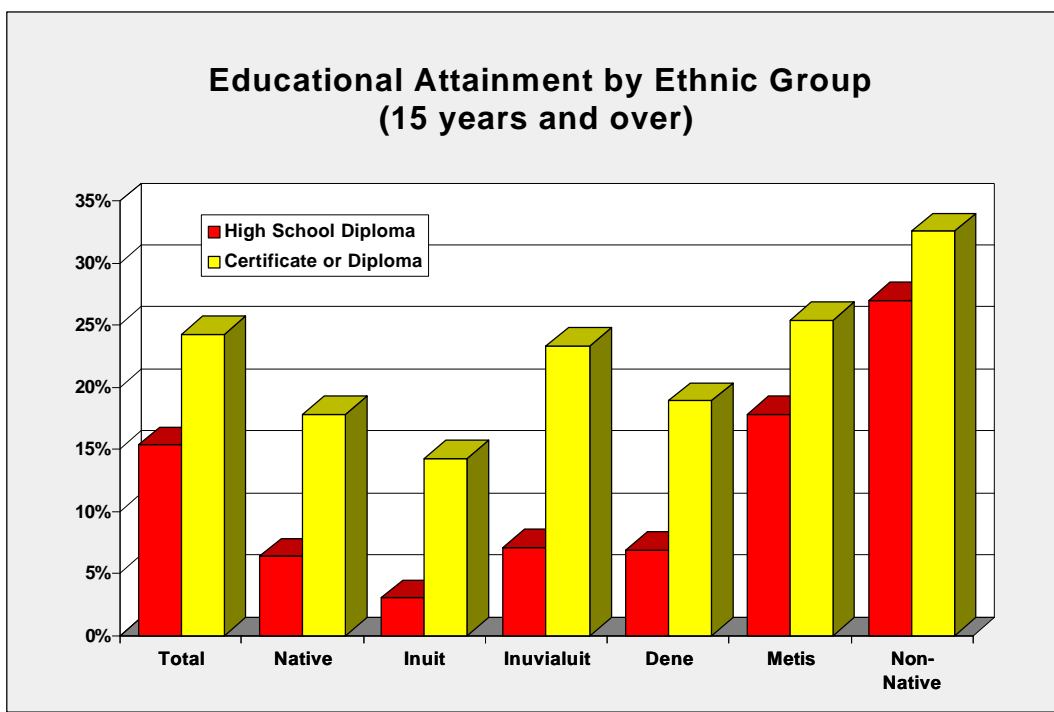
Grade 9-13, as opposed to 42% nationally. Further, only 69% of territorial 15-18 year-olds were attending school on a full-time basis — by far the lowest percentage of all provinces and territories, and 16% fewer than the national average:

Percentage of 15-18 Year-Olds Attending School Full Time,

Canada	85%		
NWT	69%	Ontario	86%
Yukon	80%	Quebec	85%
British Columbia	82%	New Brunswick	85%
Alberta	82%	Nova Scotia	87%
Saskatchewan	82%	PEI	86%
Manitoba	82%	Newfoundland	85%

Source: 1991 Census.

The situation among native people — i.e. those with the highest unemployment rates — is even more dismal, as shown in the chart below.



According to the Economic Council of Canada, growth in the prominence of the service sector and increasing automation in virtually all workplaces is leading to greater demand for highly skilled occupations, declines in demand for mid-level skill requirements, and stable demand for low-skill employees.

The Council has also observed that skill requirements are more polarized in the service sector than in the goods sector (which is characterized by intermediate skill requirements). This has given rise to greater polarization in annual earnings — the “declining middle” phenomenon — in which there are more people with both high and low incomes, and fewer people with mid-range incomes.

Broadly speaking, there are two classifications of service jobs: the highly skilled, well-compensated and relatively secure; and those which are comparatively low-skilled, poorly paid and tenuous. Many of the latter are part-time jobs (conventionally defined as those involving less than 30 working hours per week).

