

LEGISLATIVE ASSEMBLY OF THE  
NORTHWEST TERRITORIES  
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**Report of the Task Force  
formed to study  
problems encountered by  
Northern businessmen  
in obtaining  
Federal Contracts**

July, 1975

This publication contains the report of the Task Force. Briefs submitted by Northern businessmen are available separately and may be obtained through the Public Information Branch of the Department of Indian and Northern Affairs

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## 1. FOREWORD

In a press release on June 27, 1974, the Minister of Indian and Northern Affairs announced his intention to create a small task force which would study the problems encountered by northern businessmen in obtaining federal contracts and would have it submit proposals to improve the competitive position of these businessmen.

This statement was followed by a formal announcement in Yellowknife on January 10, 1975 by The Honourable Judd Buchanan that six northern entrepreneurs had been appointed to the task force. They represent the group which has the greatest stake in the development of viable businesses in northern communities and also have the knowledge and experience of local conditions.

To obtain the desired response and input necessary for a consistent evaluation of the problems, arrangements were concluded to visit a number of larger communities where business interests were directly involved in federal contracts. Because of time and cost restraints, the task force was unable to visit all of the smaller communities in each territory. However, to ensure maximum response to their enquiry, briefs were requested from community councils, business associations, ethnic groups and northern residents.

A summary of the comments presented at the public meetings and issues gathered from the briefs presented to the task force forms the basis of the conclusions and recommendations submitted by its members. These are included in this final report.

## 2. INTRODUCTION

The Department of Indian Affairs and Northern Development received many representations from northern business interests stating their concern about the number of federal contracts being awarded to southern-based companies whose contributions and benefits to the north are not as great as they could be. For many reasons, northern contractors and suppliers are encountering difficulty in bidding competitively for contracts against their larger southern Canadian counterparts, and the situation appears to be deteriorating. It was recognized that some preferential treatment should be given to northern business to permit them to increase their competitiveness with the objective of fostering a stable local economy. It was also recognized that a solution to the problem would likely be varied and complex.

The government's national objectives for the north include the encouragement of viable economic development within regions of the northern territories and the provision of a higher standard of living, quality of life and equality of opportunity for all northern residents. One of the means of obtaining these objectives is to encourage northern residents to participate in economic development through the medium of entrepreneurship.

Major new developments, largely in the resource sector, involve major capital investment and considerable technical expertise which may not be readily available in the north. However, there are usually spin-off possibilities from large scale operations, including major government infrastructure projects. Small businesses are required to provide support. In addition, multiplier effects provide a base for other means of supplies and services. Northern firms must be fully involved in all these proposed developments if they are to succeed as viable business organizations.

It was decided that the most effective approach to determine the scope of the problems encountered by northern businessmen and to determine the level of preferential treatment was to appoint selected northern businessmen as members of a task force to meet with their associates, chambers of commerce, other associations and northern residents to discuss with them their concerns. Representatives to this task force were nominated by the Whitehorse and Northwest Territories Chamber of Commerce and the Canadian Arctic

Co-operative Federation.

During the period from March 7-20, the task force members visited nine communities in the Yukon and Northwest Territories to determine the nature of the problems encountered by northern business interests and to solicit their views and recommendations for adoption of corrective proposals.

The task force members visited the following communities: Whitehorse, Yukon; Inuvik, Northwest Territories; Tuktoyaktuk, Northwest Territories; Repulse, Northwest Territories; Yellowknife, Northwest Territories; and several other communities in the Yukon and Northwest Territories.

The task force members found that the most serious problem in the Yukon and Northwest Territories is the lack of adequate transportation facilities. This is particularly true in the case of the Northwest Territories, where the only means of transportation is by air. This makes it difficult for businesses to obtain supplies and to transport their products. The task force members recommend that the Government should provide more adequate transportation facilities in the Northwest Territories.

Another major problem is the lack of adequate housing facilities. This is particularly true in the case of the Northwest Territories, where there is a severe shortage of housing. The task force members recommend that the Government should provide more adequate housing facilities in the Northwest Territories. This could be done by providing subsidies to private housing developers or by providing direct subsidies to the Government for the construction of public housing.

The task force members also found that there is a need for more adequate health and social services in the Yukon and Northwest Territories. This is particularly true in the case of the Northwest Territories, where there is a severe shortage of health and social services. The task force members recommend that the Government should provide more adequate health and social services in the Northwest Territories. This could be done by providing subsidies to private health and social service providers or by providing direct subsidies to the Government for the provision of public health and social services.

### 3. COMPOSITION OF TASK FORCE

Nominations for the task force were provided to The Honourable Judd Buchanan, Minister of Indian and Northern Affairs, by the Whitehorse and Northwest Territories Chambers of Commerce, and the Canadian Arctic Co-operative Federation. The appointed members are:

AL KAPTY	General Manager Trans-North Turbo Air Ltd. Whitehorse, Y.T.
CLIVE BOYD	Construction Manager General Enterprises Ltd. Whitehorse, Y.T.
COLIN ADJUN	General Manager Coppermine Eskimo Co-operative Ltd. Coppermine, N.W.T.
BOB O'CONNOR	President Aero Arctic Helicopters Ltd. Yellowknife, N.W.T.
LEN CARDINAL	Cardinal Transport Ltd. Inuvik, N.W.T.

Mr. B. Lyall, Cambridge Bay, the sixth member originally appointed to the task force, found it necessary to withdraw his services for personal reasons.

The task force members chose Len Cardinal as their chairman to conduct all public meetings and discussions with other government departments and agencies.

Assisting the task force as secretary - co-ordinator is R.G. Armstrong, Program Adviser, Engineering and Architecture Branch, Department of Indian and Northern Affairs.

4. ITINERARYPhase INorthern Public MeetingsMarch 1975

<u>Date</u>	<u>Location</u>	
March 7	Watson Lake, Y.T.	Community Hall
March 10	Whitehorse, Y.T.	Travelodge
March 11	Inuvik, N.W.T.	Family Hall
March 13	Fort Simpson, N.W.T.	Village Council Chambers
March 14	Fort Smith, N.W.T.	Town Council Chambers
March 15	Yellowknife, N.W.T.	Yellowknife Inn
March 17	Hay River, N.W.T.	Town Hall
March 19	Frobisher Bay, N.W.T.	Adult Education Centre
March 20	Rankin Inlet, N.W.T.	Settlement Council Offices

Phase II

Discussions with Representatives of Federal Government  
Departments and Crown Corporations. April, 1975

April 21

9:00 - 10:30	Evaluate briefs and minutes of public meetings	
10:30 - 12:00	Discuss issues with program officers	A.B. Yates
2:30 - 4:30	Review and evaluate proposals	

April 22

9:00 - 12:00	Review all data and prepare draft recommendations.	Task Force Members
2:00 - 4:30	Decide on format of final report. Identify items for discussion with representatives of other government departments.	

April 23

9:00 - 10:30	<u>Treasury Board Contract Policy</u> Government Contract Regulations Tender calls - awards - bonding Charges in contract policy	W. Mulock
10:30 - 12:00	<u>Department of Finance</u> Corporate and Personal Income Tax issues	Kim Roach Faye Woodman
2:00 - 3:30	<u>Department of Supply and Services</u> <u>Department of Indian Affairs and Northern Development</u> Air charter contracts - policy and procedure Tender and award procedures	Tony Costello Walter Moore
3:30 - 5:00	<u>Northern Canada Power Commission</u> Tender and contract award process authorities	Dr. P. Côté Jim Young

April 24

9:00 - 10:30	<u>Department of Supply and Services</u> Supply policies and procedures Service and purchase contracts	Dave Haggerty Al Pinard
10:30 - 12:00	<u>Air Transport Committee</u> Policy role in areas of licensing, enforcement and regulations	Barry Gardner Richard Hurst Frank Steele Vincent Tailon

2:00 - 3:30

Department of Indian Affairs  
and Northern Development  
Small Business Loan Fund  
Industrial Development Bank  
Training policies

Terry Sturgeon  
A.B. Yates  
K. Bowles  
Rudy Rogalsky  
Carol Baker

3:30 - 5:00

Northern Transportation  
Company Limited  
Policies with respect to  
shipping, transportation,  
trucking and expediting

W.M. Gilchrist  
R.W. Hyndman

In Attendance

W. Morgan, Government of N.W.T.

## 5. TERMS OF REFERENCE

### Background

One of the Government's objectives is the encouragement of economic development in the North. To enable northerners to participate in this development, it may be necessary to extend some preferential treatment to northern business in bidding on Federal contracts. To assist in achieving this objective, the Minister of Indian Affairs and Northern Development announced, on June 27, 1974, the formation of a Task Force to study the problems being encountered by northern firms in obtaining Federal contracts.

### Objective

The Task Force will investigate and determine the problems being encountered by northern firms in bidding and winning Government contracts and make recommendations which will enable the Federal Government to permit greater participation by northern firms in Federal Government contracts. In particular the Task Force should:

- (a) define a northern business;
- (b) determine the extent to which northern firms have participated in Federal Government contracts and the extent to which they have bid unsuccessfully on Federal contracts and reasons therefore;
- (c) determine the nature of difficulties being experienced by northern firms in bidding on Federal Government contracts;
- (d) determine the capabilities of northern business;
- (e) determine specific industries/regions where assistance is required in obtaining a greater share of Federal Government contracts;
- (f) recommend action which can be taken within the framework of existing Federal Acts to assist northern enterprises in obtaining a greater share of Federal Government contracts;
- (g) investigate any detrimental effects, such as inhibited flow of new technologies and methods into Northern

Canada, shortages of equipment and skilled personnel, increased costs, etc., which might result from any of the recommendations.

