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Revised Business Incentive Policy
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YELLOWKNIFE (August 15) - Minister of Resources, Wildlife and Economic Development (RWED) Jim Antoine today released the Government of the Northwest Territories' revised Business Incentive Policy (BIP).

The improved policy clarifies the definition of a BIP business to emphasize its contribution to the NWT economy and to ensure bona fide northern businesses benefit from the policy. It establishes a formal complaint mechanism to address contract administration issues and sets new thresholds for the application of BIP bid adjustments in favour of northern businesses.

"The NWT economy has changed dramatically since the original BIP was established 11 years ago," Mr. Antoine noted. "The revised BIP is designed to support an NWT economy in which non-renewable resource development and its spin-offs are driving growth more than government spending once did."

The BIP applies to any procurement contracts, other than employment, entered into by Government of the Northwest Territories departments and applicable agencies.

"There is still a need for a policy to encourage and support the development of a healthy private sector, particularly in our smaller communities, to ensure that Northwest Territories businesses can be competitive," the Minister said.

The revised policy will be effective on October 15, 2003. Registered BIP businesses will receive information kits on the revised policy with their renewal notices.

Copies of the revised policy are available from Resources, Wildlife and Economic Development's BIP Monitoring Office in Yellowknife at (867) 873-7215 or on the Internet at:

Background:

What is the Business Incentive Policy?

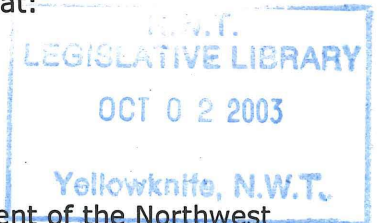
The Business Incentive Policy (BIP) is an economic policy of the Government of the Northwest Territories (GNWT) that applies to any procurement contract entered into directly by the GNWT, with the exception of employment contracts.

The BIP requires GNWT contract authorities to apply BIP bid adjustments to bids of approved NWT and local businesses during the bid evaluation process. Pursuant to the BIP, a Registry of approved NWT businesses is maintained by the Department of Resources, Wildlife and Economic Development (RWED).

Why was the BIP revised?

The present BIP has been in place since 1992. During the past 11 years, concerns and criticism have been raised that the BIP does not meet key needs of the NWT business community such as access to government contracts or provide fair and consistent contract administration.

The NWT economy has changed dramatically since 1992. Today, non-renewable resource development and its spin-offs are driving growth more than government spending once did. Capital expenditures by the GNWT have significantly declined over the past 11 years in response



to increased fiscal pressures and increased demand for government services.

The NWT business community has grown in number and strength since 1992 and has benefited from recent non-renewable resource development activities. There are currently 1,422 registered BIP businesses employing 7,673 NWT residents.

The revised Policy is based on the comprehensive consultation done with the public and the business community across the NWT during the winter of 2001/2002 and the spring and fall of 2002.

What were the key issues and design considerations in shaping the revised BIP?

Major issues included accountability and transparency; policy definition of a northern business and monitoring and enforcement.

What are the six major changes in the revised BIP?

The six major changes include:

- scope of the policy;
- clarification of definitions applying to the BIP;
- the definition of a BIP Business;
- strengthened administrative procedures;
- a formal complaint mechanism; and,
- new thresholds for the application of the BIP bid adjustments.

Why was a new definition for a BIP business required?

The NWT business community has raised concerns about the old definition not recognizing the contribution of business to the NWT economy. The revised Policy ensures this is taken into account. The BIP now applies to businesses that pay corporate, property and payroll taxes in the NWT. It encourages employment creation by locating businesses in the NWT, which provides a greater benefit to the economy rather than residency of owners.

The new definition was developed in cooperation with the NWT Chamber of Commerce, the NWT Construction Association and the Northern Manufacturers' Association.

What is the new definition for a BIP business?

To be eligible for registration under the revised Policy, a BIP Business must:

- maintain legal registration in the NWT;
- maintain a current business license issued by a municipal corporation or the GNWT, where applicable;
- operate from an owned or leased bona fide place of business in the NWT and has done so prior to the date of application;
- comply with the Payroll Tax Act (NWT) and not have any overdue returns or liabilities under that Act;
- in the case of a corporation, files, or undertakes to file, a Federal Corporate Income Tax Return that allocates taxable income to the Northwest Territories, or would allocate taxable income to the Northwest Territories if the corporation had taxable income;
- in the case of a co-operative association, files, or undertakes to file, a Federal Corporate Income Tax Return that allocates taxable income to the Northwest Territories, or would allocate taxable income to the Northwest Territories if the co-operative had taxable income;

- in the case of a partnership, the majority interest in the partnership is owned by NWT Residents;
- in the case of a sole proprietorship, the sole proprietor is an NWT Resident.

Why are thresholds being introduced?

During consultations, the NWT business community expressed the need for a dollar value cap on the application of BIP bid adjustments. The caps recognize that NWT businesses maintain an inventory of goods for small amounts but would likely have large orders delivered from the south providing little value added to the NWT. The majority of GNWT contracts fall within the range of the bid adjustment thresholds. The thresholds are also consistent with those contained in the Agreement on Internal Trade (AIT). The BIP Review recognized that larger NWT businesses have become more competitive with increased capacity to undertake a wide range of contracts.

What are the new thresholds for the application of the BIP bid adjustments?

Credit Cards and Sole Source Contracts

No Bid Adjustment will be applied to credit card purchases or sole source contracts.

Goods Contracts

For Goods Contracts, excluding credit card purchases or sole source contracts, a 15 percent Bid Adjustment will be applied to the NWT Content. An additional 5 percent Bid Adjustment will be applied to any Local Content.

For Goods Contracts in excess of \$25,000, the Bid Adjustment will be applied to no more than \$25,000 of the bid amount.

Service Contracts

For Service Contracts, excluding credit card purchases or sole source contracts, a 15 percent Bid Adjustment will be applied to the NWT Content. An additional 5 percent Bid Adjustment will be applied to any Local Content.

For Service Contracts in excess of \$100,000, the Bid Adjustment will be applied to no more than \$100,000 of the bid amount.

Construction Contracts

For Construction Contracts, excluding credit card purchases or sole source contracts, a 15 percent Bid Adjustment will be applied to the NWT Content. An additional 5 percent Bid Adjustment will be applied to any Local Content.

For Construction Contracts in excess of \$1,000,000, the bid Adjustment will be applied to no more than \$1,000,000 of the bid amount.

What does the new complaint system do for the government and business community?

There was no formal complaint system in the previous policy. Concerns about application procedures and compliance were raised during the public consultation. The new system addresses those concerns. It also provides clear direction about who will address these issues.

How does the new formal complaint mechanism work?

Applicants that have been denied registration by a BIP Qualification Committee may appeal in writing to the BIP Senior Management Committee.

For more information, contact:

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