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***Nwt Business Opportunities In The Nwt
Mining And Mineral Exploration Industry -
1993 And Beyond***

Type of Study: Analysis/review

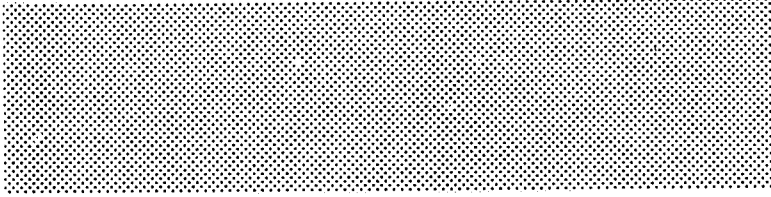
Mining/oil/energy, Nwt Minerals General

Date of Report: 1994

Author: Avery, Cooper & Co.

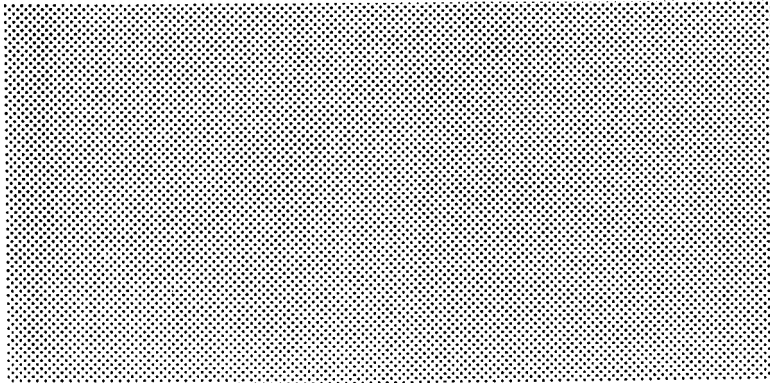
Catalogue Number: 6-3-65

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**NWT BUSINESS OPPORTUNITIES “
IN THE
NWT MINING AND MINERAL
EXPLORATION INDUSTRY
1993 AND BEYOND**





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1993 AND BEYOND**

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March, 1994



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9.0 SUPPLEMENT AVAILABLE ON REQUEST CONTAINING A COPY OF EACH OF THE QUESTIONNAIRES DIRECTED TO:

- MINING COMPANIES;
- EXPLORATION COMPANIES;
- FINANCIAL INSTITUTIONS;
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EXECUTIVE SUMMARY

INTRODUCTION

This report was commissioned by Energy, Mines and Petroleum Resources (GNWT). We were requested to develop a strategy and options for increasing the market share of NWT based businesses in the mining and exploration industry of the NWT.

The objective was to determine whether or not there is an opportunity for the NWT business community to expand their market share in the NWT mining and exploration industry. If so, make recommendations which may assist the NWT Business Community in accessing the opportunity.

SURVEY RESULTS

A survey was conducted to determine the amounts, types of goods and where the goods were purchased at existing NWT mines.

In 1992, the operating mines in the NWT spent \$207,598,000 on goods and services; only 17% or \$35,218,000 of this was spent in the NWT.

In 1992, basic and advanced exploration expenses were \$39,372,000 for goods and services; only 29% or \$11,362,000 of this was spent in the NWT.

Estimated capital, operating and exploration costs of northern mineral industry for the period January 1, 1993 to December 31, 1998 is \$2,294,400,000 (see Table 3.4, page 21).

The consultants estimate that five additional new mines will come into production before December 31, 1998 (see page 20). Total expenditures in 1996 will rise to over \$600 million.

NWT businesses are predominant in these areas:

- Expediting services;
- Aircraft charters;
- Fuel sales;
- Lumber sales;
- Explosives sales;
- Accommodation; and
- Food (does not include catering).

Mining and exploration industry found the following concerns with northern businesses based on the 1993 NWT Chamber of Mines Exploration Survey:

- 16 companies complained of the high cost even after shipping costs were considered;
- 11 companies complained that suppliers were not available;

- 9 companies cited lack of service;
- 8 companies were not aware of northern suppliers who could fill their orders; and
- 8 companies cited lack of quality.

Northern businesses had these concerns with the mining industry:

- difficult to break into the market due to the lack of accessibility; and
- tendering for goods and services only done on a very limited basis.

Conditions that negatively impact on northern businesses:

- higher costs for labour, space, utilities and transportation;
- direct competition with the manufacturer and/or the national distributor;
- a southern based general and professional labour force who are prepared to work for less money due to the current shortage of work i.e. professional geologists for \$ 150.00/day; experienced general staff at minimum wages; and
- unreasonably long time required by some lending organizations to reply.

Northern businesses need to improve:

- management skills;
- marketing knowledge;
- knowledge about the operating principles of the mining and exploration industry;
- their initiative, they became too dependant on government for their market share; and
- access to a skilled and knowledgeable work force that will enable the business to meet demand.

New mining operations provide the greatest potential for the NWT business, providing the business community initiates contact before their purchasing policies, sources of supply and services have been established.

Actions required to improve the performance of NWT business:

Government of the Northwest Territories:

- process for applying and obtaining loans and/or contributions must be streamlined. Time frame is too long and requires too much time of the limited human resources of small and medium sized businesses.
- mining industry requires quality, dependable products and services at competitors prices, The GNWT must demand the same. The GNWT must monitor and evaluate the performance of contractors providing services and/or products to the GNWT and their agencies.

- grants should be discouraged. They have not proven to provide long term economic benefits to local communities generally throughout Canada.
- benefit agreements, licences, special development agreements should encourage the use of northern suppliers and employment of northern residents.

NWT Business Credit Corporation:

- security requirements are unrealistic, costly and the approval process is too long.
- should effectively communicate their pre-approval process for bonding insurance loans.

Department of Economic Development and Tourism:

- staff requires more training and knowledge about sources of funding and training courses available. Economic Development & Tourism should provide easy to read information, material and booklets on all those programs.
- must encourage cooperation between funding federal and territorial agencies to assist the applicant.

Department of Education, Culture & Employment/Arctic College:

- training programs are essential. Development, delivery and evaluation of the programs must involve the community, the industry, educational professionals. Minimum level of education is grade 10. Individuals must be functionally literate in english and mathematics-

The Department of Energy, Mines and Petroleum Resources:

- sponsor reverse trade shows with the NWT Chamber of Mines and the mining community.
- coordinate NWT business participation in national and international mining conferences and monitor results.
- arrange for special hotel rates for those participating in the mining and exploration industry forums.
- be an evaluator of any training courses directly related to the mining industry to insure that long term benefits are realized.

Municipal governments should consider special arrangements to attract new, but non-competing businesses and industries to their municipality. Municipal government should be one of the joint venture partners participating in trade shows, locally, nationally and

possibly internationally.

GENERAL COMMENTS

NWT business community should take the following actions:

- join the Chamber of Mines;
- make a commitment to service quality;
- training, training and more training;
- learn how to market to a specialized industry;
- improve your communication skills;
- consider the possibilities of joint ventures i.e., warehousing, shipping, etc. with other NWT businesses;
- participate in local, national and international trade shows;
- constantly seek new sources of supply;
- determine ways to reduce shipping costs;
- strive to improve your financial and human resource management;
- find out why your business lost customers and/or contracts; and
- encourage communication and cooperation between all business organizations. i.e., Chamber of Commerce, Mines, Construction Association, etc.

NWT mining and exploration companies:

- understand the economic and political realities for the viable, long term, economic growth of the NWT;
- mines to consider expanding their tendering for goods and services; and
- encourage meetings between your purchasing agents, and the NWT businesses. This should happen locally as well as territorially.

The advantages of NWT based businesses are:

- the ability to understand local concerns and problems;
- the ability to supply services more quickly;
- the personal contacts of a supplier in a northern community; and
- the ability to provide northern foods.

The advantages of southern based businesses are:

- mine administration purchasing personnel have developed relationships and track records with southern based suppliers;
- searift lowest cost method of shipping supplies for fly-in/fly-out mines;
- convenience of personal accessibility to southern based suppliers;
- usually have more human resources committed and trained in

marketing;

- ♦ the current recession has resulted in the availability of human resources prepared to accept substantially lower levels of remuneration in the south; and
- ♦ warehousing space and utility costs are substantially lower in most southern areas.

CONCLUSION

NWT business can acquire an increased portion of the mine service market provided some or all of the actions above are taken.

Growth potential is possible for NWT businesses in these areas:

- the provision of assay services;
- the provision of safety training;
- the provision of valve and plumbing supplies;
- the provision of catering services;
- the provision of construction materials; and
- the provision of geological and engineering services.

The long term economic health of the NWT requires the expansion and growth of the NWT business community, increased employment of northern residents, reduced dependence on non repayable contributions and the social services system.

The business community has to demonstrate clearly their commitment and desire to supply the mining industry with quality, dependable products and services at competitive prices.

The Government of the NWT, particularly the Department of Energy, Mines & Petroleum-Resources, Economic Development and Tourism, Finance, Education, Culture & Employment, NWT Development Corporation and the NWT Business Credit Corporation each have a responsibility that can positively or negatively impact on the potential opportunities.

Communication is essential between federal and territorial departments, agencies, and crown corporations which are involved in supporting and/or encouraging business development in the NWT. Cooperation, not competition, with each other can result in long term benefits to the business community and the economic well being of the NWT.

Governments, as well as businesses, must provide quality service.

1.0 INTRODUCTION

1.1 PURPOSE

The purpose of this study is to provide Northerners, northern businesses, and the Government of the Northwest Territories (GNWT) with more detailed information on the types of purchases made by the NWT mining and mineral exploration industries in the NWT and to suggest methods to increase the percentage of these purchases that are made in the Northwest Territories.

1.2 OBJECTIVES

The objectives of the study are:

- to encourage NWT businesses to aggressively pursue a larger market share of the goods and services required by the mining and mineral exploration industries in the NWT; and
- to encourage governments at all levels, NWT businesses, NWT financial institutions, organized labour, business groups and educational institutions to seek out areas of common interest and, through these efforts, improve the overall economic viability of the NWT.

1.3 BACKGROUND

In 1987 Stevenson, Kellogg, Ernest & Whinney produced a report entitled "Strategies to Improve Northwest Territories Business Opportunities Related to Mining and Exploration". The significant increase in mineral exploration and the potential for new mines has led the GNWT'S Department of Energy, Mines and Petroleum Resources to update and expand on this information in order that the "government, communities and businesses can take advantage of the industry's expansion.

1.4 METHODOLOGY

This study was undertaken in 1993 by the following three firms:

Avery, Cooper & Co.	Yellowknife, NWT
Nor-Mac Management Services Ltd.	Yellowknife, NWT
Hornal Consultants Ltd.	Vancouver, BC

Each company and their principals have many years of experience in business, the mining industry, and in government in the Northwest Territories.

Research for this study is comprised of two main parts including a literature and data review, and a series of interviews and questionnaires with representatives of

the mining and exploration industry, suppliers, governments and financial institutions. The consultants prepared the questionnaire for the study.

In order to assess the demand for goods and services by the NWT mineral industry, the consultants reviewed:

- the Northwest Territories Chamber of Mines' Survey of Exploration Companies conducted annually from 1988 to 1993;
- statistics and information on the NWT mineral industry provided by the federal departments of Indian Affairs and Northern Development and Energy, Mines and Resources, the territorial departments of Energy, Mines and Petroleum Resources and Economic Development and Tourism and the Northwest Territories Chamber of Mines; and
- the 1987 Stevenson Kellogg Ernest & Whinney Report.

The consultants contacted the six operating mines in the Northwest Territories and asked them to complete the questionnaire. All of the operating mines completed the questionnaire.

The consultants contacted sixteen companies which had conducted exploration programs in the NWT in 1992 and whose annual expenditures exceeded \$1 million dollars and asked them to complete the questionnaire. Seven companies completed the questionnaire.

The consultants also received a completed advanced exploration questionnaire from Metall Mining Corporation (formerly Minnova inc.), which conducted advanced exploration on their Izok Lake property during 1992.

All questionnaires were accompanied by a letter from the NWT Chamber of Mines supporting the project and encouraging participation.

The results from the completed questionnaires were tabulated and then compared to previous surveys. Trends were identified and anomalies were noted. The future of the industry was forecast and opportunities were identified.

In order to assess the ability of businesses in the NWT and in the south to provide the required goods and services, the consultants also interviewed suppliers of goods and services in the NWT and south of the 60th parallel.

Chartered banks and other lending institutions who provide services to the NWT business sector were interviewed to determine financial challenges facing northern businesses.

All of the information and data that was collected and reviewed has been utilized to formulate the study's recommendations on how to increase NWT businesses' share of the purchases made by the NWT mining and mineral exploration industry.

1.5 **ACKNOWLEDGEMENTS**

The consultants extend their sincere thanks and appreciation to the mining and mineral exploration companies for their time, effort, patience and understanding in responding to the questionnaires.

The Department of Energy, Mines and Petroleum Resources, in this study provided significant support and assistance during the project which was greatly appreciated.

Our thanks to those businesses both north and south of the 60th parallel who consented to being interviewed for this project.