### Methodology

The Task Force will hold public hearings at selected locations in the Yukon and Northwest Territories at which interested parties can present their views. In addition, those communities at which meetings will not be held, will be given the opportunity of submitting briefs to the Task Force.

### Composition

The Task Force will be composed of members nominated by the following organizations:

Whitehorse Chamber of Commerce - 2

Northwest Territories Chamber of Commerce - 2

Canadian Arctic Co-operative Federation Limited - 2

Department of Indian Affairs and Northern  
Development - 1 (Secretary-Co-ordinator)

### Costs

Non-government members will be provided with a honorarium and, in addition, travel expenses will be paid in accordance with government travel regulations.

### Final Report

The Task Force will submit their final report to the Minister of Indian Affairs and Northern Development on completion of the hearings.

## 6. PROCEDURES

### Fact-Gathering - Briefs

In addition to holding public meetings, it was decided that briefs would be requested from all business interests, chambers of commerce, native organizations, settlement councils and any other concerned northern resident. These could be either presented at public meetings or forwarded to the Co-ordinator - Secretary for evaluation by the task force members. In all cases, the concerned public was asked to identify the problems relating to bidding on and obtaining federal government contracts and to submit their views and proposals for improving the present situation.

Copies of briefs received and considered by task force members are included in Appendix "B". The names of those participants who attended public discussions at various locations in both territories are shown in Appendix "C". Appendix "D" identifies the list of communities and organizations requested to submit briefs.

Following the public meetings, the task force met with representatives of federal government departments involved in northern contracting to discuss various issues raised in the briefs and at the public meetings.

### Public Meetings

The task force members held their first meeting in Yellowknife on January 28-29, 1975 to identify where public meetings would be held to obtain maximum participation of northern entrepreneurs into the problems associated with bidding and obtaining federal government contracts. It was recognized during these meetings that the task force terms of reference would probably provoke discussions on associated problems northern businessmen are encountering with other levels of government, crown corporations and agencies. Consequently, it was decided that some latitude must be permitted during these meetings for participants to air their concerns and to bring into perspective all problems associated with the development of viable northern businesses. The members were confident that the adoption of this philosophy would develop a rapport between them and members of the audience, and ensure an uninhibited response.

The chairman, in his opening remarks, welcomed the audience and stressed the informality of the proceedings and the need for a frank exchange of views and opinions from the businessmen and the members of the study group. The terms of reference were discussed to ensure all participants were aware of the objectives of the study and the scope of responsibility of the task force.

Public meetings were held in the evening in an attempt to obtain maximum participation of local business interests, associations and local residents. The task force itinerary was published in advance in all of the local papers and public attention was drawn to each individual meeting with the assistance of the CBC radio and television service.

Under normal circumstances, a permanent verbatim record is kept of all public meetings either by the use of recording devices or with stenographic assistance. The members decided that use of either of these recording methods might inhibit the frank exchange of information between members and the audience, information which they felt was essential to the success of the study. Consequently it was decided not to use either of these recording methods. A record of each discussion was maintained to produce a summary of the comments and issues, and these are included in this report.

## 7. CONCLUSIONS

1. The task force tour to the larger communities in both territories enabled its members to obtain valuable knowledge and experience relative to contracting problems encountered by northern entrepreneurs. It also permitted a frank exchange of views and opinions between businessmen and their associates.
2. It is evident from the scope of the public discussions that northern businessmen are anticipating that the task force will include in its recommendations proposals to resolve some of the difficulties they are encountering under both federal and territorial administrations. Although the terms of reference specifically relate to an evaluation of difficulties in federal contracting, the members were receptive to discussions on other associated problems in order to obtain a better perspective of the concerns of northern businessmen.
3. It is clear that business interests expect improvements in communication and co-ordination of government programs to help all elements of the business community and also in the development of business opportunities through financial assistance and training programs. They are also concerned that all levels of government appreciate the many difficulties inherent in developing and maintaining a viable business operation in the territories. Many briefs reflecting these views were received by the task force and public discussions reinforced these opinions.
4. The main areas of concern appear to fall into two categories - those associated with the construction industry and others with the provision of services, in particular air charter operations.
5. Businessmen of both territories stated their appreciation for the opportunity to express their views and opinions with respect to the study, and it is apparent that a high degree of mutual understanding was achieved.
6. It is apparent that more positive action must be taken by all levels of government to formulate programs designed to assist designated entrepreneurs

in their development through a method of preferential treatment.

7. When defining the terms of reference of future studies consideration must be given to include representations from all levels of government and crown corporations.
8. Northern entrepreneurs must capitalize on business opportunities to retain and improve the income level and the creation of secondary and service employment, develop internally and expand to obtain a greater degree of self-sufficiency.
9. Governments and industry must involve northern business interests at the earliest opportunity in their long range development planning to permit them to develop their resources to the point that they can compete successfully for their share of northern expenditures.
10. There are four distinct categories of contracting agencies each being developed in their own way and include independent northern based entrepreneurs, southern based firms with branch offices in the territories, native controlled firms and co-operative ventures. The success of individual firms often depends to a large degree on the firm's internal management expertise, its financial adequacy and its competitiveness.
11. Entrepreneurship must be cultivated and developed for involvement in secondary and operational roles once major development projects have been completed.
12. Contract regulations governing construction, purchase and service contracts, are generally acceptable but administrative procedures must be adopted to permit maximum involvement of northern business firms in all aspects of contracting at the earliest possible date in the planning process.
13. Branch offices of southern firms working in the territories do not encounter many of the financial restraints now plaguing their northern counterparts including availability of adequate source of financing and shortage of working capital.
14. Northern businessmen usually encounter great difficulties when bidding on contracts since the assembly

of resources is more difficult in the territories.

15. Government contracting control has been formulated to ensure the competitive position of entrepreneurs is protected in government contracting through the administration of various acts and regulations. These are generally consistently applied within the constraints of regulations and administrative directives.
16. The recorded findings are not attributed to any particular individual or association, but are a consensus of public discussions and proposals contained in the briefs and which are considered by the members to be pertinent to the study.
17. Under its terms of reference, the task force members identified as their primary responsibilities the clarification of a northern business (entrepreneur) and the investigation of the problems encountered by northern firms in bidding on and obtaining federal government contracts.

8. DEFINITION OF ANORTHERN ENTREPRENEUR

In these recommendations, where a Northern Business or Entrepreneur is referred to, it shall be considered to include all of the following criteria:

- (a) The Corporation must be registered with the Company's Office of either the Governments of the Yukon or Northwest Territories. Head Office and the administrative offices of the Corporation must be located in the Territories.
- (b) The percentage of Revenue earned in the Territories must exceed 50% of total Revenue earned in Canada.
- (c) The percentage of employees employed on a permanent basis in the Territories must exceed 50% of total employees permanently employed in Canada.
- (d) The percentage of capital investment in fixed assets in the Territories must exceed 50% of total capital investment in fixed assets in Canada.

9. RECOMMENDATIONS

1. Personal income tax imposed on residents in the Yukon and Northwest Territories (30% of "Basic Federal Tax" in 1974) should:
  - (a) be eliminated for the first 5 years of residence in either territory;
  - (b) and thereafter, be maintained at a substantially lower level than that imposed on provincial residents;
  - (c) all Personal Income Tax paid on salaries and wages earned in the territories be allocated to the applicable territory regardless of the place of residence at the time of filing.
  
2. The present corporate tax system should be redesigned to encourage the growth of small northern-controlled, northern resident business. Such a redesigned Northern Corporate Income Tax system should aim primarily at keeping existing industry in the north, giving it economic stability, stimulating its expansion and attracting new and/or other industries to move into either territory. This in turn would reduce the dependence of the north on Government spending and production of natural resources for economic stability and growth. It is recommended that:
  - (a) For the new northern business, a tax holiday be granted for a three-year period from date of incorporation or \$500,000 of cumulative taxable income, whichever is reached first.
  - (b) In the case of existing northern business, a tax holiday be granted for a three-year period from date of the enactment of legislation or \$500,000 of cumulative taxable income earned since the enactment of legislation, whichever is reached first.
  - (c) Dividends paid subsequent to enactment of legislation should not increase the cumulative small business tax deduction of \$500,000.
  
3. Freight costs to both territories be subsidized by the federal government on all commodities.

4. The Air Transport Committee post two licensed examiners to the Ministry of Transport Regional Office in Edmonton to carry out their inspection duties once a month of all air carriers in both territories.
5. Extend to all northern entrepreneurs a 10% Bid Differential on all contracts valued up to \$500,000 and a 5% Bid Differential on contracts greater than \$500,000.
6. The provision of general order 1972-3 should be reinstated in respect of all short term air charters (less than 30 days). The waiving of positioning charges rules would continue with respect of long term charters. No consideration should be given to the waiving of general order 1972-3 with respect to fixed wing charter operations.
7. The applicable section of the Air Carrier Regulations with respect to aircraft leasing be rewritten to ensure its enforceability. In the interim, an Air Transport Committee audit team be empowered to examine annually all class 4 aircraft leases in respect to the flow of lease charges between lessee and lessor in order to identify and thereby eliminate leases written contrary to the Air Carrier Regulations. Such examinations should be carried out between January 1 and June 1 in respect to each preceding calendar year.
8. Tender requirements for air charter contracts should specify job requirements and policies adopted which would permit use of equivalent aircraft.
9. The Canadian Aircraft Charter Industry be given the opportunity to evaluate and submit comments on any changes to the Air Carrier Regulations prior to adoption.
10. Tenders for air charter contracts be evaluated on the basis of estimated hours to be flown rather than tariff minimums. All hours so tendered should be equal to or greater than the tariff minimums prevailing in the industry.
11. A continuing government program be adopted for provision of improvements to northern airports, ancillary facilities, service and maintenance areas

and space to construct hangers and office buildings. A policy should be adopted that leased airport property must be developed within a three year period. Increase in property lease rates and landing fees recently imposed at all MOT facilities north of 60 must be rescinded.

