

**Nunavummi
Nangminiqaqtunik
Ikajuuti
(NNI Policy)**

**2000-2001
ANNUAL REVIEW**

Submitted by:
GN/NTI NNI Policy
Review Committee

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1 BACKGROUND

The Nunavummi Nangminiqagtunik Ikajuuti (NNI Policy) was developed by the Government of Nunavut (GN) in close consultation with Nunavut Tunngavik Inc. (NTI), and came into effect April 1, 2000. Section 16 (“Periodic Review”) and Section 17 (“Review Committee”) of the NNI Policy provide a framework for review of the Policy. This type of review is required in order to measure the progress of the Policy towards achieving the objectives set out in Section 7:

a) Good Value and Fair Competition

To secure goods and services for the Government at the best value, recognizing the higher cost of doing business in Nunavut, and using a contracting process that is clear, fair, and equitable.

b) Strengthening the Nunavut Economy

To build the economy of Nunavut and its communities by strengthening business sector capacity and increasing employment.

c) Inuit Participation

Subject to ss.16 (2), to bring about a level of Inuit participation in the provision of goods and services to the Government of Nunavut that reflects the Inuit proportion of the Nunavut population.

d) Nunavut Education and Training

Subject to ss.16 (2), to increase the number of trained and skilled Nunavut residents in all parts of the workplace and business community to levels that reflect the Inuit proportion of the Nunavut population.

In the fall of 2001, the GN drafted the Terms of Reference for a NNI Review Committee in close consultation with NTI. Representatives from the GN and Nunavut Tunngavik Incorporated (NTI) formed the NNI Review Committee, which met in November and December 2001 to conduct the first Annual Review of the NNI Policy.

2 REVIEW PROCESS

In carrying out the Review the Committee attempted to follow the Terms of Reference as closely as possible. These Terms of Reference, attached as Appendix A, set out the mandate of the Review Committee and served as a guideline to ensure an efficient, effective review.

The broad scope of the review encompassed the collection and analysis of data from contracts that started in the 2000-2001 fiscal year. Areas studied by the Review Committee included total number and types of contracts awarded during the year to Inuit, Nunavut, and Other businesses by contracting method, and by dollar figures for these categories. The Committee also analyzed Inuit labour requirement statistics for construction tenders and Inuit labour amounts bid, compared to amounts achieved, on contracts where these data were available. Some contracts, such as large multi-year construction projects that are not yet completed, were not included in the analysis.

The Terms of Reference also called for analysis of evaluation processes and criteria, as well as Inuit content in contracts; bonuses/penalties; contract monitoring and enforcement; contracts excluded from the NNI; the appeals process; and a conclusion section focusing on the extent to which the NNI Policy (10.1) has proven effective in advancing the Government's obligations under Article 24 of the Nunavut Land Claims Agreement (NLCA). The Committee was tasked with giving suggestions as to what data should be gathered in the future in order to improve assessment mechanisms in subsequent reviews; and making recommendations, if necessary, for the resolution of any problems that may arise in the implementation of the Policy between Reviews. Finally, the Committee was mandated to examine any other issues related to the substance and application of the NNI Policy that the Committee agreed upon.

A further important function of the Review Committee was to carry out public consultation. In this year's Review this function took the form of accepting written submissions from interested individuals, organizations, and companies. A brief summary of these submissions is provided in Section 3.

Committee members and resource persons for the 2000-2001 NNI Annual Review included:

GN: Bonnie Osborne – NNI Review Co-Chair; Contracts Advisor, PW&S, HQ (Iqaluit);

John Bainbridge – Manager, Claims Implementation, EIA (Iqaluit)

Teresa Chandler – Manager, Contracts & Procurement, PW&S, HQ (Iqaluit)

Barry Cornthwaite – NNI Policy Advisor, PW&S, HQ (Iqaluit)

Corey Dimitruk – Project Officer, PW&S, Kitikmeot Region (Cambridge Bay)

Fely Hidalgo – NNI Policy/Contracts Coordinator, Kivalliq Region (Rankin Inlet)

John Purdy – Director of Corporate Services, PW&S, HQ (Iqaluit)

NTI: **Udloriak Comeau** – NNI Review Co-Chair; Director of Business Development, NTI (Iqaluit)

Terry Audla – Executive Director, Qikiqtani Inuit Association (Iqaluit)

Clare Basler – General Manager, Kitikmeot Corporation representing Kitikmeot Inuit Association (Cambridge Bay)

Terry Forth – Senior Business Policy Advisor; NTI Implementation Representative (Iqaluit)

Brian McLeod – CEO, Kakivak Association (Iqaluit)

Raymond Mercer – Businessman, Kivalliq Inuit Association Representative (Rankin Inlet)

The GN was represented by the Department of Public Works & Services Headquarters and Regional personnel who are responsible for the implementation of the NNI Policy. The Land Claims Implementation Manager from the Department of Executive and Intergovernmental Affairs also represented the GN.