The assistance and support provided by business and professional associations was a significant benefit. In particular, we would like to note our appreciation to the NWT Chamber of Mines for its support.

The data included in this report is a compilation of information gathered through questionnaires and interviews. The conclusions and recommendations contained in this report are those of the consulting group.

2.0 GOODS AND SERVICES IN DEMAND

The results of the survey of the mining and mineral exploration companies are given in Tables 2.1, 2.2 and 2.3 (see pages 5, 13, and 15).

These figures show the value of the mineral industry's requirements for 1992 by category of goods and services purchased. Table 2.1 shows the requirements of the operating mines; Table 2.2 shows the requirements of exploration parties; and Table 2.3 shows the requirements of an advanced exploration project.

The figures have been calculated by examining the detailed breakdown of expenditures for the six operating mines, seven companies involved primarily in basic exploration and the one company involved in advanced exploration. The basic exploration costs for the seven companies who responded to the questionnaire have been proportionally adjusted upward so that the total of this table corresponds to the total exploration expenditures in the NWT in 1992 as determined by the NWT Chamber of Mines Survey, March 1993.

Northern Preference Policy - The results of the survey indicate that three (3) companies (mining and exploration) out of eight (8) stated they had a northern preference policy. Five (5) stated they did not have a policy but that they did buy northern when the product was available and the price was competitive.

2.1 PURCHASES OF OPERATING MINES

Table 2.1 (pages 5 to 7) summarizes the purchases of the six operating mines in the NWT in 1992. The purchases have been divided into types of commodities and a total value of goods purchased is given for each type of commodity. Also shown is the value of goods purchased in the NWT by commodity, the percentage of goods purchased in the NWT and the origin of purchases outside of the NWT where this was known.

1992 Operating Mines

Type of Purchase	Total Value Purchases (\$000)	Northern Purchases (\$000)	% Northern	Origin of Purchase Outside the NWT When Indicated
Containers & other shipping/packaging materials	\$31	\$1	3	PQ
Process, operating, maintenance & repair supplies (excludes fuel)	3,117	98	3	ON
Explosives & blasting supplies	4,403	2,848	65	pa
Collection reagents for concentrating ores	3,785	0	0	AB, Europe
Water treatment chemicals	1,373	0	0	AB, UK
Lumber & timber	461	377	82	PQ
Lubricating oils & greases	1,379	125	9	ON, PQ
Rock drill steel rods & bits	327	0	0	ON
Rock drill bits sharpening	10	0	0	
Steel equipment rentals	419	0	0	
Valves & plumbing supplies	851	76	9	ON
Repair &/or replacement parts for trucks, tractors & other	3,365	446	13	AB, BC, ON, US
Repair &/or replacement parts for mining & other ore dressing machinery & equipment	13,436	965	7	AB, BC, ON, US
All other supplies (e.g. welding, cement, hand tools, cables etc.)	13,624	1,181	9	AB, ON, PQ
Engineering services	225	155	69	
Geological services	116	54	46	
Geophysical services	60	0	0	ON
Geotechnical services	2	1	50	
Assay services	24	20	83	
Other laboratory work	12	<1	5	
Contract mining services	2,868	2,287	80	ON
Accommodation & catering	3,533	216	6	
Undefined professional services	10,000	6,500	65	

1992 Operating Mines (cont'd)

Type of Purchase	Total Value Purchased (\$000)	Northern Purchases (\$000)	% Northern	Origin of Purchase Outside the NWT When Indicated
Gasoline	154	154	100	
Diesel oil	7,243	1,791	25	Finland
Fuel costs for power generation (only)	6,228	4,480	72	Finland
Light & heavy fuel oil	885	885	100	
Liquified petroleum gases	753	753	100	
Electricity purchased	7,676	7,676	100	
Other fuel	627	403	64	Finland
Smelting/refining treatment charges for processing ores, concentrates, etc.	74,641	0	0	ON, Germany
Amount paid to contractors for work done on materials owned by this establishment or for work performed for mining operations	4,723	640	14	
Amount paid to contractors for non-capitalized repairs & maintenance to buildings, machinery	184	28	15	
Materials & supplies used in new construction produced by own labour force for own use	93	2	2	
Materials & supplies used in production &/or installation of any machinery by own labour	4,847	97	2	
Office supplies	339	53	16	AB, ON
All other purchased materials	3,840	161	4	
Furniture or furnishings	60	0	0	ON, PQ
Motors, generators	48	0	0	
Transportation equipment (cars, ATV'S, trucks)	478	0	0	ON
Other machinery & equipment	11,739	845	8	ON, Netherlands

1992 Operating Mines (cent'd)

Type of Purchase	Total Value Purchased (\$000)	Northern Purchases (\$000)	% Northern	Origin of Purchase Outside the NWT When Indicated
Winter road management & maintenance	\$4,320	\$86	2	
Medevac costs	172	22	13	
Air transportation	10,693	1,017	10	PQ
Airstrip management	329	0	0	
Nursing station operation	618	369	60	
Weather station operation	9	0	0	
Firefighting, rescue and safety equipment	479	32	7	AB
Safety training	549	181	33	
Other contract services (sealift)	2,450	192	8	
Total	\$207,598	\$35,218	17	

Table 2.1

An examination of Table 2.1, shows that in 1992 only 16% of office supplies are purchased in the NWT and that most catering is still done by southern based firms (94%). All fuel, with the exception of that used by Polaris and Nanisivik, is purchased in the NWT.

There is as yet no northern business which supplies replacement parts for mining equipment. This is not surprising considering the diversity of equipment used in northern mines.

Mining companies purchased 25% or more of the following items in the NWT:

	<u>% Purchased in the NWT</u>
Electricity purchased	100%
Gasoline	100%
Light & heavy fuel oil	100%
Liquified petroleum gases	100%
Assays	83%
Lumber & timber	82%
Contract mining	80%
Fuel for power generation	72%
Engineering services	69%
Explosives & blasting supplies	65%
Undefined professional services	65%

Other fuel	64%
Nursing station	60%
Geotechnical	50%
Geological services	46%
* Safety training	33%
* Diesel oil	25%

In 1992, mining companies purchased less than 25% of the following items in the NWT:

	<u>% Purchased in the NWT</u>
* Office supplies	16%
* Amount paid to contractors for non capitalized repairs and maintenance to buildings and machinery	15%
* Amount paid to contractors for work done on materials owned by this establishment or for work performed for mining operations	14%
* Medevac costs	13%
* Repair and/or replacement parts for trucks, tractors and other	13%
* Air transportation	10%
* All other supplies (e.g., welding, cement, handtools, cables, etc.)	9%
* Lubricating oils and greases	9%
* Valves and plumbing supplies	9%
* Other machinery and equipment	8%
* Firefighting, rescue and safety equipment	7%
* Repair and/or replacement parts for mining & other ore dressing machinery & equipment	7%
* Accommodation and catering	6%
Other laboratory work	5%
All other purchased material	4%
Containers and other shipping/packaging materials	3%
* Process, operating, maintenance and repair supplies	3%
Materials and supplies used in new construction produced by own labour force for own use	2%
* Materials and supplies used in production and/or installation of any machinery by own/above	2%
* Winter road management and maintenance	2%
* Airstrip management	0%
* Collection of reagents for concentrating ores	0%
Furniture or furnishings	0%
Motors, generators	0%
* Rock drill steel rods - bits	0%
* Rock drill steel rods - sharpening	0%
* Steel equipment rentals	0%
* Transportation equipment (cars, ATV'S, trucks)	0%
* Water treatment chemicals	0%
Weather station operation	0%

* Represents categories in which the mines spend more than \$100,000 per year

and less than 25% of the total was spent in the NWT. Total 1992 expenditure for the * is \$90,975,000. NWT share is \$7,899,000 or 8.7%.

Reasons for Purchasing in the South:

- i) Some products require no service or support and the products can be purchased directly from the manufacturer and there is no NWT manufacturer.
- ii) Some product and service purchase decisions are made by the head office, which is located south of the 60th parallel and they know their southern based suppliers and have had little or no contact with NWT suppliers,
- iii) The southern based suppliers know the mining companies, know the key personnel of the mining companies and aggressively market their products.
- iv) The cyclical nature of the mining industry makes it risky for a northern firm to stock specialized product.
- v) Transport option (by sealift, road or air) impacts on a mine's purchasing policies. For example, Polaris and Nanisivik buys diesel in Europe and their supplies in Ontario and Quebec.
- vi) Manufacturers, national and international distributors do not know the northern business community and consequently send their own service and support personnel to the NWT.
- vii) The percentages of purchase and/or supply in our survey is determined by the location of the office issuing the invoice to the mining company. Therefore, even though a company has northern resident staff, if the administrative office is located south of the 60th, it will show as a southern purchase.
- viii) There is a significant diversification in the types of and manufacturers of equipment utilized in mining operations. The maintenance needs and/or requirements of these different types of mining operation require specialized training and knowledge.

Potential Areas for Expanding NWT Businesses

There is considerable room for expanding the NWT market share, resulting in significant benefits to the NWT as a whole. NWT Businesses must meet with the mining companies to discuss their needs and areas to which NWT Business can be of service and increase their market share.

Let us review some of the 1992 purchase categories of operating mines that are indicated on page 8 with a *. These * categories expend a \$100,000 or more per year and the NWT market share is low (comments on each on pages 9 to 12).

- . Diesel oil: the quantities consumed are large and generally price is tendered with the oil companies, in some cases on a worldwide basis and transportation cost is a major factor. Note that Finland is a major supplier.

- Safety training: only 33% of this service is provided by the NWT. Safety training is an area of increasing demand. The existing and potential growth of the mining industry and the needs of the construction industry, should provide is an excellent opportunity for the NWT Business sector (see page 12 for firefighting, rescue and safety equipment).
- Process, operating, maintenance and repair suppliers: The NWT share is 3%. Our survey did not breakdown the category by product area but the total expenditure is \$3,117,000. There is a possible opportunity for appointment as a manufacturers agent to provide support and service with some of these products.
- Rock drill steel rods and bits and sharpening for the rods and bits: total expenditure \$337,000 and none is with NWT suppliers. Possible potential as a manufacturers agent and to handling the sharpening in the NWT.
- Steel equipment rentals: expenditure \$419,000, none in the NWT. The type of equipment rentals should be researched to determine the possibilities.
- + Valves and plumbing supplies: total expenditure \$851,000, only 9% is purchased in the NWT. The NWT suppliers need to more aggressively pursue this opportunity.
- Repair and/or replacement parts for trucks, tractors and-other: total expenditure \$3,365,000. The NWT share is 130A. Areas of specialized equipment is often purchased direct from the manufacturer. This area should be researched for support and service as a manufacturers agent.
- Repair and/or replacement parts for mining and other ore dressing machinery and equipment: total expenditure \$13,436,000. NWT share is 7%- same consideration as previous category.
- All other supplies: total expenditure \$13,624,000. NWT share is 9%. Discussions should be initiated with current and future mining companies to determine how NWT business could provide a value added component (i.e., support and service of the products).
- Professional services (engineering, geological, geophysical, geotechnical, assay, etc.): total expenditure \$729,000. NWT share is 31 %. There is a significant opportunity for NWT professionals to increase their market share. NWT firms could increase their specialized professional staff or expand through associates with special interests in the mining industry.
- Accommodation and catering: an expenditure of \$3,533,000. NWT share is 6%. Research is required to determine why NWT businesses have not been able to penetrate the market. There appears to be significant opportunities in this sector. A major factor is the abundance of unemployment workers in southern Canada prepared to work for minimum wages.

- . Contractors: total expenditure in two (2) categories is \$4,907,000. NWT share is 14%. There appears to be a significant opportunity for contractors but more research is necessary to breakdown the types of contract services. i.e., contract mining, construction, and building maintenance.
- . Materials and supplies used in new construction and production: total expenditure \$4,940,000. NWT share is 2%. An analysis of the materials and supplies used as there appears to be a significant opportunity for expansion of the NWT share.
- Office supplies: total expenditure \$339,000. NWT share is 16%. This is a very competitive area. Every business receives several office product catalogues from national and local firms throughout the year. It is a very price sensitive area requiring knowledge of product and support. Suppliers must be able to purchase and deliver product at a competitive price.
- , All other purchased materials: Total expenditure \$3,840,000. The NWT share is 4%. With research and effort there should be significant opportunity to expand the NWT market share.
- . Transportation equipment (cars, ATV's, trucks): total expenditure \$478,000. The NWT share is 0%. Definitely an area for opportunity. Sometimes vehicles are purchased in the north by a southern based leasing company and then leased to the mine.
- Other machinery and equipment: total expenditure \$11,739,000. The NWT share is 8%. With research this could be an area for becoming a manufacturers agent providing support, service and possibly installation in specialized equipment areas.
- Winter road management and maintenance: total expenditure \$4,320,000. The NWT share is 2%. This was an area in which northern firms developed the knowledge and experience. This area should be pursued to increase the future NWT share as new developments start up. 98% of this work in 1992 was done by the mining company's own staff and equipment and the mining company charges a toll to other users of the winter road.
- Medevac costs: total expenditure \$172,000. The NWT share is 13%. There is an opportunity for the NWT air transportation businesses. Research has to be done to determine; types of aircraft utilized, point of origin of flight and destination, etc.
- , Air transportation: total expenditures \$10,693,000. The NWT share is 10%. An opportunity for NWT travel agents to determine what the air transportation needs are and if they can be serviced. Some of these costs may relate to operation of corporate owned or leased aircraft.
- . Airstrip management: total expenditure \$329,000. The NWT share is 0%. This maybe an opportunity for an NWT business or for community development corporation.