12. The federal government, in recognition of the economic environment in which northern carriers exist (i.e., short season and high operating costs), direct the Canadian Transport Committee to develop a new policy of licensing and protection with respect to northern owned and operated Class 4 fixed and rotating wing carriers consistent with stated government objectives on northern economic development.
13. Increase Small Business Loan limits from \$50,000 to \$100,000 and amend the applicable regulations to permit use of loan funds for working capital and purchase of inventory.
14. The total amount of individual loan funds be increased to a level necessary to provide adequate assistance in the development of viable northern businesses to enable them to participate in a planned northern development.
15. Decisions on Small Business Loan Fund applications to be made within 30 days of receipt of complete documentation.
16. Consideration be given to the inclusion of grant provisions in all loan fund programs.
17. The Federal Business Development Bank to open and staff on a permanent basis, a regional office in Whitehorse, Y.T., and Yellowknife, N.W.T. at the earliest possible date.
18. Co-ordination of policies, procedures and authorizations with respect to the tendering and contract award process of all classes of contracts called by federal government departments, crown corporations and territorial government must be adopted.
19. When requisitioning supplies or services from Department of Supply and Services, all government departments and Crown Corporations to identify the source of local supply, or service and if available,

- purchase locally.
20. Department of Supply and Services establish district purchasing agents in Whitehorse and Yellowknife with instructions to purchase supplies and services locally (in the Territories) when such services are available.
  21. Tenders for all northern construction work should be called and opened in the north at the existing regional or district governmental offices. Awards can be made elsewhere.
  22. All tenders for goods and supplies should be called FOB place of use rather than origin of supply. Where goods are available locally they should be purchased locally.
  23. Tender plans and specifications be made available for public inspection in community where work is to be undertaken and also in the regional headquarters nearest the site of the project.
  24. Advertising of tender calls be restricted to northern companies whenever the goods and services can be provided by such companies. The tender call period be extended from 21 days to:
    - (a) 28 days in the case of tenders for aircraft
    - (b) 21 days in the case of tenders for provision of all other goods and services and minor construction projects.
    - (c) 42 days in the case of tenders for major construction projects.
  25. Tender calls for major northern construction projects, roads, wharves, airports, bridges, office buildings must be advertised in the appropriate press, to permit active participation of northern contractors and maximum participation of the construction industry.
  26. Tender calls for minor northern construction projects, small schools, warehouses, residences, garages etc. should be restricted to the local area where work is to be implemented providing construction competence and expertise is available.

27. Federal and Territorial Governments and Crown Corporations must initiate procedures to inform northern entrepreneurs, through a consultative process, of their long range plans and objectives with respect to northern development, identifying possible implications to the business community in areas of construction tender calls and projected service requirements.
28. The development of viable economic businesses must be accelerated, spending patterns of all levels of government and private industry must be evaluated and planning schedules adopted which would optimize the involvement to the maximum extent possible of all northern peoples and entrepreneurs.
29. During the planning phase of capital projects; an evaluation should be conducted by both the federal and territorial governments to determine the most effective method of construction whether by contract or project management. Decision on method of implementation should take into consideration all socio-economic factors.
30. The federal government, under the auspices of Treasury Board, should implement a study to consider the adoption of socio-economic factors in the contract award process in both the Yukon and Northwest Territories.
31. All Crown Corporations should be required to call and open public tender for their goods and services according to the Government Contract Regulations published under the Financial Administration Act.
32. A Resources Inventory be compiled listing the availability of suppliers of goods and services for use by all governments, crown corporations and contractors. The Inventory should be updated yearly and include all communities in both Territories.
33. Establish a non-political, non-government body (commission) or individual (ombudsman) which would assess and resolve any injustices perpetrated by any of the three levels of government and crown corporations. Such a body might consist of experienced senior citizens with northern expertise who could also provide economic guidance to northern businesses.

34. Initiate procedures to ensure prompt payment of invoices and claims by all departments of Government both Federal and Territorial and by Crown Corporations. Where such accounts or claims are in arrears in excess of 30 days from the date of the invoice, interest shall be paid at rates current on the date of the claim.
35. The Federal Departments of Indian and Northern Affairs and Manpower and Immigration and the Governments of the Yukon Territory and the Northwest Territories conduct a co-ordinated evaluation of educational and vocational training requirements necessary to meet the demands of both governments and northern business and participate jointly in the establishment of adequate training facilities.
36. An evaluation be conducted immediately in co-operation with all levels of government, business interests and industry to determine the short and long term training needs of northern residents to support northern developments. When these have been identified, establish an educational program designed to achieve the training objectives.
37. There is an immediate need to provide short term counselling assistance for northern business and the development of appropriate management training courses and seminars. An evaluation should be conducted immediately to identify these requirements and provide the appropriate assistance.
38. A Bid Depository will be established in Yellowknife with sub offices in each of the major communities in the Northwest Territories. When established, all levels of governments should utilize this system for all contracts.
39. Amend Treasury Board Travel Directive to permit Federal Government Departments and Agencies to use the services of local travel agents for hotel and airline reservations.
40. It is recommended that steps be taken by the Northwest Territories Motor Transport Board to protect existing northern truckers from unfair competition from their southern counterparts.

41. Task Force members be informed every six months of the progress of implementation of their recommendations and meet annually from the date of their report to evaluate the success of recommendations which have been enacted.
42. The Task Force recommends that copies of its report be made available to all participants at public meetings and to those concerned individuals and associations who submitted briefs.

This report is respectfully submitted to the Minister of Indian Affairs and Northern Development as the result of the investigations of the Task Force on Northern Business into the problems being encountered by northern firms in obtaining Federal contracts.

LEN CARDINAL, *Len Cardinal*  
Chairman

AL KAPTY, *Al Karty*  
Member

CLIVE BOYD, *Clive Boyd*  
Member

BOB O'CONNOR, *Bob O'Connor*  
Member

COLIN ADJUN, *Colin Adjun*  
Member

July , 1975.

10. APPENDICESAPPENDIX "A"COMMENTS AND ISSUES - SUMMARY

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### Advertising

- Northerners are not always aware of tenders nor of federal government's intention to conduct studies in the north until after an award has been made, in most cases to a southern firm.
- Some construction bids are advertised ~~in the~~ Journal of Commerce but not in local papers. In future, all advertising for both construction and service contracts work should be placed in northern papers and if not, bids received would be invalid.
- All contracts being considered by all levels of government should be advertised in the paper nearest to the location where the work is to be performed. For the eastern and central Arctic, the advertisement should be in English and Eskimo. For other locations, the advertisement should be in the second language common to the area being served. It is suggested that the local economic development staff of the territorial government might be able to provide translation services.
- Where there are no weekly papers, contracting authorities should consider other means of publicizing the tender calls for projects under consideration including television, radio and teletype.
- Consideration should also be given, depending on the nature of the contract, to have the contract documents, plans, etc. published in other than the two official languages. This would ensure more involvement of native northerners in the contracting business and the future anticipation that their firms will obtain most of the work in their particular location. They will not be able to do all of the work immediately but it will provide good training and hopefully native companies will learn more about the procedures and policies to be followed.

### Air Charters

- General Order 1972-73 is unsatisfactory as it places too heavy a restriction on the free movement of helicopters. For this reason, Class 4 rotary wing carriers requested its suspension. The order was subsequently suspended

with the condition that the helicopter carriers evaluate and formulate new guidelines for a replacement workable positioning charges order. A positioning charge order must include a formula for mobility, competition and stability in the class 4 Rotary wing industry.

- The helicopter charter industry in Canada has developed long term contract carriers and short term or casual charter carriers. The long term nomadic type carrier is highly mobilized for operations anywhere in Canada while the casual charter carrier maintains base-oriented operations, with bases near the field of work.
- A general order on positioning charges, when established by the Air Transport Committee, must take into consideration the two distinct operational styles. The optimal dividing line is a line which now exists between short and long term charters.
- Concern has been expressed on the lack of information available to aircraft companies regarding tenders for charter flying in both Territories. It appears more southern companies are being brought in to do charter work for Federal departments. Often these departments complain that northern-based firms do not have the specific aircraft to serve their needs. Consequently, charter contracts are awarded to southern firms using those specific aircraft although equivalent machines are often available locally.
- Air charter requirements for work in the Territories should either be advertised in northern papers or all northern operators should be informed directly by the contracting agency well in advance of requirements. This procedure would enable northern companies to be aware of all types of equipment required and provide them with the opportunity of obtaining the specific types of aircraft if they so desire.
- Some preference should be given to northern firms when bidding on government contracts due to the enormous disadvantage encountered when competing against southern-based companies. Since the aviation industry is strictly regulated by the government, northern operators are forced into higher capital costs to cover the cost of facilities required in the Territories. Remoteness of supply centres, cost of fuel, transportation, freight, housing, etc., result in increased operational costs not encountered by southern firms. The end result of conducting aviation charter business in the north is increased

tariff rates which are essential to sustain a viable operation. Governments must realize that northern operators provide a year-round service to governments, business enterprises and community residents at the least possible cost, and these organizations become dependent on this service. It follows that when tenders are being evaluated, the government must consider factors other than total cost when considering contract awards.