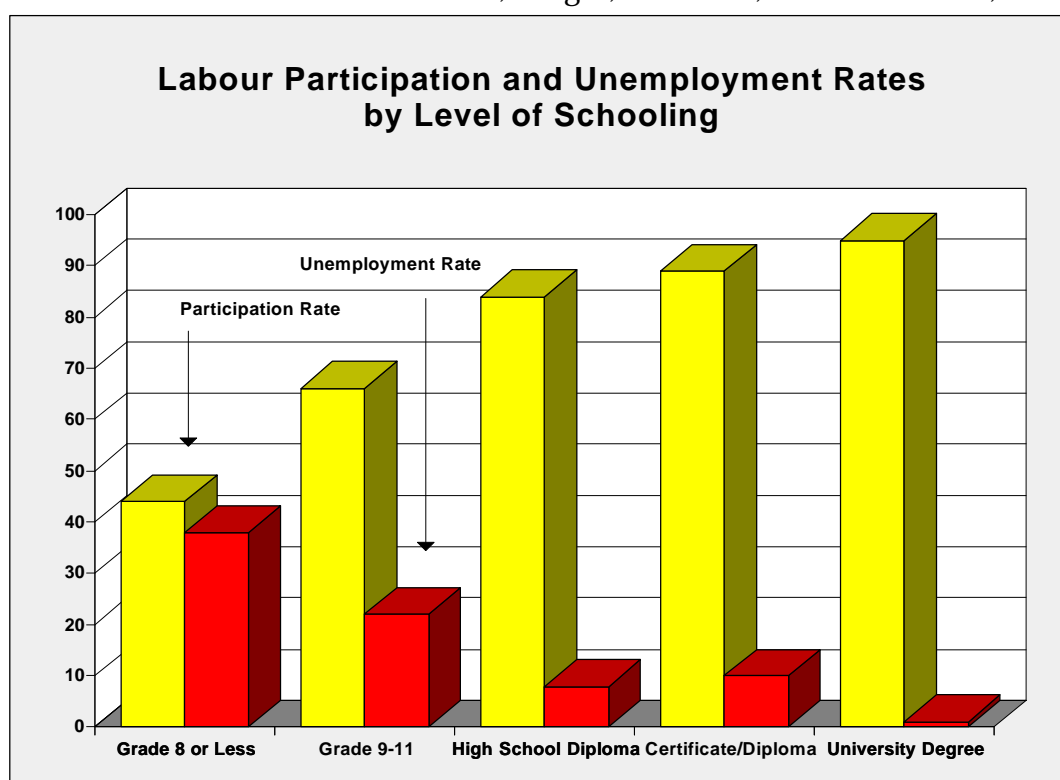
The Council estimates that part-time jobs in Canada grew from 4% of total employment in 1953 to 15% by the mid-80s, and that involuntary part-time employment — i.e. jobs which incumbents wish were full time — now account for about a quarter of all part-time employment.

Comparable data is not available for the NWT, but recent growth in the retail and restaurant sectors — i.e. frequent employers of part-time help — would indicate a similar trend is underway here, especially considering that NWT companies are subject to many of the same labour codes which encourage an increasing number of employers to hire part-time help over full-time employees with full benefits.

While it is true that a degree or diploma no longer guarantees employment, it is also true — in fact more true now than ever — that education is crucial in determining who will get those jobs which are available (see chart on next page). The stark implication is that unless educational levels show marked

improvement, many, if not most, young northerners will face a grim choice between what are commonly called “McJobs” and no job at all. On a brighter note, for those who do get the education and training needed for existing and forthcoming employment opportunities — and are willing to relocate, if necessary, to take advantage of them, either permanently or on rotation — job prospects are at least as good as, and probably better than, those facing young people anywhere else in Canada, and indeed most of the Western world.

For those unwilling or unable to secure modern economic skills, there is another possible, though by no means easy, alternative: the mixed economy. We have seen that the traditional occupations — hunting, fishing, trapping and arts & crafts — have limited employment and income potential for most. However they can, and do, contribute substantial income in kind, which is the main economic reason why these occupations are still practiced pervasively today. In fact, outside the major government and resource-extraction communities, the NWT economy is predominantly a mixed economy, i.e. one in which cash from transfers, wages, fur sales, arts and crafts, and



tourism receipts, for example, supplement income in kind (i.e. food and animal byproducts) obtained from hunting and fishing.

According to various wildlife harvesting studies, the imputed value of country food is about \$50 million. According to the Statistics Bureau's 1989 labour force survey, over half the working-age native male population hunt and fish, and 73% of them also work during the year. Similarly, 51% of native women who produce arts and crafts are also involved in the wage economy.

Working-Age Native Participation in Traditional Occupations			
Percentage Who Engaged In:			
	Hunting & Fishing	Trapping	Arts & Crafts
Men	56%	25%	14%
Women	29%	5%	38%
Total	43%	15%	26%
And Worked During the Year:			
Men	73%	64%	62%
Women	55%	48%	51%
Total	67%	61%	54%

Source: GNWT Statistics Bureau.

Studies by Stabler, Tolley and Howe, and others, have shown that most people allocate their time between traditional activities and wage employment according to the amount of wage employment available. In other words, they will hunt, trap and fish more frequently when jobs are scarce locally. This is especially true of young people, who generally have higher levels of formal education than their parents and are therefore better equipped for work in the modern economy.

Studies have also demonstrated that the imputed net value of country foods tends to outweigh the costs of harvesting. As long as this is so, and as long as the benefits also outweigh the opportunity cost of not working — i.e. provide more income than is possible through wage employment — then subsistence harvesting makes economic sense. Given uncertain future employment

prospects, the opportunity cost for many might often be zero (because there are no jobs available to them) in which case it would definitely be worthwhile trying to maximize returns from the mixed economy.

Of course that would mean people will have to retain the skills required to participate profitably in the traditional economy, or in the case of many young people today, learn them virtually from scratch.

Success will also entail acquiring some business acumen. Study after study on renewable harvesting, tourism, arts and crafts in the NWT have all concluded that northerners could significantly improve their economic situation if they had a better understanding of how the wider commercial world operates and possessed even the rudimentary business skills needed to make the most of that world.

Success will also require a willingness to adopt modern, productivity-enhancing technologies. New technologies in hide tanning, for example, could be the deciding factor in successful craft businesses by making their producers competitive, or new techniques for butchering meat might make or break a wildlife harvesting operation.

In the end, there is no escaping the technological imperative and the need to acquire the knowledge, skills and flexibility to take advantage of it, even in a mixed northern economy.