- Nursing station operation: total expenditure \$369,000. The NWT share is 60%. NWT presently has a significant share but because of the knowledge and experience in holding a 60% share, these should be an excellent opportunity to expand the market share.
- Firefighting, rescue and safety equipment: total expenditure \$479,000. The NWT share is 7%. There should be an excellent opportunity for creation of a manufacturers agent or an existing manufacturer, agent to expand and to supply support and service to this important category.

The level of potential can vary from mine to mine. e.g., special needs, location, purchasing arrangements, practices of the controlling corporation i.e., the parent company may have several mining operations and has negotiated supply prices with the manufacturer, national and/or international distributor to supply each one of their mining operations,

2.2 PURCHASES FOR BASIC EXPLORATION

Basic exploration includes all exploration for potential economic mineral deposits away from an operating mines property. The consultants contacted sixteen companies which had conducted exploration programs in the NWT in 1992 and whose annual expenditures exceeded 1 million dollars. Seven companies responded to the questionnaire.

Table 2.2 shows the estimated purchases for basic exploration activities in 1992.

1992 Basic Exploration

Type of Purchase	Total Value Purchased (\$000)	Northern Purchases (\$000)	% Northern	Origin of Purchase Outside the NWT When Indicated
Expediting / staking	\$1,210	\$1,058	87	BC, MAN
Accommodation / food	961	629	65	MAN
Field supplies	394	138	35	
Fuel	576	252	44	
Fixed wing air charter services	2,756	2,705	98	BC
Helicopter services	1,780	1,139	64	BC, MAN
Drilling	6,124	0	0	PQ
Geochemistry	158	0	0	
Geology	3,495	855	24	BC, ON, YT, MAN
Geophysics	7,374	334	5	MAN, ON
Surveyors	1,559	1,559	100	
Assays / laboratory work	1,739	11	1	ON, BC, SASK, S. AFRICA
Personnel costs/travel	1,448	14	1	ON
Miscellaneous	2,183	423	19	BC, ON, MAN
Total	\$31,757	\$9,116	29	

Table 2.2

Table 2.2 indicates that northern firms are the predominant suppliers of expediting services, aircraft charters and surveyors. However, they provide very few of the professional services required such as assays/laboratory work and geophysical surveys. The figures for drilling are low but may reflect the fact that the drilling operations situated in the Northwest Territories are subsidiaries of southern-based firms and the invoices are processed in the south. The geophysical survey costs includes for 1992 those expenditures for airborne surveys which are done by

specialized firms (mostly Canadian) that travel around the world following contracts. It is a very difficult business to penetrate.

Exploration companies purchase 40% or more of the following items in the NWT:

Basic Exploration:

Surveyors	100%
Fixed wing air service	98%
Expediting services	87%
Accommodation & food	65%
Helicopter services	64%
Fuel	44%

The most promising areas for expansion of northern business lie in the provision of more:

- . food and field supplies to the operators;
- . geological and ground geophysical services;
- ♦ drilling services; and
- , laboratory services (particularly if a production decision is made for one diamond property as this will ensure continued exploration).

Discussions with the Association of Professional Engineers, Geologists, and Geophysicists of the NWT indicated that there are very few independent consultants specializing in the mining and exploration industry residing in the NWT. NWT firms often hire staff from southern Canada to complete their assignments as there are not enough professionals now living in the NWT.

2.3 PURCHASES FOR ADVANCED EXPLORATION (POTENTIAL MINES)

Advanced exploration relates to exploration at deposits on the verge of becoming an operating mine.

Table 2.3 shows the estimated purchases for advanced exploration activities.

Advanced Exploration

Type of Purchase	Total Value Purchased (\$000)	Northern Purchases (\$000)	Northern %	Origin of Purchase Outside the NWT When Indicated
Expediting	\$262	\$262	100	
Accommodation/food	240	0	0	
Field supplies	58	58	100	
Fuel	224	224	100	
Fixed wing air charter services	463	463	100	
Helicopter services	723	723	100	
Drilling	3,315	332	10	
Geology	920	89	9	
Geophysics	444	23	5	
Assays	286	0	0	
Safety training/equipment	12	0	0	
Miscellaneous	668	72	11	
Total	\$7,615	\$2,246	29	.

Table 2.3

Expenditure trends for advanced exploration projects in 1992 parallels expenditure trends by basic exploration companies. Both groups spend 29% of their money in the NWT and both groups purchased most of their fixed wing and helicopter charter services, and expediting services from northern suppliers.

Areas in which NWT businesses have the greatest potential to increase market share include:

- ♦ assay services;
- ♦ geological services; and
- ♦ geophysical services.

3.0 PAST, PRESENT AND FUTURE LEVELS OF EXPENDITURES

3.1 PAST AND PRESENT LEVELS OF EXPENDITURE

To determine trends in expenditures by mining and exploration companies, the available expenditure data for 1981-1992 has been consolidated and presented along with the results of this review and survey in Tables 3.1 to 3.3 (see pages 17 to 19). To maintain consistency in presentation, the treatment, refining and marketing costs shown in Section 2 are not included as purchases in Tables 3.1 to 3.3.

Table 3.1 (see page 17) shows the total purchases by NWT mines for seven of the last twelve years for which figures are available and the percentage of those purchases made in the NWT. This figure shows that, although the number of mines and the total of goods purchased has declined over the period, the percentage of northern goods purchased has increased almost fourfold from 7% to 26%. The value of northern good purchased has also increased since 1986.

Table 3.2 (see page 18) shows the value of purchases in 1986 and 1992 of the five northern mines that operated during this entire period and reported the sources of these purchases. This figure shows that the two mines on the highway system, Con and Giant, have substantially increased the percentage and value of their northern purchases while the mines dependant on bulk shipment of supplies, either by winter road or by sealift, have reduced both the percentage and value of their northern purchases.

Table 3.3 (see page 19) shows the exploration expenditures made in the NWT from 1986 to 1992 and, where known, the percentage of these expenditures made in the NWT. This figure shows a substantial decline in northern purchases in 1992 over previous years. This is, in part, explained by the large number of airborne geophysical surveys carried out in 1992 and the practise of invoicing diamond drilling contracts from head office rather than the branch offices in the NWT.

Purchases by NWT Mines 1981 -1992

Year	No. of Operating Mines	Total Purchases \$ Million	Total Northern Purchases \$ Million	% Northern Purchases
1981	10	308.8'	21.6	7%
1982	11	239.9 ¹	26.4	11%
1983	10	210.3 ¹	21.0	10%
1984	10	299.1 ¹	29.9	10%
1985	10	258.1'	36,1	14%
1986	8	122.52	27.0	22%
1992	6	133.03	35.2	26%

Table 3.1

Sources:

1. NWT Chamber of Mines, 1987, Table 13.
2. Stevenson et al, 1987, adjusted to conform to Price Waterhouse, 1987 statistics.
3. Figure 2.1 of this study less smelting/refining treatment charges.

**Purchasing Profiles of Northern Mines in 1992 & 1986
(Millions of Dollars)**

	Con		Giant		Lupin		Nanisivik		Polaris	
	1992	1986	1992	1986	1992	1986	1992	1986	1992	1986
Tons per day	995 ¹	541 ²	1,030 ¹	800 ²	1,849 ¹	1,610 ²	1,904 ¹	1,879 ²	2,934 ¹	2,427 ²
Total Purchases	19.8 ³	15.5 ⁴	23.0 ³	11.7 ⁴	70.7 ³	43 ⁴	17.7 ³	11.5 ⁴	21.73	154
Northern Purchases	12.33	6.2 ⁴	13.7 ³	3.0 ⁴	7.8 ³	11 ⁴	2 ³	0 ⁴	0.6 ³	.4 ⁴
Purchase Source	%		%		%		%		%	
NWT	62	39	60	27	11	25	0.5	0	0.8	7
Other	38	61	40	73	89	75	99.5	100	99.2	93

Table 3.2

Sources:

1. DIAND, 1993, Brophy, John A. ed. Exploration Overview, p.4.
2. DIAND, 1990, Ellis, C. E., ed. Mineral Industry Report Northwest Territories 1988-87, p. 12.
3. This study.
4. Stevenson et al, 1987.

**Actual Expenditures for Mineral Exploration 1986-1992
(Millions of Dollars)**

Year	Total \$ Amount Spent	% Spent in the Northwest Territories
1986	53 ¹	N/A
1987	87 ²	58 ²
1988	113 ³	N/A
1989	55 ³	N/A
1990	38 ³	50 ⁴
1991	29 ³	N/A
1992	38 ³	29 ⁵

Table 3.3

Sources:

1. DIAND, 1990, Ellis, C. E. ed. Mineral industry Report 1986-87, Northwest Territories, p.3.
2. NWT Chamber of Mines, 1988, "NWT Mining Issues", Vol.1, No.3, May 1988. A figure of 71 % was estimated from preliminary data in Stevenson et al, 1987.
3. NWT Chamber of Mines, 1993, "NWT Exploration Survey". For comparison EMR Canada's figures for 1991 and 1992 are \$32 million and \$34 million [Mineral Industry Quarterly Report, EMR Canada, March 1993].
4. NWT Chamber of Mines, 1992, "Northern Mining Notes", Vol.2., No.4.
5. This study. The NWT Chamber of Mines 1993 Survey suggested that 26 to 43% of total expenditures were spent in the NWT.

3.2 FUTURE LEVEL OF EXPENDITURES FOR GOODS AND SERVICES

In Tables 3.4 (see page 21) and 3.5 (see page 22), the consultants have attempted to forecast future expenditures for goods and services by the NWT mineral sector for the 1993 to 1998 period. The forecast is based on the surveys conducted for this study, the published ore reserves of the producing mines and on announced plans of present and future producers as of September, 1993.

All figures are given in 1993 dollars. The assumptions made by the consultants are as follows:

- a) The life of the present producers, based on their milling rate and reserves at December 31, 1992, is:

Con	9 years
Giant	7 years
Treminco	2 years
Lupin	6 years
Nanisivik	4 years
Polaris	9 years

- b) The present producers will continue to spend at 1992 levels.
- c) Five additional new mines will come into production before Dec. 31, 1998:

Colomac will begin production in 1994 and their annual operating expenses will be as much as Lupin.

Izok Lake will begin production in 1998 and their annual operating expenses will be as much as Lupin.

Prairie Creek will begin production in 1996 and their annual operating expenses will be as much as Nanisivik.

A diamond mine will start up in 1998 and their annual operating expenses will be twice as much as Lupin.

A base metal mine the size of Polaris will commence operating in 1998.

- d) In the years immediately prior to coming into production, each new mine will make capital expenditures for mine construction totalling as follows:

Colomac	\$ 10 million
Izok Lake	\$200 million
Prairie Creek	\$ 10 million
Diamond Mine	\$400 million
Base Metal Mine	\$150 million

- e) Mineral exploration expenditures will increase to \$52.5 million in 1993 (NWT Chamber of Mines) and to \$75 million dollars in each of 1994 and 1995 as the diamond seekers bulk sample their best properties. The rate of expenditure is likely to drop to \$60 million in 1996 and 1997 as money is diverted to development but will rise again to \$75 million in 1998 as more properties reach the advanced exploration stage.

Table 3.4 shows the forecasted expenditures at the operating mines and the forecasted developing mines from 1993 to 1998. The table indicates that the NWT mining industry's expenditures in the next five years will be more than triple. Much of this increase will be due to capital construction but NWT firms should be able to contribute to the support of this construction effort through subcontracts for camps, supplies and services.

Forecasted Expenditures at Northern Mines 1993-1998
(Millions of Dollars)

Operation	1993	1994	1995	1996	1997	1998
Con Mine	19.8	19.8	19.8	19.8	19.8	19.8
Giant Mine	23.0	23.0	23.0	23.0	23.0	23.0
Lupin	70.7	70.7	70.7	70.7	70.7	70.7
Nanisivik	17.7	17.7	17.7	17.7		
Polaris	21.7	21.7	21.7	21.7	21.7	21.7
Treminco	1	1				
Colomac	10'	70.7	70.7	70.7	70.7	70.7
Izok				100 ^c	100'	70.7
Prairie Creek		5'	5 ^c	17.7	17.7	17.7
Diamond Mine				200 ^c	200'	141.4
Base Metal Mine		0		75'	75 ^c	21.7
Totals	163.9	229.6	228.6	616.3	598.6	457.4

^c = Capital expenditures

Table 3.4

Table 3.5 presents forecasted total expenditures for the operating mines and for exploration companies for each of the next six years. The industry is expected to increase its expenditures threefold during this period. The challenge for northern businesses is to maximize their participation during this rapid expansion in expenditure.