- Government agencies should assess aircraft resources available prior to calling tenders. If suitable aircraft are available locally, local firms should be given the opportunity to bid, even on an equivalent basis. It was suggested that tenders should state requirements for the job rather than specific models and makes of aircraft.
- An evaluation should be made to determine when government agencies should use casual or term charters. Contracts extending over a period of four months with a requirement of 50 hours flying per month, might be done better on a casual term basis.
- There is a lack of enforcement of present regulations and instances of infraction under the regulations and licensing.
- Northern firms are interested in providing a service to the public and place aircraft at specific bases for 12 months a year. They expect their services to be utilized by locals and government. They do not wish to see other aircraft coming in to these bases, underbidding the local firm and taking the work away from them especially during peak work periods. These seasonal or nomadic carriers are not available during the slack period.
- It appears, with all the problems encountered by charter aircraft companies working in the north, that a Northern Air Transport Association should be formed.
- Some chisel-charterers who own their own aircraft, move into the north and work under another licence. These aircraft are often not maintained to proper standards.
- Off-the-shelf service should be utilized whenever possible. Procedures must be established to ensure an equitable sharing of work amongst all operators on a local tender basis. Exclusive use requirements should be re-evaluated so the carriers can make maximum use of available aircraft for all job requirements.
- Considerable discussion took place regarding the payment

of positioning charges and who should absorb these costs. It was generally agreed that the client should pay.

- Some companies favoured the base franchise concept which would provide some form of preferential treatment to give protection to local operators.
- It appears that a new policy should be developed for a northern Class 4 Carrier.
- Northern Air Carriers resident staff, who are employed on a permanent basis, reside in the north and contribute to the local economy by purchasing goods and services in their resident community. On the other hand, the nomadic staff of southern air carriers contribute very little to the economy or community development. In addition, southern provinces receive the bulk of the carriers corporation and income tax benefits and are the major recipients of expenditures by the firm and its employees.
- All tenders for aircraft on term charters should state accurate estimates of expected utilization during charter term. Tenders submitted should then be evaluated on the basis of estimated hours to be flown, rather than tariff minimums, which may be artificially low for competitive reasons. The present tendering system is open to abuse since operators with special knowledge of the particular job could bid on what is normally a losing proposition knowing full well that the actual hours will exceed the minimum.
- During the mid 60's the Air Transport Committee established a licensing inspection staff. The purpose of this inspection section was to ensure that operators were adhering to all conditions attached to their commercial air service licences. For the purposes of inspection, Canada is divided into six regions with the inspectors assigned accordingly. All inspectors work out of the ATC Ottawa Office travelling to their region from there. The total number of staff members budgetary restrictions and workloads in Ottawa preclude the inspectors from making more than one or two inspection trips a year. These inspection trips should be made monthly or no less frequently than every two months.
- Some tenders are called on too large a basis and should be broken down to let other companies tender.
- Consideration should be given to awarding contracts to

local firms where additional backup aircraft and substantial support facilities are available especially in the area where the work is to be performed.

- The Air Carrier Regulations are not enforceable in respect of aircraft leasing. The applicable sections should be re-written to provide an enforceable regulation. In the interim, while these regulations are being amended, an Air Transport Committee audit team, with accounting experience, should be established to examine all Class 4 aircraft lease in respect of the flow of lease charges between lessee and lessor. These examinations would be carried out annually between January 1 and June 1 in respect of the previous year.

#### Bid Depository

- Consideration should be given to the establishment of a Bid Depository System in the Northwest Territories. It could be located in Yellowknife with sub-offices in each of the larger communities. This would accelerate the tender call process. Financial support can usually be obtained from general contractors, sub-contractors and suppliers.
- If an adequate system is established, it will stimulate government participation and general contractors would be encouraged to use this system for competitive bids.

#### Bid Differential

- A bid differential is a financial benefit. Specifically, the application of this differential would permit a northern entrepreneur to obtain contracts where its business competence was ascertainable even though the firm's quote was up to 10% higher than tenders submitted by southern-based companies. It is an accepted premise that Federal Government departments and agencies are not bound to award contracts to the lowest bidder.
- Because of high operational costs, including fuel, wages, transportation, the lack of adequate business during the winter months, and high maintenance costs, a bid differential of between 5-10%, between southern and northern contractors' tendered price, should be considered. This is not unlike the preferential treatment afforded by

provincial governments to assist in the establishment of provincially based firms.

### Bonding

- The present criteria for obtaining bonding is detrimental to northern businessmen. They have been informed that if the firm's current assets do not exceed its current liabilities (equipment cannot be considered a current asset), bonding cannot be provided. It is generally agreed that bonding is essential to protect both the contractor and client but what is needed more is an equitable method of obtaining adequate bonding. The possibility also exists that bonding companies will only provide their service to southern companies (companies who have previously demonstrated their reliability and competency to the bonding company) when considering bonding for northern projects.
- It may be desirable to identify a government sponsored agency to make bonding, (bid and performance) more easily obtainable, at least for the first few years of a firm's operation.
- One of the tasks the federal government might implement would be an evaluation of the problems relating to the provision of an effective bonding service to northern entrepreneurs. It could include methods by which bonding companies may be encouraged to either locate or extend their service to northern companies.
- The ability to bond is the ability to succeed. If a contractor's financial standing and competence is good, then he will get his bond approved. Bonding companies must turn down bad risks.
- One local contractor stated that his firm never failed completing a contract, his firm made money, provides a financial statement every six months but has difficulty getting bonded. If his firm was able to get bonding, he would be able to bid on more projects.
- The cost of financing, bonding, security deposits, hold-backs, etc., for construction projects is very expensive and could result in small contractors having 40% to 50% of their capital funds tied up. This restricts the company's flexibility to take on additional work and the

opportunity to expand.

- The limit of bonding requirements should be increased from \$25,000 to \$100,000. For projects valued in excess of this amount, the bonding rate should be reduced.
- Some caution was expressed concerning the reduction in bid bonding and the consequence on both the contractor and the client. If a reduction was approved, a situation could develop whereby contractors could be competing against other contractors who have no expertise and do not have a viable business operation. In this case, no one would be protected, the viable contractor or the client. Bonding protects viable businesses. (Perhaps contractors should be adopting a system of unit prices rather than bid or contract price).
- Bonding protects reputable contractors. Although some contractors have difficulty establishing credibility for the first bond, once accepted, bonding is very easy and straight-forward. Small companies must understand that they must build up confidence and improve their internal financial management, including their cash flow.
- During the discussion on bonding, the need and purpose of bonding was fully explored. Bonds protect everyone - the client, contractor, sub-contractor, suppliers and employees. There must be some guarantee of performance and responsibility.

#### Business Associations

- Some concern was expressed regarding the formation of a business association, its function, the funding of its operator, the regulations it would follow and whether a contractor's association was required for registration of sub-contractors because there is no established registry.
- The Yukon Contractor's association is affiliated with the CCA which can produce a tremendous lobby with the government in Ottawa.
- It appears the Northwest Territories needs its own association which can lobby for the membership and will be listened to by government officials.

- A trucking association did exist in the Northwest Territories a few years ago with 40 members including representation from large transportation companies. It did not function for very long once the larger companies obtained control of the executive. At the present time there are only one or two companies still in the Association.

### Contracts

- Some southern contractors use local resident contractors on their projects. However, payments are often late, sub-contract prices are sometimes less than they should be and full utilization is not made of all local services.
- Where possible, contracts should be of a longer duration, over a number of years to ensure economic continuity in the area where work is being done thus permitting an even flow of money into the community and reducing the amount of money to be borrowed in any given year. It will also stabilize employment and entice skilled employees to remain in the community 12 months of the year.
- Governments and agencies must educate their staff to use the northern expertise which is available (inventory of resources).

### Contract Awards

- Some southern contractors provide very few local benefits whereas local contractors maximize the training and use of community labour and tradesmen.
- Protectionism must be weighed carefully. If maximum protection was given to local contractors, some of the companies now contributing to northern development would not be located in the north.
- One of the possible solutions to the employment of local residents by southern contractors might be the inclusion of clauses in the contract documents (large contracts) specifying that not only local labour but also local equipment and materials must be used. Caution must be exercised before the adoption of such proposals to consider the economic benefits, if any. Contract costs

would probably increase and time delays may be encountered in project completion.

- There is a real problem that outside inter-provincial contractors, whose major work is in a province, are moving north obtaining most of the contracts leaving very few for northern entrepreneurs. These latter firms must be provided with some degree of protection to enable them to develop into viable companies to serve the needs of the territories and its residents on a continuous basis.
- Caution must be exercised when preparing recommendations so as not to exclude the influx of technology and construction expertise from southern Canada from contributing to northern development. The quality and quantity of expertise available in the north may not be capable of handling all large projects being contemplated.
- Where large contracts are being awarded, they should be spread over a longer period of time to ensure maximum utilization of local equipment and the optimum employment of local residents. Projects should not be rushed for the sake of early completion and longer construction schedules should be adopted.
- Federal and territorial governments and Crown agencies should announce the results of contract awards immediately after a decision is made, in the area where the work is to be performed.