The NTI members were senior officials from Nunavut Tunngavik Inc., Kakivak Association, and the Regional Inuit Organizations, as well as a business representative and a Senior Business Policy Advisor acting as a representative for the NTI Implementation Department.

3 SUMMARY OF SUBMISSIONS FROM THE PUBLIC

The public was invited to provide submissions to the Review Committee. The following are excerpts taken from selected submissions that the Review Committee received and discussed as a result of the Call for Submissions¹. The excerpts below represent various viewpoints of businesses, and do not necessarily reflect the views or conclusions of the Review Committee.

“All GN departments and Municipalities should negotiate any large or small contract with a local firm situated in a Level III² community if it is interested and complies with all the requirements of a contracting company in Nunavut such as a company registration, good standing with WCB, full insurance coverage and, in the case of contracts requiring bid security, at least two years contracting experience. It should go to an open tender only after providing the first opportunity to the local firm. In the case where there is more than one local firm in the same Level III community then it should be a Tender Call in the local community only.”

“In the case where a local firm in a Level III community is not interested in a GN contract because it is too technical or large, then the GN department issuing the Call for Tender should make it a stipulation that local firms capable of doing a portion of the work are sub-contracted so that at least some of the contract revenue is left in the community and the community’s overall economic needs are reduced.”

“We strongly urge the Government of Nunavut, if it intends to continue to use the bid adjustment method of calculating the amount of preference allowed to qualified firms, to put a cap on the amount of the bid adjustment per tender.”

“We suggest that the total of all bid adjustments applied to any contract be capped at \$50,000 on projects up to \$2,000,000 in value and capped progressively to \$100,000 on projects over \$2,000,000 in value.”

“The objectives of the policy are objectives of our company but we have difficulty in understanding the steps we can take to achieve them in concert with your policy schedules. For example, we actively train Inuit employees and encourage them to seek educational opportunities that will see them return to become active partners in the engineering and architectural fields. In our history we may see one trainee return over the 10-year period that we have been fostering this idea. We have concluded that we need to find other ways to attract people into our industry and perhaps the detail of the policy could assist us.”

¹ All submissions were reviewed by the Committee and their full content will remain confidential.

² A term formerly used by the GNWT that is no longer in use by the GN. It was the GNWT category for the smallest and most remote communities in the NWT.

“After one year of experience with the NNI Policy, we believe that significant progress has been made towards achieving the objectives underlying the policy and its implementation. However, we encourage an increased commitment to open, transparent, and fair contracting policies and processes, and further support stable and efficient dispute resolution mechanisms. Such policies will ensure that the GN and the communities and peoples of Nunavut benefit from goods and services at the best overall value possible.”

“Have the role of negotiating the NNI be done by Inuit Business people selected by Inuit business people. We must ensure that the Inuit businesses have an effective voice by being represented fairly at the table. Having administrators, pseudo Inuit firms representing us has to be eliminated.”

“The free flow of goods and people is essential to the day-to-day well being of Nunavut and health competition is necessary within the industry to ensure continuous improvement of air carrier service and cost...NNI Policy should encourage participation in the operation and economy of Nunavut by companies that have made a continued demonstrable contribution to the Territory.”

“I would like you to consider more clearly defining the criteria to determine whether a company is a northern Resident as per the terms and intent of the NNI Policy.”

“I would like to repeat that we support the philosophy and mandate of the policy. Inuit business as well as local and Northern businesses are faced with significant challenges operating in the arctic.”

4 CONTRACT DATA SUMMARY

The GN uses a number of methods to contract for various types of services, including competitive tenders, Requests for Proposals (RFP's), and sole source contracts³. Contract types include construction contracts, consulting contracts, contracts for architectural and engineering services, air charters, leases, purchase orders for goods and services, LCA purchases, and contracts which do not fall into any other category (Other).

The GN compiled a number of reports for the NNI Review Committee, including implementation progress reports and contracting activity data reports for the first fiscal year of the NNI Policy. The Review Committee reviewed these reports and discussed the way the GN does its contracting.

The reports that the Review Committee considered most significant have been put into the form of graphs and charts, and are included in the GN Contract Data Report attached as Appendix B. This report provides information on the number and dollar value of all GN contracts and also explains contracting methods and types, NNI Status and Inuit participation in GN contracting.