Forecast of Total Expenditures by the NWT Mineral Industry 1993-1998
(Millions of Dollars)

Year	Mines ¹	Exploration	Totals
1993	163.9	52.5 ⁴	216.4
1994	229.6	75 ³	304.6
1995	228.6	75 ³	303.6
1996	616.3	60 ³	676.3
1997	598.6	60 ³	658.6
1998	457.4	75 ³	532.4

Table 3.5

Sources:

1. Figure 3.4 above.
2. NWT Chamber of Mines survey results, spring, 1993. EMR Canada published a preliminary estimate of \$32.4 million.
3. Estimates this report.
4. See 3.2 (e), page 16.

3.3 FUTURE POSSIBILITIES

The consultants found that there was several indications that the NWT mining and exploration industry is poised to rebound from 1992 levels and to levels not seen since the early 1980's. New mines will come on stream and both operating and capital expenses will increase over the next five years. Tables 3.4 and 3.5 suggest that in 1997, \$375 million will be spent on capital construction at mine sites and an additional \$283.6 million dollars will be spent on operating and exploration expenses. If the 1992 percentages of northern purchases shown in Table 3.1 and 3.3 are maintained, a potential total of \$173 million will be spent in the NWT in 1993. Can NWT businesses sustain this value and is there a potential to increase it?

Aircraft operators, expediting firms, suppliers of electricity, fuel and lumber will expand to match the need. Most of the increased activity is in the Western Arctic, north of Yellow knife. This is where the NWT business community is the strongest. An analysis of the 1992 NWT Chamber of Mines Goods and Services Directory shows that 82% of all NWT businesses listed in that directory had offices in the Western Arctic (see Section 6.1).

The construction of permanent or winter roads to the mine site will favour northern suppliers who have the financial ability to stockpile inventory for once-a-year delivery.

Areas where NWT businesses can become more active include:

- the provision of assay services;
- the provision of safety training;
- the provision of valve and plumbing supplies;
- the provision of catering services;
- the provision of construction materials; and
- the provision of geological and engineering services.

The mining industry is willing to accept northern suppliers. Figure 3.1 shows a steady increase in the percentage of northern purchases from 1989 to 1992. Northern mines have participated willingly in reverse trade fairs and in the supplying of data to government and industry to aid northern businessmen.

New mining operations could probably provide the greatest potential for the NWT business community providing the business community initiates contact before their purchasing policies, sources of supply etc. have not yet been established.

Through discussion and consultation with the mining industry the NWT business community, Territorial and Regional Governments have to encourage the mining companies to expand their tendering process for equipment, consumables, services and support. The business community has to clearly demonstrate their commitment and desire to supply the mining industry with quality, dependable products and services at competitive prices.

4.0 BUSINESS INCENTIVES

Business incentives are programs by governments (federal, territorial or municipal) to encourage the expansion of businesses in their jurisdiction.

4.1 CURRENT INCENTIVES

4.1.1 Payroll Tax

A territorial government initiative designed to encourage mining and mineral exploration companies to purchase goods and services in the NWT was promulgated on July 1, 1993. It is called the payroll tax and is intended to recover some of the revenue that the territorial government loses because of the large number of mine workers who work at fly-in/fly-out mines in the Territory but live south of the 60th parallel.

This tax penalizes the southern resident employees of southern firms operating in the NWT, and northern based firms who fly-in workers resident in the south. This tax is withheld from the employees pay cheque. All northern resident employees recover part or all of the NWT payroll tax when they file their personal income tax return.

4.1.2 Northern Housing Allowance

The federal government permits the northern housing allowance and traveling expenses to be deducted from personal taxable income if the taxpayer meets the requirements of "Residing in a prescribed zone" (i. e., lives in the NWT).

In the past, arrangements have been extended by some tax based municipalities to attract new non-competitive business or industries. The incentives are negotiated on a case by case basis.

4.1.3 Financial Incentives

Financial incentives are available for aboriginal businesses from the federal and territorial governments. The amounts vary depending on:

- a) **Ownership:**
 - i) individual;
 - ii) partners;
 - iii) corporation;
 - iv) Community Development Corp.; and
 - v) Regional Development Corp.

- b) **Business Plan**
- c) **Type of financial assistance:**
 - i) repayable loans;
 - ii) non repayable contributions;
 - iii) repayable equity investment; and
 - iv) loan guarantees.

The amount, how it is determined, and the security requirements depend on: the agency is providing the funds and the lending policies established by the Government funding the program.

See Appendix "D"

4.2 **SURVEY RESULTS**

The consultants sought the opinion of northern businesses and business organizations in Hay River, Inuvik, Iqaluit, Rankin inlet and Yellowknife concerning business incentives. Those interviewed did not support the concept of Federal or Territorial government grants. Historically, government grants have not resulted in long term success for the business or in long term employment in a community or municipality. This approach has been tried throughout Canada without providing long term pay back to the local economies.

The following list of actions were suggested by the NWT business community as desirable incentives.

4.2.1 **Streamline the Approval and Administrative Processes**

Government procedures and forms should be simplified. e.g., application for financial and training assistance, statistics, permits, licenses, etc. In every case evaluate:

- what is required;
- why is it required;
- can it be simplified; and
- can the time frame required be shortened considerably.

4.2.2 **Offer Assistance at the Municipal Level**

Municipal Governments can provide several types of incentives to attract new businesses to their communities. These may be in the form of, but not limited, to:

- deferred land taxes;

- special land lease rates;
- special land purchase arrangements as to price and/or financing;
and
- lower taxation rates in the first year or years, but arranged so that full tax recovery is realized over an extended term (i.e., 5 years).

This has been done and should be encouraged. The town of Hay River entered into a special concession with the NWT Power Corp. by way of the land price. This resulted in new jobs, increased land tax revenues, and the addition of a large corporate citizen which supports community projects and activities. It is very important that any concessions or special arrangements should be for "new businesses which will not be competing with existing businesses in the community and will not cause market disruption". If an existing business is established in the community, it is not reasonable that a competitor should receive special financial considerations. It may be more appropriate for the new venture to negotiate a buy out of the existing business and then negotiate with the community. This approach would only be acceptable for special consideration if it resulted in expansion of the business and an increase in the number of permanent jobs within the business.

When a municipality or other level of government, grants special financial considerations to a new, none competing business venture, the government providing the grants or other financial considerations should register caveats against the business's assets. The caveats should provide details on the value of the financial considerations and the specific conditions under which the financial considerations were provided. If the business venture does not fulfil it's commitment or goes into bankruptcy, then the assets can be seized by the municipality for disposition and recovery of the financial considerations. Such arrangements have been utilized successfully in southern municipalities. It is critical that the municipality insure that the assets involved in providing special arrangements are protected so that present and future taxpayers are not negatively impacted. Such arrangements can be handled in a positive and effective manner.

4.2.3 Provide Assistance for NWT Businesses to Attend National and International Mining Trade Shows and Conferences

Travel from the NWT to trade shows and conferences, which are normally held in the south, is expensive and time consuming. The Department of Economic Development and Tourism could provide financial and coordination assistance in the form of a NWT Business Booth. The booth could travel to different shows while the NWT business and government representatives operating the booth would change, depending upon the focus of the function. In other words, an NWT business might send a key person only once while the booth attends 10 shows. The business, however, is represented at all the other shows because the booth has the sales literature of all the participants from the territory. It is a cooperative effort among the business community and various levels of government.

Business individuals from several different regions could work together in an NWT Business Opportunities booth. The booth could appear at a number of different

functions with different business representatives. Products and information about various NWT businesses could be displayed and distributed. Representatives of tax based communities interested in attracting new businesses and employment opportunities should participate. Examples of where such a booth would be useful (e.g., prospectors Development Conference in Toronto and Cordilleran Roundup in Vancouver).

In addition to providing the booth, the GNWT could also provide support by:

- working with mining representatives to meet with business and municipal representatives to discuss opportunities;
- negotiating airfare passenger and shipping rates for attendance at mining conferences;
- arranging for government hotel rates for business people at these functions;
- sharing in the costs of the development and distribution of marketing materials, brochures, etc.

4.2.4 Provide Workshops Promoting Entrepreneurial Skills

The NWT has a number of experienced, successful business people and professionals who could teach others. The NWT also has the infrastructure of Arctic College. These skilled people, with coordination and management from the College could develop and teach workshops in entrepreneurial skills. Theory is important but practical experience is essential!

Government could support these activities financially and also act as a coordinator.

A concerted effort by government, business and labour is essential to encourage the development and expansion of NWT business to meet the demands and challenges of the 90's and beyond. NWT business requires significantly higher levels of knowledge if it is to compete in the global economy.

4 . 3 INFRASTRUCTURE

Infrastructure built and paid for in part or entirely by government is a business incentive.

4.3.1 Road System

One of the most important incentives to the expansion of NWT business opportunities is the extension of the road system. Figure 3.2 (see page 18) shows the dramatic difference in local purchasing between mines on the road system and mines off the road system. Roads are essential to NWT business development.

Governments should focus resources on permanent or semi-permanent road

structures to access resource rich regions. The investment of financial resources into permanent and semi-permanent roads, as opposed to ice roads, will provide a greater return on the investment of infrastructure dollars to the territory as a whole. A road tax, toll, or some other approach could be considered to cover maintenance costs eg. Echo Bay Mines charges a toll for use of their winter road. Roads should be available to all. This would service a broader user base and open up great potential for resource development.

The process of expanding the permanent and semi-permanent road network must give full consideration to the environmental impact of this expansion with particular attention given to renewal resources.

4.3.2 Air Navigation Systems

The increase in mining and exploration activity has resulted in a significant increase in numbers of flights for small aircraft. The air transport industry requires the retention of all weather stations at remote locations, e.g. the Lupin site. Continued operation is essential to ensure safety in the air. Decisions to terminate are usually based on historical information and the desire of government to reduce costs. In the NWT, the acceleration of exploration and changing technology has resulted in increased air travel to off strip sites.

The construction of commercial airstrips at mine sites would also increase the development opportunities and increase the availability of navigational systems.

4.4 OTHER POSSIBLE INCENTIVES

4.4.1 Municipal Governments

Municipalities could consider various types of land tax, lease rates and land price concessions for new businesses that will not cause market disruption. Whatever the approach, the community must support the concept. Any concession must result in the creation of employment opportunities. (Refer to section 4.2, page 25)

4.4.2 Workers' Compensation Rate

The business community does not believe that a "flat" WCB rate should be considered. Although the business community agrees that lower overall rates would be beneficial, many remember the days when this type of insurance was not available to all businesses in the marketplace. This placed a significant financial risk on the working owners of small businesses and on their employees. Generally, it is understood that the rates charged reflect the experience of the classification and should cover all costs.

4.4.3 NWT Royalty Reduction

Royalty holidays may be acceptable for new mining developments but not necessarily for the re-opening of old mines. Canadian Mining Regulations (CMR) currently provides a new mine with a three (3) year royalty holiday. If these

regulations were to be revised, royalty holidays could require that specific commitments or conditions be met:

- i) Reasonable certainty of a long term project.
- ii) Minimum level of investment required in the infrastructure.
- iii) A Buy North policy.
- iv) A requirement to hire and train NWT residents, this requirement could be a percentage of total employment.
- v) Ongoing monitoring and evaluation of (iii) - (iv) would be essential to assure positive results and to make recommendations for improvement of the system.

4.4.4 Freight

The remote location of mines results in a high cost of transporting mining supplies and equipment into the NWT. This is also a contributing factor to the high level of southern purchases. Two of the NWT's current operating mines (Polaris and Nanisivik) indicated that, because transportation costs via sealift are significantly lower than the costs of using a combination of trucking and airfreight, or just air freight they buy a smaller percentage of product in the NWT.

With the development of a project like Izok Mine, most of the products and equipment will be handled by sealift and consequently purchased from Europe, Japan and south of the 60th parallel. As development expands, there will be increasing competition in the transportation sector and businesses will have to constantly negotiate rates. *It may be possible for a group of businesses in a community (i. e., Coppermine) to negotiate a special freight rate if they collectively agree to use one particular transportation company.* Active competition in all forms of transportation is essential,

There was limited discussion on the subsidization of diesel fuel costs by the Government of the Northwest Territories. However, with governments in deficit and having to negotiate a new formula funding agreement, such an approach was not considered acceptable.

4.4.5 Insurance Bonding

It is essential that the NWT Business Credit Corporation continue to provide assistance to NWT businesses which are unable to meet the insurance bonding requirements.

The provision of loans so businesses can meet the bonding requirements, on tendered contracts, is a significant assistance. Such services must be provided within a reasonable time frame (two to three weeks). Businesses cannot wait several weeks or months to obtain bonding loan approvals. If the financial services provided by lenders of last resort (e.g., NWT Business Credit Corporation, etc.) are

not efficiently and effectively administered the window of opportunity for the business in lost.

The NWT Business Credit Corporation should consider establishing a system of pre-approval for bonding insurance loans. The applicant can provide all the necessary background and financial information prior to having a specific financial need and the lending institution can approve a line of credit for banking needs. This arrangement would enable the business to know whether or not they are in a position to submit tenders requiring bonding insurance and what their bonding insurance limitations are.