#### Contract Purchase

- The total cost of the product being purchased by the government should be considered prior to the award of a contract. In some instances, Federal Government departments may pay a small premium for purchasing its goods and services in the Territories, but these are often offset by immediate delivery, provision of a good back-up service, the availability of spare parts, and will eventually result in the development of a viable supply and service industry.
- It is difficult for small local-based industries to become established in the Territories without the support of the purchasing power of all levels of government. Some firms, particularly the lumber industry, have not received the support needed to sustain their operations and, in fact,

governments are still purchasing their requirements from southern Canada even though materials are available locally.

- Confusion exists within the northern entrepreneur community on the sphere of operations of various DSS offices in western Canada.
- It is an accepted fact that manufacturers can supply their products at an F.O.B. cost which is less than that available from local distributors. This is largely due to the high overhead costs encountered by northern businessmen who must maintain their staff and facilities in an area of very high cost. Government should support its northern operation and provide assistance to these firms. It should also purchase locally, even at an incremental cost increase, to support northern companies.
- It would be desirable to have higher purchasing authority decentralized to regional and district purchasing agents of the Federal Government departments and crown corporations and instructions issued to them to support local merchants and services in proportion to their competitiveness and efficiency.
- There does not appear to be any consistent procedure by Crown corporations with respect to the purchase of vehicles and equipment used by their agencies in the Territories. In some cases, purchases are made through local firms, while in others, bulk purchases are made through southern suppliers. Consideration should be given to standardizing procedures and to maximize the use of local northern suppliers who can provide a competent back-up service at a reasonable cost, including warranty service, especially when the equipment is to be used on work in the north. If all costs were taken into consideration, it is quite probable that bids from territorial suppliers would be lower.
- The Territorial Governments should evaluate their volume purchase practices and establish policies and procedures which would enable local firms to expand into a competitive position with respect to outside firms. Placing more long term contracts (up to 2-3 years duration) on a planned basis would enable the development of skilled labour on a permanent basis, investment in capital equipment and also ensure service being provided to the community at large at a reasonable price. Northern business would then invest more finances in capital equipment to improve their services.

- Bulk purchase contracts should be reduced in scope to enable local purchase and to maximize the support of local source of supply. Often the composite price is too high or local merchants cannot provide all of the items listed and therefore their bid is unacceptable. The territorial government should restrict its policy of loaning or providing materials and supplies to community residents when local supplies are available.

#### Contract Service

- There is a body of technical and professional expertise in the Territories which has not been fully utilized in supporting the Federal Government's objectives in northern development. Some professionals have never received a Federal or Territorial Government contract for consulting services even though a number were funded by both Governments. Professional studies, in most cases, are not advertised in northern papers nor are northern consultants used primarily for this class of work. Contracts are usually given to southern-based firms. It would certainly be beneficial to all concerned if contractors, who implement programs funded by the Federal Government, be northern residents.
- Some of the larger service contracts being awarded for northern studies should be broken down into smaller component parts and awarded to the particular local northern expert.
- Attempts by professional consultant firms to establish offices in the Territories are not receiving the necessary support from all levels of government. To become a viable firm, which can participate in the stated objectives of northern development and be capable of providing services not only to government but to local interests as well, it must obtain government contractual support. All northern residents and business interests are entitled to professional advice at a reasonable cost.
- Northern based professional services contribute to northern development by employing and training local residents.
- Professional architectural services are very difficult to establish in small northern Communities. These firms are being by-passed by the territorial government for projects being designed for the community in which they have taken

up residency, even though their services are available. Competent professional firms who have signified their intent to establish professional services in any community for use of all territorial residents and have established and staffed an office, should be given some preference when the selection of consultants is being considered.

- Service contracts awarded through DSS for vehicle rentals are being awarded to southern firms by Federal Departments and agencies and in numerous cases not to northern licensed companies who have a large capital investment in equipment and facilities. Quite often these companies do not know when tenders are called or the result of such tenders.
- Although service contracts are being awarded for servicing vehicles of Federal Departments, often the contracted service is not being utilized by clients who purchase their services elsewhere.
- Territorial and federal governments and agencies tend to increase maintenance and operational staff in areas where services are available. This creates duplication between government departments and consequently, little use is made of local available services. If these were purchased, the cost would be lower not only to the government agencies but to local residents of the community.

#### Competence

- Some southern contractors who have been awarded contracts in the territories have no experience or knowledge about the problems they might encounter during the course of construction. Frequently, they attempt to break the contract because of the difficulties encountered. Northern firms are less likely to follow this course of action because of their knowledge of local conditions and their experience in working in these areas.
- Both territorial and federal governments have become involved in construction projects using their own forces for supervision and construction. This work could possibly be more effectively and efficiently implemented by competent northern construction firms who have trained northern staff to implement such projects.
- Territorial and federal governments should ensure the recruitment of competent supervisors and inspectors for all

contracts administered by them.

### Competition

- It is unreasonable to expect northern entrepreneurs to compete against government backed Crown corporations such as Northern Transportation Company Limited or other subsidized Crown corporations or agencies.
- All levels of government, federal, territorial and municipal should reduce the amount of work they do with their own staff and purchase their services from private firms. This will reduce the high cost of maintenance and operation of crown-owned accommodation, permit the private firms to expand and ultimately provide a more efficient and less costly service, not only to the government but also to resident northerners as well.
- Governments should not become involved in certain areas which can best be served by private enterprise. An example of the type of involvement which has proved to be less than efficient is the creation and operation of the Freshwater Fish Marketing Corporation Plant at Hay River on Great Slave Lake. As a result of the Corporation's policies, the majority of the local commercial fishermen have withdrawn their services. The cost of the plant and its subsequent operation is too high resulting in a need for a higher selling price for fish products and consequently less return to fishermen. All of these policies have been implemented contrary to the wishes of the local commercial interests. The plant was even located in the industrial area and not on the shore of the lake where it should be. Most entrepreneurs are not in favour of government becoming involved in commercial enterprises which can best be provided by private enterprise.

### Crown Corporations

- The federal government should evaluate its policies with respect to the role of Crown corporations in northern Canada and their relationship with private enterprise in the field of utilities; communications; gas, oil, minerals, exploration and development; agricultural and industrial development; land, air and water transportation; and construction.

- Crown corporations are now expanding their operation into other service fields. They should not be permitted to enter into competition with private northern firms who can provide services to meet adequate standards at an acceptable cost and where these firms are supplying a specific type of service, e.g. local trucking and expediting. This type of service can best be provided by local businesses which support the whole community. Crown corporations should be restricted to expansion in sparsely populated areas or in communities which cannot support private enterprise.
- It should be mandatory that Crown corporations use government contract regulations when tendering and awarding contracts. Often tenders are called and tender results are not disclosed sometimes the low tenderer is not awarded the specific contract.
- Crown corporations must re-evaluate their public relations role with respect to the services presently being provided or contemplated. They must ensure complete involvement of all northern residents, governments and private industry before policy and administrative decisions are adopted. Often implementation of decisions on expansion affect the economic well-being of small local businesses and increases costs to the local consumers.

#### Development Corporation

- There is an apparent need for the creation of an organization which can unite all northern businesses, capture the thread of continuity, develop business and services, circulate dollars north of 60° and become involved through participation in the basic concerns of northern development.
- This organization will be called upon to resolve very complex problems and it will take time to ensure that the present inequalities are corrected. However, as a first step it would appear that the task force should recommend the creation of an organization to be known as a Development Corporation which would operate separately in each territory.
- This Development Corporation should be comprised of government representatives, and a Board of Directors of successful northern business interests. Top executives

of northern expertise, whether retired in the north or living elsewhere in Canada, should be admitted to the executive of the corporation. It is recognized that there are distinct requirements for each territory because of its fundamental differences including quality of available expertise, distribution of population etc. and the executive must acquaint themselves with these factors.

- The corporation must be resident in the north and it will be up to its membership to ensure its functions effectively.
- There is a preponderance of government in both territories with DIAND being given prime responsibility for northern development. They have provided parks, highways and social assistance but have done very little to assist in the development of local business. They really cannot move quickly to resolve problems which are our prime concern. It may take many years to convince government that it should not be involved in those operations where businessmen can do a more effective and efficient job.

#### Employment - Sub-Contractors

- It was suggested all prime contracts should include a mandatory clause in the contract stating that local sub-contractors must be used when and if available. The detrimental effects of mandatory clauses were discussed and it was generally agreed such clauses were undesirable and probably unworkable. A more subtle approach to ensure equitable treatment of local sub-contractors must be adopted.
- Most prime southern contractors tend to use the same sub-contractors continually and it is very difficult for northern subs to obtain work even when their price is lower. Northern contractors must take the initiative to sell their services to major contractors by direct contact or through a bid depository system.

#### Government Co-Ordination

- All government departments having administrative and construction responsibilities in the north, including territorial and municipal governments, should work together and adopt a standardized approach with respect to purchase,

service and construction contracts.

- All policies, regulations and administrative guidelines being considered for implementation in the territories (e.g., land use regulations) should be forwarded to the centres of northern expertise to permit evaluation and submission of comments prior to the acceptance of such policies, regulations, etc.
- Government staff, in certain communities, are "moonlighting" after normal hours and taking work away from local business firms.
- It is assumed that the gas pipeline project will proceed and a large number of southern contracting firms are going to be involved in its construction. Positive government action should be taken to ensure that small northern contractors obtain their fair share of the work. These firms have developed a certain "northern expertise" which should be utilized and would no doubt benefit the implementation of the overall project.
- New federal legislation or revisions to existing legislation and regulations or proposals which concern the northern business community and residents, should be submitted for perusal and comment by northern organizations and residents.
- Organizations such as Hire North should not take work away from northern contractors.

#### Government Travel Directive

- The Treasury Board Travel Directive requires federal government personnel to purchase tickets and make reservations through the offices of the Central Travel Service, where available. It therefore denies territorial travel agencies the opportunity to compete and consequently expansion must take place very slowly. If local travel agencies were utilized more fully by both government and the public, a more effective and efficient service could be provided.
- Where no central travel service is available, travel arrangements including hotel reservations, car rentals, etc. are to be made direct with the pertinent airline concerned. This same service can be provided by travel

agencies at no additional cost to the user. Agencies are requesting a relaxation of the travel directive to permit regional district offices of government departments, or individuals working in these offices, to make their own arrangements with the airline company or the travel agency. The territorial government office and some federal government departments are now using the service of travel agencies.

### Investment

- The Federal Government should encourage Northern entrepreneurs to increase their involvement in business investment and ownership with a view to participating in the development of Canada's northern resources and supporting secondary industry. Federal assistance including provision of special incentives by way of tax relief, depreciation allowances and subsidies may be necessary.
- The task force recommendations should recognize the need for inflow of capital investment funds to permit organized expansion of existing firms and the development of specialized companies to service the needs of the northern territories. If action in this area is not forthcoming soon, southern based companies will gear up to take over all developmental work on large construction projects (e.g. gas pipeline) and the northern firms will be bypassed again.
- Investment dollars are needed and also the technology and expertise necessary to develop a planned "north" for the betterment of all its residents.
- There is a general feeling that most southern based companies do not have a primary interest in northern development and contribute very little to the economy as a whole.

### Licensing Board

- The present truck licensing system is being abused. Southern contractors are granted licences and operate a minimum of equipment during the off construction season. When construction accelerates, they move a large number of their trucks into the territories and take work away from local truckers.

- A northern truckers' association is being formed in Inuvik (three months) to provide communication for local truckers and to study the concerns expressed about a number of major companies going bankrupt and the resultant hardships which will be felt by locals.
- Comments were received from members of the audience who do not want any more regulatory bodies including licensing boards. It was suggested that the free enterprise system has not broken down and social assistance should not be extended. More boards means more licences, regulations and bureaucracy to answer to. This is not desirable.
- There is a danger of appointing public servants to licensing boards and probably a lack of businessmen who would accept an appointment. (55% of people in Whitehorse are public servants). The board should not make any decisions with respect to identification of a northern entrepreneur.
- The members of the task force may wish to consider the adoption of some provincial type regulations with respect to licensing to provide some sort of protectionism to small businesses in the initial stage of development.
- The government must ensure participation of northern companies in northern work. These companies should be resident in the territory for a minimum of one year.
- Southern contractors should be able to work under the licence of a northern company for which they would be charged a sum of 5% of any contracts awarded.
- The Inter-provincial Carrier Board is not functioning properly. Reciprocal rights are not enjoyed by Yukon truckers who cannot work in Alaska or British Columbia.
- Statements were made that the Territorial (NWT) Highway Transport Board should act in a more responsible manner. They should not grant short term licences to southern firms when local truckers are available.
- Inequalities also exist in other areas of the trucking business. Truckers from the NWT cannot go into southern provinces and take work away from provincial carriers. Northern truckers must have a permit to work in British Columbia.
- Truckers want 10% preference in the overall transport

industry and reasonable means of having fair competition. They do not wish to compete with government agencies, which they consider unfair.

- Consideration should be given now to running rights on the Dempster Highway. This project will be completed soon and many problems will occur if a firm decision is not made to support local truckers. Grandfathers' rights should be given to existing operators.

### Loans and Financing

- Procedures must be adopted by both territorial and federal governments to guarantee the survival of competent northern entrepreneurs. This can be accomplished by providing long term, low interest rate loans which could be used for purchase of inventory, operating costs, and other financial commitments.
- At the present time, the following three loan funds (with their interest rates) are available in the territories and are administered by the Northwest Territorial Government:

- Eskimo Loan Fund 5%
- Indian Economic Development Fund 8½%  
(This rate applicable on first \$25,000. Beyond this amount, rate increased approximately 2%. Interest rates adjusted quarterly).
- Small Business Loan Fund 12%

It was suggested that the interest rates for all funds should be the same since all loans are approved on the basis whether the business venture is a good or poor risk.

- Although it was suggested that consideration be given to grouping the three loan funds together to produce lower interest rates, the general consensus was that each fund was provided for a specific purpose and any such amalgamation should not be approved.

### Small Business Loan Fund

- The territorial Small Business Loan Fund directors have not held a meeting since November 1974. There does not

appear to be any logical reason why meetings cannot be held monthly to consider loan applications. Too many delays are being encountered in obtaining loan approvals, up to five months, with the result that the applicants are often forced into higher costs and are encountering problems in planning the financing for projects.

- The present loan limit of \$50,000 is inadequate for northern businesses where costs are very high. The limit should be increased to between \$100,000 and \$150,000. The requirement is particularly pertinent because of the constant demand for more sophisticated equipment.
- Loans should be made available not only for capital equipment but for inventory and operating capital.
- Arrangements should be made to have loan funds independently controlled to prevent personalities from becoming involved in loan approvals.
- Although the limits of the loan fund have increased each year (now \$1-2 million), there are insufficient funds available to support all loan applications. The total amount of funds provided should be increased.

#### Industrial Development Bank

- It was recommended that the IDB open and staff offices in Whitehorse and Yellowknife to serve the businessmen of the Yukon and Northwest Territories. Most IDB staff are not fully aware of the quality of northern expertise which no doubt affects their recommendation when evaluating loan applications.
- The present IDB representative is an investigation officer, not a loan officer.
- It was agreed that their representatives should visit many of the larger communities to explain the procedures and requirements for obtaining loans. (i.e. businessmen in the Fort Simpson area must now go to Hay River or Yellowknife to obtain service since there is no office in Fort Simpson). Perhaps the functions of the IDB should also be looked into and their officers asked to conduct seminars on business and financial management.

### Eskimo Loan Fund

- Quite often delays have been encountered in obtaining loan approvals (up to 3 years). Applicants should be notified in a reasonable length of time of the status of their application and if refused, the reasons why.

### Other

- It was suggested that all loan funds be pooled together under the control of a Development Corporation and the funds be made available to all businessmen at a standard rate of interest. There should be no difference in rates - all Canadians should be able to obtain loans at the same interest rate.
- The federal government should promote equal opportunity for all northerners, regardless of origin, to obtain financial assistance to support business ventures. A system of "soft" loans at low interest rates might be one method of providing this assistance.
- Trust companies should be encouraged to establish offices in larger communities in both territories.
- The Indian Economic Development Loan Fund provides for forgivable grants. Small non-native businessmen are not able to take advantage of these grants and loans. Perhaps the structure of all loans should be re-evaluated and a grant system be devised which will assist the local entrepreneur.

### Long Range Planning

- The Advisory Committee on Northern Development is composed of departments which carry out most of the contractual work, purchase most of the goods and services required by the Government of Canada in both Territories. It is the understanding of northern residents that one of the functions of this Committee is to improve communication between Federal Departments operating in the north and wherever possible, provide co-ordination and co-operation in the administration of both operating and capital programs. Information exchanged between members would relate to

program planned up to 18 months in the future. The details of such planning for northern development, if made available to the northern business community, would provide the businessmen sufficient lead time for planning and preparation in those specific areas where they are considering contract involvement.

- Governments should phase their construction requirements so as not to compete with programs established by private industry during the summer months. Overlapping construction from these two areas results in peak employment at higher costs for both. It is more desirable to plan for year-round construction and over periods not scheduled by the private sector. Initial capital costs may be higher but these are usually offset by less unemployment benefits and fewer welfare payments. Skilled labour would have the tendency to take up permanent residence in the Territories and imported labour at higher cost would decrease. Continued local employment would boost the local economy resulting in greater tax revenues, the need for more housing and services, and the creation of even greater revenues.
- Governments at all levels should embark on a long range planning program for capital projects and when completed this information should be provided to local Chambers of Commerce for dissemination to northern entrepreneurs which would permit them to phase in their capital investment to meet these projected demands. Some businesses are prevented from bidding on a large number of projects because of the lack of time to obtain the necessary finances on a short term basis.
- The Yukon Chamber of Mines asked that the following resolution be included in the summary of the task force proceedings:
 

"Resolved that the Minister of Indian and Northern Affairs be advised that it is the view of the Yukon Chamber of Mines that, where government contracts are let regarding the resources of the Yukon, that, in the interests of fostering employment and the development of industry in the Yukon, and, in the interests of making available the expertise of qualified Yukoners, that:

  - (1) Qualified Yukon-based firms be advised of contemplated projects,
  - (2) Sufficient time be allowed after final setting of

requirements for Yukon based firms to prepare proposals, and

(3) Other factors being equal, first consideration be given to qualified Yukoners."

- This resolution, regarding the award of government contracts involving resources, is equally applicable to the Northwest Territories.