5.0 SUCCESSFUL BUSINESSES WHO SUPPLY THE MINING INDUSTRY

The Federal Business Development Bank's publication "Profit\$" (Autumn 1993), has the following paragraph:

"In order to compete in today's business environment, entrepreneurs must sharpen their management skills or face the prospect of going out of business. Business success lies in an entrepreneur's ability to identify new opportunities, improve productivity and provide no less than excellent customer service. "

Businesses who now serve the mineral industry and businesses who wish to serve the mineral industry in the future must meet this challenge!

Many NWT businesses are successful at providing goods and services to the mining and exploration industry. The strengths of these businesses include:

- the ability to understand local concerns and problems;
- the ability to supply services more quickly;
- the personal contacts of a supplier in a northern community; and
- the ability to provide northern foods.

Good business practices are good business practices any place - north or south. The north has some extra challenges that need extra attention. e.g., the great distances to cover in order to service a mine or exploration party, the weather, the relatively unskilled workforce and often a great distance from where decisions are made (at head offices of mining companies). Northerners also have some advantages - know northern conditions/weather physical challenges, closer to the action, and what is happening.

However, the mining and exploration industry in the NWT offers more opportunity than NWT business is presently taking advantage of.

5.1 AREAS WHERE NWT BUSINESSES HAVE HAD SUCCESS

The results of the questionnaires and personal interviews indicate that the areas that are dominated by NWT businesses are:

- Expediting services;
- Aircraft charters;
- Fuel sales;
- Lumber sales;
- Explosives sales;
- Accommodation; and
- Food (does not include catering).

NWT businesses that are successful and enjoy an increasing market share exhibit all or most of the following characteristics:

- are aggressive marketers;
- provide dependable service;
- provide consistent product quality;
- always meet their commitments;
- have owners and staff who recognize that customer service is No. 1 ;
- maintain excellent relations with their suppliers;
- know the value of good communications;
- know the importance of negotiating transportation requirements, rates and reliability;
- always look for solutions and not blame;
- participate in industry forums in the NWT and throughout Canada;
- make personal contact with their present and potential customers and their suppliers when traveling in the south;
- know their customers' needs; and
- know the geography of the North.

Great potential for future success exists in the service sector. Services can be provided by skilled and experienced human resources based in the NWT while consumables are often purchased from the manufacturer and/or a national distributor, and shipped in large quantities via the lowest cost transportation.

5.2 WHY THEY HAVE BEEN ABLE TO CAPTURE PART OF THE MARKET

These successful businesses were able to recognize the opportunities available and put into usage those business practices stated in Section 5.1. It is essential to recognize that NWT firms are most successful in those areas where an NWT base of operations is a benefit to the buyer of goods and services.

The mining industry operates twenty-four hours a day, seven days a week. This also applies to the construction and logging industries but varies because of weather conditions, freeze up, etc. Industries operating on this basis also expect their suppliers to be flexible and be prepared to respond to their needs. They want a supplier to hustle to fill their order. This is important to any major customer. The supplier's commitment to meet the customer's needs is a recognition that the customer is important to their business.

In many instances the northern business owner has had a long relationship with the mine's senior staff and, in particular, with the mine's purchasing agent.

6.0 BARRIERS FOR NORTHERN FIRMS TRYING TO ENTER THE MINING MARKET

The 1993 NWT Chamber of Mines Exploration Survey questionnaire asked companies to identify and rank those problems encountered when purchasing goods from Northern suppliers that ultimately resulted in resorting to buying and transporting the goods from southern Canada. Of the 54 companies that completed the survey; however they did not respond to all the questions:

- 16 companies complained of the high cost even after shipping costs were considered;
- 11 companies complained that suppliers were not available;
- 9 companies cited lack of service;
- + 8 companies were not aware of northern suppliers who could fill their orders; and
- 8 companies cited lack of quality.

All NWT businesses are confronted with:

- mining industry practice is to do minimal tendering for products and service in the NWT.
While it would be beneficial to northern businesses to have the mining industry do more tendering for products and service in the NWT and to structure tenders in smaller units if possible. This process can significantly increase the amount of administration required to manage tenders in smaller units. Esso Canada tried this approach but moved away from small contracts because of the significant administration time and cost required. The alternative is to consider the feasibility of joint ventures either with another northern company, a southern company, the national distributor or manufacturer, or a group of small northern companies. Setting up joint ventures can be difficult and time consuming, however, a well run joint venture can be very profitable;
- high costs for labour, space, utilities and transportation;
- direct competition with the manufacturer and/or the national distributor;
- a southern based labour force, general and professional who are prepared to work for less money due to the current shortage of job i.e. professional geologists for \$ 150.00/day; experienced general staff at minimum wages;
- management skills;
- marketing knowledge;
- knowledge about the operating principles of the mining and exploration industry;
- initiative due to their dependence on government for their market share;
- a skilled and knowledgeable work force;
- access to decision makers;
- understanding of various methods of shipping products, and of how

- to coordinate shipments in order to reduce costs;
- knowledge and/or understanding of lending requirement;
- knowledge and/or understanding of government agency lending institutions; and
- 4 knowledge and understanding of the various training programs both federally and territorially.

6.1 LOCATION

Eastern Arctic Vs. Western Arctic

A continuing problem for mining and exploration companies working in the eastern arctic is the distance to a northern supplier.

A review of the 1993 NWT Mining Goods and Services Directory revealed the following businesses in five geographic regions:

Number of NWT Businesses

Area of Business	supply Goods	supply Services	Total
Yellowknife	47	114	161
South Great Slave Lake	21	36	57
MacKenzie River	10	36	46
Inuvialuit Settlement Region		3	3
Eastern Arctic	12	48	60
Totals	90	237	327

Table 6.1

The bulk of businesses in the NWT are located in Yellowknife (49%) and south of Great Slave Lake (17%). Including the MacKenzie and Inuvialuit regions, 82% of the NWT businesses listed in this directory are located in the west and only 18% are located in the east. In 1992, 81% of all purchases for operating mines was for mines located in the Western Arctic.

Northern Vs. Southern Suppliers

Often the northern supplier is in direct competition with southern suppliers. Southern suppliers have some or all of the following advantages:

- southern based purchasing personnel have developed relationships and track records with southern based suppliers;

- ♦ convenience of personal accessibility to southern based suppliers;
- southern based suppliers usually have more human resources committed and trained in marketing;
- ♦ the current recession has resulted in the availability of human resources prepared to accept substantially lower levels of remuneration in the south; and
- warehousing space and utility costs are substantially lower in most southern areas.

6.2 PRICE/SERVICE AND SOURCE OF SUPPLY CONTINUALLY CHANGING

If the products purchased do not require any servicing, then the mine will constantly search for new sources of supply, with equal or better product quality at a lower unit price.

The price differential may not be in the cost/unit but in the inducements of a manufacturer who is also looking for new markets. Some manufacturers provide bonuses or premiums, prepaid shipping, special pricing based on an estimate of annual requirements. Others may provide reduced turnaround time.

Many products used in mining and mineral exploration require servicing. The manufacturers of these product usually provide their customers with training courses on regular servicing and maintenance. Some manufacturers will pay partial or total costs of their training courses while other manufacturers expect the customer to pay for the training. The costs of attendance at these courses can often be prohibitively high for NWT businesses. Every effort should be made by NWT firms to negotiate the most beneficial arrangement with these manufacturers. i.e., scope trams, drills, computer equipment.

6.3 NO CONSTANTS

This has always been true but today things are changing, even faster. It is essential to keep abreast of trends. Suppliers must make an attempt to stay abreast of the mining industry. Trade journals, Mining Industry reports, the Northern Miner, and other similar publications are an excellent source of timely information. When marketing products or services to present to future customers, the supplier must know:

- ♦ technology of the mining and exploration industry;
- the languages of the mining and exploration industry;
- * the various types of equipment;
- the product;
- the competition; and
- * what is happening not what has happened.

6.4 **MINE MANAGEMENT/SUPPLIER ATTITUDES**

Often mine management will reject a new supplier as the result of one or two bad experiences and return to the tried and true. The rejected supplier must find out what went wrong, If the problem can be solved, the customer may return. When a customer is lost, the supplier must find out why!

The industry network quickly transmits the names of businesses that provide poor quality service.

6.5 **INTERNATIONAL COMPETITIVENESS**

Mining companies must be globally competitive. The mining industry has always sold its products on the world market. Operating costs, levels of productivity and the regulatory framework must enable the mining operation to compete internationally or mine closure will result.

Northern businesses serving the NWT mining and exploration industry must recognize that they impact on the industry's operating costs and levels of productivity.

Northern governments must recognize their impact on the NWT mining and exploration industry when considering new regulatory initiatives.

7.0 ACTION ITEMS FOR NWT BUSINESSES TO INCREASE THEIR MARKET SHARE

7.1 NWT CHAMBER OF MINES

Join the NWT Chamber of Mines.

Every business that is a member of the NWT Chamber of Mines receives:

- the new annual NWT Mining Goods and Services Directory;
- a bimonthly newsletter about the industry;
- a list of exploration companies, their addresses and phone numbers and their purchasing agents;
- status reports on existing mines, new exploration and mining projects.

7.2 MARKETING

It is important to understand that some of the rational for current purchasing sources can be changed. The initiative for change must come from the NWT business community.

The mining and exploration industries are very much aware of the political climate and that increasing the market share of NWT businesses and hiring more NWT residents can result in long term benefits to all. However, the companies must be assured of:

- quality of service;
- dependability;
- quality of support; and
- competitive pricing.

Marketing is essential for success.

All businesses are facing significantly increased levels of competition and must expend more effort developing and carrying out a market strategy. Appendix A includes an outline of a marketing seminar provided by Howard & Maitland entitled "Marketing in the 90's, A Matter of Survival".

Direct personal marketing and active participation in trade shows and reverse trade shows is essential.

7.3 JOINT VENTURES/FRANCHISES AND/OR AUTHORIZED DEALERSHIPS

This concept can be applied to numerous situations, e.g., several consulting firms join forces to undertake a project. A joint venture provides the customer with diversity of experience and education and generally reduces the financial risk to each individual supplier.

Several businesses can join forces to represent NWT businesses at national trade shows and/or development conferences.

Franchises and/or authorized dealerships may be available through a manufacturer or a manufacturer's national or international distributor.

Caution: In the past some national distributors, franchisers, and manufacturers have completely bypassed their authorized dealers. This has been done by hiring their own direct sales staff, by providing national 1-800 numbers and offering delivery FOB destination if the order is of sufficient size. This has had a devastating effect on the authorized dealer or agent who has invested considerable time and money to meet the criteria dictated by the national distributor franchiser and/or manufacturer. The recourse to the authorized dealer is to sue. Such a process is very expensive, takes considerable time and the odds are in fa vour of the national distributor, franchiser and/or manufacturer. Check with the Better Business Bureau and your bank if there is any reason why you should not establish a relationship with this company.

However, they can be flexible, some of these companies provide the authorized dealer or manufacturers agent with a commission or agency fee for all the products purchased. The billing, stocking, shipping is all handled by the national distributor or manufacturer. The financial returns are lower but so are the costs and responsibilities.

7.4 WAREHOUSING

Suppliers can share warehousing facilities to reduce capital cost, maintenance and utility costs.

7.5 JOINT TRANSPORTATION COMMITMENTS

Substantial savings can be realized by a cooperative arrangement of northern businesses who join forces to negotiate transportation rates. Generally, rates decrease as the amount to be shipped increases. It must be understood by all the participants that they are committed to ship with the agreed transport company.

7.6 OFFICE SPACE

Sharing of office space, basic office equipment and reception staff will reduce both capital and operating costs.

7.7 CUSTOMER SATISFACTION SURVEYS

A supplier can survey his present customers and even some of the customers he has lost over the past twelve months. Dissatisfied customers are a significant negative advertising force. It is important for a supplier to know his company's

image through the eyes of his customers. A supplier should know what his customers want and keep them updated on products and technological changes.

7.8 QUALITY AND RELIABILITY

These should be the goals of any company. Each supplier must ensure that his employees know and understand these goals. Staff meetings to discuss problems in delivery of these goals are essential. Suppliers should encourage their staff to seek solutions to the problems and present those solutions at the staff meetings.

7.9 PERSONAL CONTACT

The Stevenson Kellogg surveys in 1987 and our surveys in 1993 revealed that NWT business people are not going out to knock on doors. Suppliers must introduce themselves, their products and their capabilities to resident purchasing managers. Purchasers must know that their supplier thrives on providing customer satisfaction. Customers and potential customers want to know that their suppliers are sincerely interested in their business.

7.10 PRODUCT SOURCE

It is essential to constantly seek out new sources of supply. Ideally the source of supply should be the manufacturer, a national or North American distributor. The same type of effort is required to obtain the best dependable transportation service at the lowest rates. These areas require constant vigilance, research and negotiation.

7.11 DIVERSIFICATION

The maxim "Don't keep all your eggs in one basket" applies especially to a business's customer base. Significant risk exists in situations where a supplier's financial health depends primarily on the continuing operation of one mine. This risk is recognized by chartered banks who are leery of providing loans to businesses in this situation. Whenever possible, a supplier's customer base should be expanded to include other businesses, governments and government agencies.