#### Make or Buy

- The make or buy concept stated and delineated by the Glassco Commission relative to awarding of Federal Government contracts will reveal this concept has never really been extended to the northern Territories in the management of the activities of any Federal Department, their agencies or crown corporations having administrative responsibility north of 60°, nor has any such concept been adopted in the policies and procedures of either Territorial administration.
- All Territorial and Federal Government policies should be directed towards supporting northern entrepreneurs and the local business community rather than having these governments build up technical staff to support their individual needs. Provision of additional employees in these fields can only be justified where private service is not available. Governments should support the development of services which will benefit the community at large and restrict its involvement in the service field to those communities which cannot sustain a local viable firm.
- During the past few years, small business entrepreneurs were in the developmental stage relying primarily on government contracts to support their operations. During this period, they developed a competency and capability and generally provided a reliable service. There has been a recent shift and change in policy resulting in more work being implemented by local government staff and the creation of trade establishments to support government operations to the detriment of local contractors. In some cases, financial losses occurred, services being curtailed, companies going bankrupt. A re-assessment of policies at all levels of government is needed with the emphasis being placed towards fostering the development of

small businesses and "buy" rather than "make".

- The policy that the Northwest Territorial Government should maintain all highways using its own equipment and staff should be clearly examined. The territorial government should tender the supply of gravel and other maintenance work.

### Northern Entrepreneurs

- It was recognized by task force members, that it is extremely important to clearly define a northern entrepreneur if preferential treatment is to be considered. The following interpretation was presented to the audience at each public meeting and those in attendance were asked to present their views.

### Northern Entrepreneur

- A northern entrepreneur can be considered as:
  - one whose principal place of business is in the Yukon and/or Northwest Territories
  - one whose head office is north of 60°
  - any non-provincial based Canadian business.

To determine which firms qualify as northern entrepreneurs it may be necessary to adopt a point system for various factors and have companies assessed against this criteria to determine their eligibility. These factors include:

- % of revenue obtained in north versus total revenue
- % of capital invested in north versus total investment
- % of employees working in the north versus the total number of employees.

In addition, you may wish to include the following criteria:

- A Territorial licence board should be established to evaluate and identify northern entrepreneurs.

- In Quebec, a 2-year residence is required. Perhaps we should adopt similar criteria.
- The purchase of a business licence should only be part of the total requirement.

Many observations were received from members of the audience in an attempt to define a northern entrepreneur. These include:

- The identification of a northern entrepreneur is essential if preferential treatment is to be considered. At present time, all that is required is the payment of \$100 to register the firm under the company's ordinance.
- It is an accepted fact that to start a company you need collateral and operating capital and a licence.
- The head office should be north of 60°.
- Registration may not be the controlling criteria, it may be necessary to use a ratio or percentage with respect to capital investment and the employment of locals. It is essential that action is not taken to discourage inflow of investment dollars.
- It was agreed all the technical expertise required to develop the north was not available in the Territories and southern firms should not be discriminated against or excluded from taking part in northern development.
- Once criteria are established for northern contractor or business - adequate procedures must be developed for policing.
- The principals of northern companies must be on the Territorial voting list.
- Contractors who work in the north, should reside in the north.
- Any business which is required to pay a business tax in either territory should be considered a northern entrepreneur.
- Contractors who have regional offices in either territory, head offices in the provinces, and assisted in northern development, should be considered northern entrepreneurs,

even though they work in both locations.

- Some provincial governments (Alberta) specify contracts will be awarded to provincial firms only (provincially controlled firms). Perhaps the same criteria should be adopted to protect northern entrepreneurs.
- A northern company is one whose principals reside in the north, that uses local labour and expertise and pays taxes in the north.
- Any firm that grosses \$500,000 annually or less, should be considered as a small northern business.
- Northern firms may expand their business south to the provinces and eventually may have their head office there. This should be permitted.
- Post office firms are not acceptable
- It was suggested that a northern entrepreneur might be one who:
  - Obtains the greatest percentage of his revenue (over 50%) in the north versus the total revenue of the company;
  - has the largest percentage of total assets (over 50%) in the north versus the total of the company;
  - Has the greatest percentage of its employees (over 50%) resident in the north versus the total number of employees in the company.
- It is a company which is willing to make an investment in the north, including a home in the community; develops local interests and whose principals reside in the north.
- Most of the large companies in Frobisher Bay are southern based. As long as these corporations or companies and their principals reside in the south, they cannot be called northern firms.
- It is recognized that expertise, contracting know-how and financial investment must be permitted in the north so northerners can learn and take part in future development. Some provinces such as B.C. ask that small companies pay taxes but these are reduced by 50%. In

Quebec, you must pay taxes and be a Quebec resident to obtain contracts.

- The operational costs are very high - accommodation, fuel, housing, etc., and both sea and air transportation are very expensive.
- Often all that is necessary to become a northern company, is to hire a lawyer and register your company.
- It is essential that measures be adopted that will allow a truly northern contractor to be able to compete fairly for all government contracts (including territorial and Crown Corporations).
- There is an economic spinoff from truly northern entrepreneurs. They make use of other local expertise, use northern services, hire local people and help circulate money earned in the north.
- Federal and Territorial Governments should be encouraged to develop and use local services rather than import them from the south.
- There is far too much emphasis being placed on the location of the company's headquarters.
- Northern entrepreneurs should not be determined by the amount of money the firm makes in the north. You cannot establish criteria on the amount of capital invested either.
- All northern peoples, natives, whites and all ethnic groups must have the same opportunity to develop. If they are willing to assume risks to start a business, then they are all northern entrepreneurs.
- The same criteria used to purchase a territorial gun licence (e.g. 1 year residence) should be used to designate a northern business.
- Some contractors who are issued temporary trucking licences work about 6 months in the north and then go south. They do not contribute to the local economy.
- It is not necessary that northern business be a property owner, only a taxpayer.

- It really makes no difference who owns the stock in the company or where the principals reside.
- Larger companies now work in the north with their head office outside and most of their employees brought in from the south. They pay their corporate income tax to the province, as do their employees.
- It is not the purpose of the task force to prevent or to propose arguments to prevent competition or to stop extra-territorial companies from operating in the N.W.T. Some of these companies are preferred when undertaking larger projects.

### Northern Preference

- Federal, territorial and municipal governments spend millions of dollars in both the Yukon and Northwest Territories each year. These funds provide all levels of government the opportunity to implement programs to stimulate the economy. The northern entrepreneur should be given the right to take part in northern development by being awarded either construction or service contracts. Expenditure of finances to employ local residents will upgrade their standard of living and help small firms to develop into viable service agencies. More consideration should be given to local preference. There is a major difference between outside and local firms. The latter have high costs because of location, investment in business assets and residence.
- Most businesses in the north are quite small and do not have large capital assets and operating capital. They need preferential treatment so they can develop into larger viable firms to be able to contribute to northern development. Present systems dictate the award of contractors to low bidder with no preference to northern firms.
- Short term protectionism could be beneficial to small businesses initially until they become established as viable companies.
- Business interests that have an investment in the territories should be considered first when competing for government contracts. Where there are two or more competing northern businesses bidding should be restricted

to those firms. Where there is a single source of supply, a negotiated price is acceptable, especially in the area of services. In some cases, standard rates could be adopted as a guide, with negotiation to take place for specific services.

- It was suggested that northern businessmen and contractors are entitled to preferential treatment and concessions. Some members are of the opinion it should only be considered for small business firms.
- Some preferential treatment has been adopted in contracts awarded in the north by the federal government and includes local preference for the hire of labour - northern preference - and Canadian expertise. Preferential treatment included in federal contracts must be extended to cover all contracts.
- Various proposals were considered on the level and value of the preferential treatment to be extended to northern entrepreneurs. They range from 5% to 20% of the bid price.
- It was also suggested that northern contractors have an edge on their southern counterparts because most of their staff live in the north. Rather than preference, local contractors need equal opportunity. Most outside firms should not be able to compete with established northern businesses. The main problem is obtaining this equal opportunity. This can be helped by ensuring adequate advertising for all northern projects in the immediate area where work is to be performed.
- The Territorial Council devised a policy for a 10-15% preferential treatment for local northern contractors. This proposal was rejected. It included a reduction from 10% to 5% for security deposit for territorial contracts awarded up to a total value of \$100,000, cancellation of performance bond requirements and the return of tender deposit with first progress payment.
- In Inuvik, the municipality is presently using a 7% preference for projects costing up to \$100,000.
- The Province of Alberta has adopted incentives for business to locate in that province. Some of the criteria in order of precedence for an Alberta company are:
  - Alberta resident and controlled 51% in the province

- Registered in Alberta with headquarters and administrative offices in Alberta
- Canadian Controlled
- Foreign controlled

The province is trying to provide incentives for firms to locate in Alberta.

- The panel recognized all of the above observations and requested proposals from the audience on the awarding of preferential treatment. Should it be provided only for those companies who are registered, own property, have running rights in the territory, those who are incorporated in the territory and those who conduct 80% of their business in the north? Many proposals were suggested including the criteria suggested by the panel but no definite recommendations were received.

#### Ombudsman

- As a special recognition of the particular needs of the Territorial business community, the Federal Government should consider the creation of a position or a small section whose specific responsibility would be to ensure northern business entrepreneurs receive maximum opportunity and consideration when bidding competitively for Federal Government contracts. This function would result in a strengthened business community, the stimulation of northern-based construction and service industry, increased employment of resident northerners, increased revenue from taxation (personal, corporate, municipal), and the reduction of costs as a result of increased volume of work.
- At the present time, businessmen have no intermediary to assist them in the resolution of their business problems. There is a need for a method of communication and liaison between people, businessmen and governments. An individual, who would be impartial and familiar with the operations of both government and northern business, should be appointed to assist in the resolution of these problems.

#### Payments

- Federal and Northwest Territorial Governments are encount-

ering difficulties in processing accounts payable resulting in delays of payment for goods and services up to three months or longer. As a result, contractors' accounts receivable are not considered as good security by lending institutions for advancement of funds.

- All government departments and agencies should establish a uniform system of making progress payments during various critical construction phases and follow-up with payments within 30 days to permit contractors to secure payroll commitments and other costs. Delays in processing invoices and claims results in an increase in the real cost of doing business to the detriment of small business firms.
- Conflicts in interpretation of contract documents and the amount of work physically accomplished usually results in delays of payment of progress claims.
- Governments should be required to pay interest on all outstanding accounts.

#### Resources Inventory

- A current updated inventory on northern businesses specifically detailing equipment resources, capital assets, building, service capability, commodity inventory, professional and technical northern expertise and other data would serve not only the interests of government but also southern contractors who may wish to use this information. This survey should identify, at the same time, the involvement of government and its employees in business enterprises where there is already an adequate service available through the private sector.
- An inventory should be prepared of the aircraft services to ensure updated information is available to contractors and government when a decision is made to proceed with the gas pipeline.
- All government departments and agencies should be informed of the level of resources and expertise available in the north.
- Resources inventory should be updated yearly, published and forwarded to all government departments and agencies.

### Socio-Economic

- Socio-economic factors should be considered and are as important as price in determining who gets government business. However, when applying this criteria, caution must be exercised as there is little or no expertise available in government to determine the socio-economic factors which must be considered in the award of contracts. New problems may be created when arbitrary decisions are made on awards, and some questions raised whether governments should be given this responsibility.
- Some members felt that there was not enough attention focussed on the stated Government "Priorities in the North" for the 70's as presented by Minister of D.I.A.N.D. to the Standing Committee of Indian Affairs and Northern Development in 1972. These include:
  - Guidelines for social improvement.
  - Maintenance and enhancement of the natural environment to create job and economic opportunities for native northerners.
  - To encourage and assist strategic projects in the development of non-renewable resources with joint participation by government and private enterprise.

### Supervision and Inspection

- Government inspectors supervising construction contracts are often uninformed, inexperienced and are following unrealistic regulations. This often hampers construction progress and it is common occurrence for supervisory staff to delay projects resulting in payments being withheld for long periods.
- In some cases a contractor's operation is improperly or inadequately inspected, and as a result advantages are taken of workmen with respect to camp operations, health hazards and workmen's compensation etc. All existing regulations should be enforced by the appropriate authority to protect not only the client and the workmen but the contractor as well.

Tax Relief

- The present corporate tax system should be redesigned to encourage the growth of small northern controlled, northern resident business. Such a redesigned Northern Corporate Income Tax System should aim primarily at keeping existing industry in the north, giving it economic stability, stimulating its expansion and attracting new and/or other industries to move north of 60°. This in turn would lessen the total dependence of the north on government spending.
- For the new northern controlled and resident corporation, a tax holiday should be granted for a three year period from date of incorporation or \$500,000 of cumulative taxable income, whichever is reached first.
- In the case of existing northern controlled, northern resident corporations, a tax holiday should be granted for a three year period from date of the enactment of legislation or \$500,000 of cumulative taxable income earned since the enactment of legislation, whichever is reached first. This will enable small companies to build up capital reserves.
- Dividends paid subsequent to enactment of legislation should not increase the cumulative small business tax deduction of \$500,000.
- It was also suggested that assistance be provided to individuals by reducing personal income tax for all northerners. The territorial tax is now 30% of basic federal tax. If adopted, all northerners would obtain some financial relief and in addition such a policy might encourage more southern tradesmen and other competent people with specific skills to move north and make their home in the territories year-round.

Tender Openings

- At the present time, tenders for northern contracts are advertised in southern papers but not in northern papers. It is recommended that, regardless of type of contract, whether purchase, service or construction, advertisements be placed in local papers where work is to be performed. All tenders to include a clause that northern businesses will be given preference when considering award.

- While the Task Force is charged with the responsibility to investigate problems related to bidding and obtaining federal contracts, they will consider comments related to territorial contractual procedures.
- The Task Force members are prepared to recommend that advertising and tender openings for northern projects should be done locally in area where work is to be undertaken.
- At the present time, Crown Corporations open their tenders in either Edmonton or Vancouver, and large southern based firms usually get the job. They should be called upon to have a public tender call and disclose the results of the bidding.
- It was proposed that a pretender system should be adopted whereby contractors are notified of upcoming tenders months in advance. They could then plan to bid on the work they are interested in tendering.
- The biggest problem being encountered by northern businessmen is related to the lack of opportunity to bid on contracts. Tenders for larger jobs are now publicized in provincial papers (for territorial and federal work). All must be advertised in northern papers and action taken to reduce southern exposure.
- For most air charter and major construction contracts, tenders are called across Canada with the result that firms in depressed areas enjoying the benefits of low overhead are competing for northern contracts where costs are high and expertise is available. Local contractors must have equal opportunity to bid on all types and sizes of projects on the same basis as southern firms. Some of these companies often accept contracts at marginal rates and contribute very little to the local economy.
- Often it is necessary to resort to cost-plus method of construction at various locations in the Northwest Territories. It is the opinion of some northern entrepreneurs that, providing the contracting competency required is available locally, these firms should be given preferential treatment when negotiating contracts.
- Before a contractor can bid on a project he must know how to tender. Most small local contractors should be taught the proper tendering procedures. At the present time, some bid high and lose the job or bid low and lose money.

Guidelines relating to tendering procedures for Federal contracts, and applicable to all departments, would help small entrepreneurs in preparing and submitting an acceptable bid.

- It was agreed that more positive methods of communication must be established with respect to tender calls in isolated areas of the eastern Arctic. It was suggested that the Territorial Government could telex all tenders from Yellowknife to various Hamlet offices and this information could be passed around to all interested contractors and suppliers. Better use could also be made of radio and television services, and perhaps displaying tender notices throughout the community.
- Although there was some question raised as to the expertise available locally in small communities, to undertake larger projects, it was stated that local contractors would have the same right to bring in (locally non-available) expertise to suit the particular job in the same manner as other contractors.
- Incidents have occurred where the Northwest Territories government awarded a housing construction contract for a small community without advertising the project in that community. In this case, the southern contractor did not complete the project and the construction was not of a very high standard. Local contractors or the N.W.T. Housing Corporation are capable of building this type of house using local labour.
- Delays are often encountered in receipt of tender documents. The result is insufficient time for northern contractors to obtain plans and sub-contractors bids from southern Canada. To prepare estimates, raise bid and performance bonds and sufficient cash for security deposits.
- Tenders are often called for large projects (e.g., sections of the Mackenzie Highway) which cannot be bid by local firms because of the high costs involved. Tenderers on such projects should be required to state what local equipment, etc., they will utilize on the projects and the contract award should be made to the firm making the maximum use of local resources.
- Local contractors should consider grouping together to form a consortium to bid on larger projects.

- The size of road construction projects should be determined by the availability of local contractors to do the work.
- Caution was expressed by a panel member about the proposal to break down large contracts. If this philosophy was adopted, problems would develop because of the large number of people (contractors) the government would have to deal with.
- Expert advice and knowledge is essential if you are to bid effectively. Local contractors have certain advantages over outside contractors. They know the capabilities of local people and their costs should be lower because most people live in the settlement and little or no transportation charges are necessary.
- Tenders should be called and opened in (centre) area where work is to be implemented. Establish a system for recording bids. Awards could be made elsewhere. All tender openings must be public. This will give northern contractors advance notice and permit early participation.
- When calling tenders a client should develop requirements where practicable around facilities and services which are available.
- For air transportation services, in addition to the assessment of local supply, the economic duration of the contract should be taken into consideration when tenders are called.
- In some cases, because of present procedures for both territorial and federal contracts, northern businessmen are competing against their supplier. In this case, they have no opportunity to obtain a contract.
- Tendering and award of contracts to southern based firms restricts investment in the north by northerners.
- A set of plans and specifications must be provided to the community when the work is to be performed when tenders are called.
- Municipalities call, solicit and open their bids publicly. All governments should follow this procedure.

Training

- Federal and territorial governments must combine their resources and undertake an evaluation of the training requirements of northern residents to support government operations and the development of local business and industry. Once the training requirements are known, suitable training programs must be developed to support all northern based industry. Provision of qualified personnel would permit business expansion and the integration of northerners into northern operations.
- Local business cannot be developed from the technical training and business skills presently available in small communities. Outside assistance must be provided to help in the preparation of bids and tenders for construction and service contracts. It was suggested that the staff of the Engineering Department and Department of Economic Development of the Territorial Government might provide the necessary training required. As an alternative and rather than have territorial officials become involved in possible conflicts with contractors, documents explaining the tendering process and clarifying various clauses of the contract documents could be prepared and distributed to each community for the benefit of prospective tenderers.
- Development of all the training skills needed for total community operations using local residents would reduce many of the social problems now encountered with "outsiders".