Diversification places additional demands on the personnel of small businesses because of the wide variety of product knowledge required to effectively respond to a diversified customer base,

7.12 CASH FLOWS

For a supplier to obtain the lowest price, the manufacturer usually requires the supplier to comply with certain payment arrangements. Therefore, it is essential that the supplier firmly establish credit terms with all his customers and diligently

pursue collection of all accounts. A supplier should make arrangements with his banker or a Credit Bureau to run credit checks on potential new customers. Prompt payment is essential to maintain preferential pricing and support.

7.13 **BANKING**

A supplier must deal with a financial institution that understands his operation, his customer base, seasonal shipping problems, and any other special considerations related to his business. A supplier must work with his banker and keep them informed and arrange to obtain necessary funding for any special types of, or sizes of contracts in advance.

Some chartered banks are not interested or are very reluctant to provide funds for new ventures in remote communities or regions. It is difficult to evaluate the risks, to provide service and maintain contact. However, some banks will consider providing financial services to those who:

- have a good track record in similar ventures;
- have the proven ability to make the venture economically viable;
- hold an exceptionally profitable contract; and
- have a strong debt/equity ratio.

Some chartered banks, i.e., the Bank of Montreal, have become very involved with aboriginal banking. They have two vice presidents of aboriginal banking and are working closely with a number of aboriginal communities and organizations.

Lead time - is important when seeking any form of financial assistance. You cannot walk in and expect to walk out with firm commitments of financial support. If there is a known or potential business opportunity you must develop a business plan and then proceed to locate adequate financial resources.

If you are in a region with an established community futures program two to three weeks is required to obtain funds if you qualify. Other government funded programs can take up to four or more months to obtain a commitment.

Loans under the Federal Small Business Loans Act can be obtained through Chartered Banks. However, not all Chartered Banks are prepared to establish a commercial lending relationship in remote communities.

The Federal Business Development Bank provides funds throughout the NWT for a wide range of businesses and has made a concerted effort to streamline their lending process and to fast track loan applications. They also provide a number of work shops to assist the small business entrepreneur.

Each organization has different lending requirements and/or policies. Some of these are in law, other by policy. Security requirements vary from one organization to another.

Government institutions, i.e., NWT Business Credit Corporation etc., that provide

financial support must make a concerted effort to reduce the time frames for approval. The window of opportunity for some business opportunities is very small. Four or more months to obtain loan or contribution approval is unacceptable and results in lost opportunities. Further, the security requirements of some government lending institutions are excessive and expensive. If the practice is to continue then loans should be increased to cover the cost of legal services or reduce the security requirements to a more meaningful level.

Appendix D provides a list of sources of financial assistance.

7.14 INVENTORIES

Product inventories should be well managed.

Effective management of inventories includes but is not limited to:

- knowing your customer's product needs;
- knowing your customer's timeline requirements for specific products;
- knowing the timelines for availability from your supplier or manufacturer;
- knowing the most economical size of order and method of shipment;
- awareness of product obsolescent i.e. expiry dates, shelf life technological change, customer plans for product changes etc.;
- type of storage required unheated, heated, high/low ceiling for handling equipment etc.; and
- + knowledge of the price sensitivity of certain product lines i.e., electronic components, computers, etc.

The costs related to storing, financing, restocking fees, and paying for transportation of dated goods are HIGH. Poor inventory management can significantly increase product costs which cannot be passed on to the customer resulting in financial losses. A supplier must arrange for quick turn around on products that have rapid obsolescence. Chartered banks are no longer interested in financing inventories because of the November, 1992 changes to the Federal Bankruptcy Act. It is now necessary to arrange such financing through specialized institutions such as I.T. T. Commercial Financing or Transamerica.

7.15 TRANSPORTATION

Clear shipping instructions must be given to the supplier. It is essential that these instructions are followed. A supplier should negotiate transportation arrangements for price, timing, delivery and pick up. Orders should only be shipped complete, unless otherwise requested.

7.16 KEEP IN TOUCH

A supplier should read local and community papers, trade journals, national newspapers and industry newspapers, become involved with NWT business associations, and encourage his staff to stay informed. The company should purchase all the necessary periodicals.

7.17 TRAIN STAFF

Well trained, customer-focused staff are a business's greatest assets. A supplier must determine the types of training required for each staff position and then provide that training. Depending on the availability and demand for those required skills, funding assistance for training may be available from CEIC or the GNWT's Department of Education, Culture & Employment. The return on investment in human resources is high.

Appendix G provides a list of training programs.

7.18 BE PRICE COMPETITIVE

Levels of competition have increased significantly and the competition today is much more aggressive. Manufacturers are consolidating and reducing their number of distribution centres. Manufacturers are moving away from the old concepts, such as sole distributorship and are prepared to sell direct to the end user or through a broader number of re-sellers. Most manufacturers provide re-sellers with product price adjustments based on their respective annual sales. Northern based suppliers must buy direct from the manufacturer or the National distributor in order to be price competitive.

7.19 BE SELECTIVE

Businesses should be very selective about the products and services they want to provide. Undertake to do what you can do well and build your business on quality and reliability. For example:

- administration of mine closures, handling environmental reclamation requirements, etc.;
- in the handling maintenance of permanent and semi-permanent roads to resources, based on a toll fee for utilization.

8.0 GOVERNMENT ACTIONS TO ASSIST NWT BUSINESSES TO INCREASE THEIR MARKET SHARE

8.1 FINANCIAL ASSISTANCE

There are numerous sources of funds for loans, repayable and nonpayable contributions, and equity financing. Some sources are administered through government departments and others through federal and territorial crown corporations.

Territorial Assistance is Available From:

- NWT Business Credit Corp.
- NWT Business Development Corp.;
- Department of Economic Development & Tourism, GNWT;
- NWT Cooperation Business Development Fund.

Federal Assistance is Available From:

- Federal Business Development Bank;
- * Department of Industry;
- Aboriginal Capital Corporations;
- Community Futures.

There is often confusion and competition as a result of the large number of boards, agencies, departments, and corporations that are involved.

Some of these organizations i.e., Federal Business Development Bank and the NWT Cooperative Business Development Fund have operated for a number of years, very efficiently and consistently, have made a concerted effort to streamline their operations and to improve the quality of service to their customers. They provide a variety of services within reasonable timeframes.

The Community Futures Program has also been effective and able to provide funds within a two week period.

Other loans and/or contribution arrangements can take four (4) or more months from date of application to disbursement.

Any effort by governments to streamline the delivery of funds to small business will be welcomed by the small business community.

8.2 NWT BUSINESS CREDIT CORPORATION

The NWT Business Credit Corporation timeframes and security requirements are difficult to justify. The following recommendations are made:

8.2.1 Security Requirements

Make security requirements fit the loan. Second position assignment of accounts receivable and floating debentures provide questionable security and increase the amount of legal fees. Requirements for specific life insurance coverage are not unreasonable on large loans but costly on short term loans under \$100,000. Excessive security and life insurance requirements increase the costs to the borrower. If these requirements are to remain in place, then the original loan should be increased to cover these additional costs.

8.2.2 Time Frame

Deliver to the potential borrower a commitment letter within 2 to 3 weeks of the borrower providing all the necessary information. With a commitment letter the individual can probably make an interim financial arrangement with his chartered bank.

8.2.3 Bonding

Bonding is a concern for businesses involved in building construction. Accessibility to bonding insurance is very difficult for businesses without a proven track record. They must have a good balance sheet without real estate and long term debt. The NWT Business Credit Corporation has a pre approval process for bonding insurance loans. This permits businesses that require bonding to find out in advance their level of eligibility for a bonding insurance loan. There is a need for greater emphasis on the importance of this service and for increased communication between the administration and the business community to maximize the benefits available through this program.

8.3 DEPARTMENT OF ECONOMIC DEVELOPMENT & TOURISM

Small businesses in remote communities require support and assistance from knowledgeable and experienced Economic Development Officers (EDO's).

Workshops are required on a regular basis (yearly) to keep EDO's informed on:

- training programs (Federal and Territorial);
- sources of funding (Federal and Territorial);
- requirements and penalties for:
 - Federal payroll deductions:
 - i) income tax
 - ii) unemployment insurance
 - iii) Canada pension plan
 - Territorial payroll deductions:
 - i) payroll tax
 - ii) workers' compensation

If EDO's have a good understanding of the training programs and sources of funding available, this will result in increased utilization of the programs and increased

cooperation between the departments and agencies involved.

“Service” must be recognized as a responsibility of the EDO's.

It is recommended that:

- i) The department prepare an information booklet or booklets covering basic information on:
 - all training programs; and
 - all funding programs.
- ii) The department jointly with the Department of Energy, Mines & Petroleum Resources, provide workshops in northern communities, particularly those that are able to participate in servicing the NWT mining and exploration industry. Areas to be covered in these workshops are detailed in Appendices A, D, E, F and G. The development and delivery of these workshops should be by successful and experienced business people and entrepreneurs.

8.4 DEPARTMENT OF EDUCATION, CULTURE & EMPLOYMENT AND ARCTIC COLLEGE

Training programs associated with businesses are essential. There have been a significant number produced and provided in a wide range of areas. With the exception of the program managed by the NWT Construction Association, the monitoring and evaluation of the programs has been very limited. It is essential that individuals entering a training program have an aptitude for and an interest in the program, not just a need to extend their unemployment insurance payments. The business community should have input into the content, delivery and the evaluation of the results. This is essential to insure that there are employment opportunities for the graduates of the educational institutions and the training programs in the NWT business community. It is also essential that the level of education and training skills qualify the individuals for possible future employment outside the NWT.

8.5 DEPARTMENT OF ENERGY, MINES & PETROLEUM RESOURCES

It is recommended that the department should take the following actions:

- i) co-sponsor reverse trade shows with the NWT Chamber of Mines involving the mining and exploration industry. These should be done regionally.
- ii) act as a coordinator of the participation of the NWT business community in national and international mining conferences and monitor results.
- iii) arrange for GNWT hotel rates for the participants at these conferences, however, the cost is to be covered by the businesses

involved.

- iv) participate as one of the evaluators of training courses directly related to the mining and exploration industry to insure the potential for long term employment and benefits.
- v) act as a broker for the mineral industry by assisting in expediting applications for permits, and licences and monitor industry's compliance with the regulations.

8.6 **MUNICIPAL GOVERNMENT**

Local government have a key role to play in attracting new business and industry to their municipality. They can accomplish this by:

- i) offering research and development programs that attract new business and employment. These programs must have the support of the residents of the municipality.
- ii) participating in trade shows, national and international mineral industry conferences along with members of the business community and the GNWT.

**APPENDIX A
BUSINESS TO BUSINESS
TAPPING THE NORTHERN INDUSTRIAL MARKET**

**BUSINESS TO BUSINESS
TAPPING THE NORTHERN INDUSTRIAL MARKET**

A Workshop

Prepared by

A. Howard & M. Maitland

Introduction

The following is a outline of a proposal workshop for small to medium sized businesses. The purpose of the workshop is to focus on marketing potential in the Northern industrial markets and the need to capitalize on these opportunities.

The format has a modular character utilizing a basic generic marketing theme with pods dealing specifically with the manufacturing and service sectors.

This workshop will be presented at a basic level in recognition of the probable diversity of the audience background.

An interactive element will be built in to ensure participation from the audience.

Workshop

The workshop will cover an overview of the role of marketing. The changing character of marketing as the needs and wants of the industrial and services sector markets change, and the need to adjust to these changes in order to survive the 90's, is the central theme of this workshop. Pre-printed sheets would be distributed to the audience with the understanding that they are for their own use and would not be turned in. They would be asked to write their opinions or describe situations and compare and changes after the delivery of the unit.

In recognition of the fact that the attendance will be diverse in terms of experience, sophistication and education, a basic overview of the marketing function will be reviewed.

Participation will be effected by the distribution of (possibly represented) sheets whereupon attendees will be asked to enter initial premises about industrial marketing.

After inter-active presentation, they will be bases to review their comments and determine whether they still agree.

The concept of marketing for the 90's; the focus on fulfillment of customer needs rather than the concentration on product, is a specific and important unit. Many businesses believe they practice this, but closer observation reveals otherwise. Again, a participation element would be used to involve the audience.

Basic Overview of Marketing

Define Marketing - marketing is both a set of activities performed by organizations and a social process.

The American Marketing Association defines marketing as:

“The process of planning and executing conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives. ”

Marketing is therefore concerned with anticipating needs and directing the flow of goods and services from producers to consumers - in this case the consumer is the producer or business market.

This is done to satisfy the needs of the business market - and achieve the objective of the firm (micro-marketing) and the society as a whole (macro-marketing).

Micro and Macro Marketing

Marketing is found on two levels - Micro and Macro.

What is MICRO marketing?

It is the performance of activities that seek to accomplish an organization's objectives by anticipating customer or client needs and direct the flow of need-satisfying goods and services from producer to customer or client.

- applies to both profit and non profit groups.
- it is more than just persuading customers - the aim is to IDENTIFY CUSTOMERS' NEEDS.

Everything follows from marketing - design and packaging, prices and fees, credit, transportation, advertisement, warranty, installation. Therefore, the marketing concept should begin with marketing rather than production.

marketing does not however work in isolation. Since it interprets customers needs - it should provide direction for these activities and try and coordinate them.

MACRO Marketing

is a process that directs an economy's flow of goods and services from producers to consumers in a way that effectively matches supply and demand and accomplishes the objectives of the society.

The emphasis here is on how the whole industrial marketing system works because the role of the macro-marketing system is to effectively match supply and demand while meeting society's objectives.

Planned or market directed economic systems?

In a planned economic system government planners decide what and how much is to be produced and distributed by whom, when, and to whom. Producers have little choice about what goods and services are to be produced. Prices are rigid and are set by government planners.

Market-directed system, the individual decisions of the many producers and consumers make the macro-level decisions for the whole economy. Here the consumer makes society's production decisions when they make their choice in the marketplace. They vote with their dollars.

Price in the marketplace is a measure of value. If the consumer is willing to pay the market price then they must feel that they are getting their money's worth.

Free choices produce problems, what is "good" for some producers and consumers may not be good for society as a whole.

i.e., the dilemma between jobs and the environment.

The Canadian economy is a mixed economy - a combination of a planned economy and a free market.

i.e., made in Canada recession. CRTC. Wheat board, VIA Rail, Air Canada. CBC.

In any macro-marketing system, there are eight universal functions that have to be in place in order to allow marketing to be performed:

1. buying - looking for and evaluating goods and services
2. selling - promoting the product or service
3. transportation - moving the product from one place to another
4. storage - holding the goods until customers need them
5. standardization and grading - sorting goods according to size and quality
6. financing - providing cash and credit to produce, transport, store, promote, sell and buy products
7. risk taking - bearing the uncertainties that are part of the market process
8. market information - collection and analysis of all the information needed to plan, carry out and control marketing activities

THE SEARCH FOR OPPORTUNITIES OFTEN BEGINS BY UNDERSTANDING MARKETS

What is a market? It is a group of potential customers with similar needs and sellers offering various products - that is, a way of satisfying needs.

WHAT ARE THE FOUR OPPORTUNITIES THAT SHOULD BE PURSUED?

MARKET PENETRATION - an attempt to increase a firm's sales of products in its present market - usually through an aggressive marketing mix. This may be done through increase in customers' rate of use of the product, or attract competitors' customers or current non users,

MARKET DEVELOPMENT - trying to increase sales by selling present products in new markets. They may involve things like increasing or changing advertising strategies, changing channels of distribution or finding new uses for a product.

PRODUCT DEVELOPMENT - offering new or improved products for the present market. Here is where the firm should especially know the market's needs. They may then see ways of adding or modifying product features, quality levels, or adding more types or sizes to better satisfy the present market.

DIVERSIFICATION - moving into totally different lines of business.

What is the order of opportunities that firms consider?

1. **Market Penetration - Why - this is where they already have the strength and expertise.**
2. **Market Development - new market for existing products.**
3. **Product Development - developing new products.**
4. **Diversification - most difficult because new markets and products are involved.**

Marketing oriented managers must develop marketing mixes that are specific to the industrial market.

Industrial Marketing

Industrial Market have certain characteristics that contrast sharply with consumer markets.

- fewer buyers;
- larger buyers;
- geographically concentrated buyers;
- derived demand;
- inelastic demand;
- fluctuating demand; and
- professional purchasing.

Since the marketing characteristics vary from the consumer market, the dimensions of segmentation vary as well.

Segmentation in Industrial Markets

There are a number of segmenting dimensions found in the industrial market. These should be considered when deciding on a segmenting decision as well as the means by which the market is to be penetrated. Segmentation variables in the industrial market that should be considered include:

- types of organization;
- demographics;
- type of product;
- type of buying situation;
- + source loyalty;
- * kinds of commitments; and
- reciprocity.

Along with this are various strategies used to penetrate the segmented market.

The Marketing Strategy

Although advertising, promotion and publicity play an important role in the industrial promotional mix, personal selling is the main selling tool. But one of the first decisions the supplier has to make is the segment of the market that he wishes to market his services or productions to.

Most industrial buying decisions are made by a professional buyer. What are some of the decisions Industrial Buyers make?

There are generally two extremes of buying situations in the industrial sector - straight rebuy and new task.

A Straight Rebuy is routine.

New Task passes through several stages, each with its own requirement. The New Task situation is the marketer's greatest opportunity and challenge.

The supply marketing manager has to build on company strengths and avoid its weaknesses. He therefore has to seek **BREAKTHROUGH OPPORTUNITIES** - opportunities that help innovators develop hard to copy marketing strategies that will be profitable for a long time. A second option is to find the **COMPETITIVE ADVANTAGE** - a marketing mix that the target market see as being better than a competitors mix. These competitive advantages must come through during the buying process. Not only does the marketing manager have to understand the buying situation, he also needs to know about the industrial buying process - the **BUYPHASES**.

Buyphases

The buyphase or procurement is an eight phase process consisting of:

1. Problem Recognition
2. General Need and Description
3. Product Specification
4. Suppliers' Search
5. Proposal Solicitation
6. Supplier Selection
7. Order-routine Specification
8. Performance Review

The Buyphase may have many influences affecting the purchasing decision. These may include:

1. Users
2. Influencers
3. Buyers
4. Deciders
5. Gatekeepers

Advertising, Promotion and Publicity

How do you determine your budget? Percentage of volume? As little as possible? Geared to objectives?

If you said "as little as possible", you clearly see advertising as an expense; not an investment, [f you use a percentage of sales, you are closer to a realistic basis for determining a budget in terms of a relationship between promotion and sales. The weakness is that last year's sales determined this year's advertising budget - which is the tail wagging the dog, since a poor sales year may need more promotion the following year - not less! Competitive - parity - spending the same as your competition makes sense if all other things are equal, but rarely are. Are you and your competitor exactly the same? - you certainly be! And why would you believe that your competition knows more than you do about advertising expenditures? The Objective and Task method means you must outline specific objectives and then determine the specific tasks required to achieve them. Then you estimate the costs of performing these tasks. The sum is the budget. The superiority of this method is that is goal - oriented and driven by objectives.

How to Make Better Use of Marketing

You must be committed to your marketing program
You must see it as an investment
You must see that your program is consistent

**APPENDIX B
REFERENCE PUBLICATIONS**

APPENDIX B
Reference Publications

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**APPENDIX C
A PARTIAL LIST OF PUBLICATIONS
TO ASSIST NORTHERN BUSINESSES**

APPENDIX C
A Partial List of Publications to Assist Northern Businesses

- Trade Directions from the NWT Construction Association and the respective Chamber of Commerce.
- Reuller Management Handbook by Channel Corporation Management Consultants Ltd.
- International Self-Counsel Press Ltd. Series:
 - Advertising for Small Business
 - Basic Accounting
 - Be a Better Manager
 - Collection Techniques for Small Business
 - Credit, Debt, and Bankruptcy
 - Design Your Own Logo
 - Editing Your Own Newsletter
 - Federal Incorporation: A Business Guide
 - Financial Controls for Small Business
 - Insuring Business Risks
 - Managing Your Office Records and Files
 - Mike Grenby's Money Book
 - Mike Grenby's Tax Tips
 - Starting a Successful Business
- Federal Business Development Bank - Publications:
 - Arranging Financing
 - Cash Flow Budgeting
 - Analyzing Financial Statements
 - Audit and Collection Tips
 - Business Plan with a Future
 - Profits: A Publication for Small and Medium Sized Businesses
- Bank of Nova Scotia
 - A Unique Planning System for Independent Business
- Royal Bank of Canada
 - Financial Planning Guide and Application

NOTE: This is a limited list of publications. Check with your local and/or regional library, your bank and your local Economic Development Officer for other publications of interest. There are also numerous video and cassette presentations available on a variety of business topics.

APPENDIX D
SOURCES FOR POTENTIAL FINANCIAL ASSISTANCE

APPENDIX D
Sources for Potential Financial Assistance

♦ **Chartered Banks, General Banking and Lending Services:**

- Bank of Montreal - Yellowknife, Inuvik, Fort Smith
- Royal Bank of Canada - Yellowknife, Iqaluit, Hay River
- Bank of Nova Scotia - Yellowknife
- Toronto Dominion Bank - Yellowknife
- Canadian Imperial Bank of Commerce - Yellowknife, Inuvik, Hay River, Fort Simpson, Norman Wells

The Bank of Montreal has made a significant commitment to aboriginal banking. The Royal Bank of Canada is also making a concerted effort to provide services to aboriginal communities, agencies and organizations.

Chartered banks provide a wide variety of services. These services may vary depending on your communities of location. Not all chartered banks are prepared to provide lending services to new businesses in remote communities. However, the availability of funds depends on a number of factors, one of which is the banks lending policies.

The Federal Government's Small Business Loan Act is for any small business enterprise operating for a profit. Your chartered bank can determine whether or not your business is eligible. Qualifying loans have a preferred interest rate and the Federal Government guarantees the loan with the Chartered Bank.

♦ **Government Lending Institutions:**

- **Federal Business Development Bank in Yellowknife, NWT.**
A Federal Crown Corporation offering:
 - loans
 - loan guarantees
 - export receivable financing
 - venture capital
 - management services i.e., C. A.S.E.
 - planning & training

This agency has streamlined their lending process and has fasttracked loan applications.

- **NWT Business Credit Corporation.**

A territorial crown corporation offering:

- loans for debt financing
- investment incentives, repayable and non-repayable contributions for Capital Investments, Opportunity Identification, Markets and Product Development, Business Skills Development, and Business Relief
- * employment incentive creation
- * business advice from staff or through CESO including management,

- development and training
- venture capital

This agency time requirements for processing loans are too long and requires streamlining.

Details are available through your local Economic Development Officer and/or the regional offices of Economic Development and Tourism.

* **Northwest Territories Development Corporation.**

The GNWT, through Legislation, has established the Northwest Territories Development Corporation Act.

The mandate of the Northwest Territories Development Corporation (NWT DevCorp) is to develop and operate business enterprises that will create employment and income for northern residents. Further, the NWT DevCorp has the mandate to develop and promote economic diversification and stability of the northern business economy, consistent with the economic development strategies of the GNWT.

The goals of the NWT DevCorp are to:

- (a) Incorporate, establish and carry on the business of companies and to develop, establish, operate, manage and carry on the business of projects, directly or indirectly, within the Corporation in order to:
 - (i) create employment and income for residents of the Territories, primarily in small communities;
 - (ii) stimulate growth of businesses in the Territories; and
 - (iii) promote economic diversification and stability.
- (b) invest in business enterprises in order to:
 - (i) stimulate growth of businesses in the Territories; and
 - (ii) promote economic diversification and stability.
- (c) promote the economic objectives of the GNWT.

Significant time required to finalize applications.

• **Aboriginal Capital Corporations.**

A Federal program with regional committees to administer a loan fund for the development and expansion of aboriginal owned businesses throughout Canada.

Advisory services are provided through CESO, the Canadian Executive Service Organization.

Significant time required to finalize applications,

- **NWT Cooperative Development Fund.**

A program created to provide financial assistance to cooperatives in the NWT. The program provides loans for:

- refinancing;
- resupply;
- acquisitions; and
- expansion of existing facilities.

- **Industry Science and Technology Canada (ISTC) Government of Canada**

The Aboriginal Economic Programs Branch of ISTC delivers four programs under the Government of Canada's Canadian Aboriginal Economic Development Agreement (CAED) strategy.

Any aboriginal individual, association, partnership, or other legal entity which is majority-owned or controlled by aboriginal people, is eligible for support under any of ISTC's aboriginal economic programs.

- Aboriginal Business Development Program;
- Joint Ventures;
- Aboriginal Capital Corporations Program;
- Aboriginal Business Loan Insurance Program;
- Research and Advocacy.

Specific objectives include:

- expansion of aboriginal business and capital base;
- management by aboriginal communities of their own economic institutions and development opportunities;
- skills training, increased employment and higher incomes for aboriginal people.

Significant time required to finalize applications.

- **Community Futures Funded by the Government of Canada and administered by Employment and Immigration Canada.**

Objective

- to assist communities facing severe labour market difficulties to assess their problems, organize their resources and implement plans for local employment development and adjustment;
- support is provided to enhance planning and organizational capacity in the community, to stimulate entrepreneurship, to build social and physical infrastructure, and to develop human resources.

Eligible Communities

- rural and remote communities facing serious labour market difficulties and which lack adequate mechanisms to address their unemployment problems.

Program Components

- A community future committee, composed of representatives from a diverse range of development interests in the community, creates and oversees implementation of a plan that coordinates local initiatives for community development. The committee recommends other Employment and Immigration Canada programs and services such as Self-Employment Assistance, Local Projects - Job Development or Purchase of Training in the context of its plan. It also helps the community assess other government programs and services.
- Provides counseling and technical assistance to local small businesses and entrepreneurs. The Business Development Centre itself can invest up to \$75,000 in a business. Once the business is operational, the Business Development Centre continues to provide advice and assistance.
- Contributes to innovative local initiatives critical to the plan for community development.

Timeline is short, in some cases two weeks from date of application.

APPENDIX E
LIST OF CONSIDERATIONS AND REGISTRATIONS
REQUIRED WHEN SETTING UP A BUSINESS

APPENDIX E
List of Considerations and Registrations
Required When Setting Up a Business in the NWT

- Register business name with the Registrar of companies, GNWT, regardless of whether the business is a proprietorship, partnership or limited company.
- Register with the Workers' Compensation Board of the NWT and obtain a Certificate of Compliance,
- Obtain a municipal or territorial business license. A copy of your WCB Certificate of Compliance will be required.
- Register with the Department of Public Works Business Incentive Policy as a Northern Contractor.
- If you are a limited company and/or have employees you will have to register with Revenue Canada and obtain an employer number. All remittances of payroll deductions must be made under this employer number as required.
- You may have to register with Revenue Canada for a GST number. Obtain the information and determine whether or not you are required to register.
- Register with the Department of Finance, GNWT, under the Payroll Tax Act.

Note the penalties for late or non-compliance under:

- Workers' Compensation Act
- + NWT Payroll Tax Act
- Unemployment Insurance Act
- Canada Pension Act
- Income Tax Act
- + Goods and Services Tax Act

are severe and those costs are not deductible as business expenses under the Federal Income Tax Act.

Contact your local Economic Development Officer to put you in contact with qualified and experienced professional help with a known track record. This is essential to ensure you are starting in the right direction. The time and money you spend in these areas at the start are an investment in your future.

If you do not know any lawyers or accountants, contact one listed in the phone book. You can phone their respective professional associations and find out if they are in good standing.

APPENDIX F
LIST OF TOPICS FOR A BUSINESS DEVELOPMENT WORKSHOP

APPENDIX F
List of Topics for a Business Development Workshop

List of topics that should be considered for a business development workshop,

- **Forms of business structure**
 - **Proprietorship**
 - **Partnership**
 - * **incorporation**
- **Registration of new business.**
- **Income tax considerations when starting a business.**
- **Marketing for new and current businesses.**
- **Maintenance of records and implication for non-compliance of Federal and N.W.T. Acts and/or statutes.**
- **Payroll**
- **Workers' Compensation**
- **Seeking Financing**
 - 4 **Networth**
 - **Business Plan**
 - **Financial Forecasts and cash flows**
 - **Securities - what are they**
 - **Assignment of Accounts Receivable**
 - **Assignment of Inventory**
 - **Chattel Mortgages**
 - **Conditional Bills of Sale**
 - **Hand Mortgage**
 - **Agreement for Sale**
 - **Assignment of Land Lease**
 - **Personal Guarantees**
 - **Joint and Several Guarantees**
- **Communications**
 - **Partners**
 - **Staff**
 - **Family**
 - **Customers**
 - **Suppliers**
 - **Banker**
- **Financial Controls/Personal Budgeting**

- Financial Programs - Federal and Territorial
- Collection and Credit Procedures
- Buying
- Transportation
- Training Programs - Federal and Territorial
- Management Budgeting
- Personal Budgeting
- Employees
 - Family Members
 - Other

APPENDIX G
SUMMARY OF EXISTING TRAINING PROGRAMS

RESIDENT WORKER PROJECT
SUMMARY OF EXISTING TRAINING PROGRAMS

NAME OF PROGRAM	LENGTH OF SUPPORT PERIOD	LIMITATION ON THE NO. OF PROGRAMS/EMPLOYEES	LIMITATION OF EMPLOYEES
			YES
Human Resource Planning (HRP)	Varied but short	One time only	
Industrial Adjustment Service (IAS)	Employer 1-2 yrs Assn. 3-4 yrs Community 2-3 yrs	Flexible generally one program/year	
Work Sharing (WS)	Min 6 wks Max 26 wks Some exceptions	1 program/year	
Workplace Based Training (WBT)	Min 80 hrs Max 3 yrs	Yes - total value of agreements max of \$500,000	X Related to \$
Training Trust Fund (TTF)	3 yrs	Once for a three yr period	
Short Term Employment Program (STEP)	Negotiable	By \$ available	
NWT Workers Training Fund (NONE)	Up to 1 yr	Up to the community receiving the funds	Up to the Community
Training on the Job (TOJ)	Up to 2 yrs	None	
Apprenticeship Training Assistance (ATA)	1 yr with renewal option for 2 more yrs	No	X
GNWT Inc Service Apprentice Program	Full term contract	No	X
Project Based Training	Not to exceed 3 yrs	N/A	X
Building Trade Helper Certificate		No	

RESIDENT WORKER PROJECT
SUMMARY OF EXISTING TRAINING PROGRAMS

NAME OF PROGRAM	% FUNDING		FOCUS	TYPE OF FINANCIAL SUPPORT			
	FEDERAL	N WT		SUBSIDIZED SALARY	EDUCATION FEES & BOOKS	TRAVEL & ACCOMMODATION	OTHER
Human Resource Planning (HRP)	100%	NSB	Human Resource Management				\$3,000/Employer Committee approach. \$5,000/person on
Industrial Adjustment Service (IAS)	100%	But cost shared with employer & employee	To Assist Employees to cope with changes to Labour Market	x		x	Administration Fees
Work Sharing (WS)	100%	\$100,000/yr	To Facilitate a reduced work tech	x	Payment of UIC Benefits for days not		
Workplace Based Training (WBT)	100%	\$335,000/yr	AA	x	25% to 60% Max \$350/wk Up to \$20/ training hour \$5,000 purchase of Training		
Training Trust Fund (TTF)	100%	NSB	Promote creation of a self sustaining Trust Fund for the employees				To employees of ASSN
Short Term Employment Program (STEP)	100%	\$41 2K	U	X			Rental of Equipment & facilities to handle project
NWT Workers Training Fund (NONE)	100%	\$6 Mil	Unemployed community determines eligibility	x		x	x
Training on the Job (TOJ)	100%	\$1.2 Mil	AA	x		up to 300	
Apprenticeship Training Assistance (ATA)	100%	\$1.1 Mil	AA	x	Staged over 3 yrs	x	
GNWT Inc Service Apprentice Program	100%	\$2.4 Mil	AA	x			
Project Based Training	100%	\$1.8 Mil	U	X		X	Supplementary allowance for daycare and living away from home
Building Trade Helper Certificate	Shared		Unemployed individuals Grade 6-8 Ages 25-30 with same experience	x			

APPENDIX H
DEPARTMENT OF ECONOMIC DEVELOPMENT & TOURISM
SUMMARY OF POLICY AND DIRECTIVES
FOR THE BUSINESS DEVELOPMENT FUND

APPENDIX H
Department of Economic Development and Tourism
Summary of the Policy and Directives
for the Business Development Funds

POLICY (As of Sept 17, 1993)

The Government of the Northwest Territories will encourage economic development and diversification through assistance to businesses. To this end the Government, through this and other programs, will share the financial risk so that good ideas can be turned into successful businesses and existing businesses can fully realize their potential.

In developing and applying this Policy the Department shall take into consideration the following principles:

1. The private sector is the preferred option for developing the Northwest Territories' economy.
2. The private sector should expect their applications to be dealt with promptly and with a minimum of paperwork.
3. Government support is an acceptable and sometimes necessary means of stimulating and developing the economy.
4. Public investment must build upon available resources and use technology and scale appropriate to the skills and traditions of residents.
5. Development must be fostered in ways which are acceptable to community values.
6. Government must provide training towards a skilled labour force able to access current and future employment opportunities.
7. The Government will attempt to balance environmental and developmental concerns by promoting economic initiatives which maintain ecological processes, ecological diversity, and harvest renewable resources at sustainable levels.
8. Government supported economic development should result in increased employment of northern residents.

SCHEDULE A

PART 1: CONTRIBUTIONS FOR PLANNING AND OTHER DEVELOPMENTAL COSTS

Purpose

Before a business can be reestablished or expanded, expenditures may be required. This program is designed to assist businesses to meet pre-establishment or pre-expansion costs when there is a good possibility of increasing regional sales or displacing imported goods or services. Examples of expenses which may be eligible include:

- (a) engineering or other preconstruction costs associated with a major expansion, if these costs are necessary to determine whether it is possible to expand or not;
- (b) feasibility studies;
- (c) business plans;
- (d) assisting with legal and regulatory costs.

Eligibility

All Northwest Territories businesses.

PART 2: CONTRIBUTIONS FOR PILOT OR DEMONSTRATION PROJECTS

Purpose

In some cases, the preparation of a feasibility study or business plan may be insufficient to determine a project's worth or viability, particularly where the use of new technology is being considered. This program is designed to assist businesses to establish pilot or demonstration projects to test the application of new technology in current or planned business ventures.

Eligibility

All Northwest Territories businesses undertaking projects where future business opportunities may result from the successful introduction of a new technology or process.

Businesses which have received financial assistance under Part 1 of this schedule may also be eligible for assistance under Part 2 for the same project in the same fiscal year.

SCHEDULE B

Part 1: CONTRIBUTIONS FOR BUSINESS CREATION OR EXPANSION

Purpose

This program is designed to encourage the establishment and expansion of Northwest Territories businesses in cases where there is demonstrable northern benefit.

Eligibility

All Northwest Territories businesses.

Market Disruption

For the purposes of this Policy and Directive, consideration of potential market disruption will only apply to Business Creation, Expansion or Investments (see Schedule B) when the community where the investment occurs already has a similar legitimate business, (i. e., one that employs full-time staff, has "store frontage", and is accessible to its entire potential market). Exceptions to this will only be considered when it can be demonstrated that a substantial portion of the market cannot be served by existing businesses and that existing businesses will not be seriously negatively impacted by the proposed project.

Establishing a business in a community which is being served by a business not in that community shall not be considered market disruptive.

PART 2: CONTRIBUTIONS FOR VENTURE CAPITAL

Purpose

Contributions for venture capital are intended to expand the Northwest Territories entrepreneurial base and to encourage private sector investment in less developed communities and regions. For individuals and businesses willing to risk their capital in these areas, the Government of the Northwest Territories is willing to share some of the risk.

Eligibility

Northwest Territories businesses and non-Northwest Territories businesses, or individuals who are either residents or non-residents.

Applications are limited to those investments outlined in Schedule B Part 1. All criteria within Schedule B Part 1 shall apply to the Venture Capital investment with funds flowing directly to the investor.

The investment must be made in a business located and operated in a Group 2 or 3 community or in a priority sector as identified by the Minister, and which is owned and operated by Northwest Territories residents.

The total investment must not exceed a minority (49 %) interest.

The venture capital company must demonstrate an arms length relationship with the

eligible business or individual.

In those cases where projects involve government lease-back arrangements, government lease revenues shall not normally exceed 50% of the company's gross revenues during the amortization period of the assets. The Minister may make an exception to this limit where income and employment benefits warrant.

SCHEDULE C

PART 1: CONTRIBUTIONS FOR MARKET DEVELOPMENT AND PRODUCT PROMOTION

Purpose

The Market Development and Product Promotion Program is designed to assist businesses to generate sales of Northwest Territories products in a new markets or develop markets for new products. The Program may also assist in the marketing of existing tourism, arts and crafts, and renewable resources products.

Eligibility

Northwest Territories businesses.

SCHEDULE D

PART 1: CONTRIBUTIONS FOR BUSINESS SKILLS

This program is designed to assist businesses acquire professional or trained assistance to:

- (a) undertake short term training in specific business skills which may include but are not limited to bookkeeping, tax law, contracting, bidding, inventory control, and receivables control;
- (b) acquire short term professional managerial support during periods of expansion or restructuring, or meet the needs of extra-ordinary projects;
- (c) develop training plans,

Eligibility

Northwest Territories businesses,

SCHEDULE E

PART 1: CONTRIBUTIONS FOR BUSINESS RELIEF

Purpose

Contributions under this Schedule are intended primarily for emergency short-term relief and to assist businesses in difficulty to access professional assistance to identify problems prior to developing a recovery plan or to access professional assistance to develop a recovery plan. Contributions are also available to assist with the orderly winding down of a business that is not viable or assist in attracting investors or potential buyers, to minimize the negative effect on creditors.

Eligibility

Northwest Territories businesses, in Group 2 and 3 communities. Group 1 communities are eligible provided that the potential for market disruption does not exist.

Shareholders must contribute or else demonstrate an inability to contribute fully to the recovery plan or wind down as the case may be.

In the case of wind down assistance, eligibility is limited to Northwest Territories businesses whose net worth is negative or negligible and which will not likely become viable with assistance.

SCHEDULE F

PART 1: BUSINESS BAILOUT

Purpose

This program may provide immediate financial assistance to a business either in, or close to, bankruptcy. It is intended to be a last resort for businesses, necessary to the well-being of a community or to an industry. Examples may include:

- fuel oil supplier;
- community store;
- service station; and so on.

Assistance may also be provided to businesses essential to industry development. For example:

- the only hotel in a community;
- community's only freight company;
- regional bookkeeping service; and so on.

Eligibility

To be eligible for bailout assistance, the business must be essential to the well-being of a community or industry. In addition, it must have developed financial trouble as a result of poor management decisions or unforeseen and temporary developments. The business must be capable of being a viable operation.