In this report, companies included on the GN Nunavut Business Registry are referred to as Nunavut firms and companies included on the NNTI Inuit Firm Registry are referred to as Inuit firms. Similarly, companies included on both registries are reported as Inuit firms. Local firms are either Nunavut or Inuit firms that are local to the community where the work was carried out. The Data Report shows information for local firms only for Large Contracts – Excluding Goods Contracts. Companies not included on either registry are referred to as Other firms.

For the purposes of the Contract Data Report, GN Contracts were divided into the categories of Small Contracts, Local Contracting Authorities (LCA's), and Large Contracts. These categories in turn are reported by the number of contracts in each category and by dollar value for each category.

A brief summary of the contract data results follows.

³ For a definition of criteria for Sole Source contracts see Appendix B, Section 5.2.1.

4.1 CONTRACT DATA BY CATEGORY

4.1.1 ALL CONTRACTS

	INUIT	NUNAVUT	OTHER
11,298 Contracts Awarded	41%	41%	18%
\$85,152,650.96 Value	24%	38%	38%

4.1.2 SMALL CONTRACTS

	INUIT	NUNAVUT	OTHER
1,038 Contracts Awarded	19%	24%	57%
\$4,188,381.08 Value	20%	29%	51%

4.1.3 LOCAL CONTRACT AUTHORITIES (LCA'S)

	INUIT	NUNAVUT	OTHER
9,466 Contracts Awarded	45%	43%	12%
\$4,109,878.77 Value	40%	46%	14%

4.1.4 LARGE CONTRACTS - INCLUDING GOODS CONTRACTS

	INUIT	NUNAVUT	OTHER
794 Contracts Awarded	27%	34%	39%
\$76,854,391.11 Value	23%	39%	38%

4.1.5 LARGE CONTRACTS - EXCLUDING GOODS CONTRACTS

	INUIT	NUNAVUT	OTHER
229 Contracts Awarded	15%	29%	56%
\$60,004,875.21 Value	20%	41%	39%

4.1.6 LARGE CONTRACTS – EXCLUDING GOODS CONTRACTS - DATA BY CONTRACT TYPE

As noted above, contract types include construction contracts, consulting contracts, contracts for architectural and engineering services, air charters, leases, purchase orders for goods and services, LCA purchases, and contracts which do not fall into any other category (Other). 85% of these contracts, and 89% of the value went to 4 of the contract types identified below.

	CONSULTING SERVICES	MINOR CONSTRUCTION & MAINTENANCE	MAJOR CONSTRUCTION	SERVICE CONTRACTS	ALL REMAINING TYPES
229 Contracts Awarded	23%	18%	10%	34%	15%
\$60,004,875.21 Value	13%	5%	60%	11%	11%

The Contract Types that Inuit and Nunavut firms won most often were construction and maintenance contracts:

MINOR CONSTRUCTION & MAINTENANCE	INUIT	NUNAVUT	OTHER
42 Contracts Awarded	31%	62%	7%
\$2,816,419.97 Value	28%	52%	20%

MAJOR CONSTRUCTION	INUIT	NUNAVUT	OTHER
23 Contracts Awarded	43%	30%	27%
\$36,218,340.64 Value	26%	53%	21%

4.1.7 LARGE CONTRACTS – EXCLUDING GOODS CONTRACTS - DATA BY CONTRACT METHOD

Contract methods include competitive requests for submissions (tenders or proposals) and sole source contracts.

Out of 229 Large Contracts - Excluding Goods Contracts, 61% were competitive requests for submissions (tenders or proposals), and 39% were sole source awards.

	COMPETITIVE CONTRACTS	SOLE SOURCE CONTRACTS			
		All Sole Source	Inuit	Nunavut	Other
229 Contracts	61%	39%	3%	3%	33%
\$60,004,875.21 Value	81.5%	18.5%	0.9%	0.6%	17%

4.1.8 LARGE CONTRACTS - EXCLUDING GOODS CONTRACTS - AWARDED TO LOCAL BUSINESSES

The GN tracked contracts awarded to Local Inuit and Local Nunavut firms for Large Contracts - Excluding Goods Contracts, and provided this information to the Review Committee.

CONTRACTS TO LOCAL INUIT AND LOCAL NUNAVUT FIRMS	INUIT	NUNAVUT
58 Contracts Awarded	38%	62%
\$14,061,260.21 Value	74%	26%

4.2 CONTRACT DATA - INUIT LABOUR

The following table outlines Inuit labour for Minor Construction and Maintenance across Nunavut.

REGION	AVERAGE % OF INUIT LABOUR REQUIRED	AVERAGE % OF INUIT LABOUR BID	ANTICIPATED AVERAGE % OF INUIT LABOUR ACHIEVED
Baffin	21%	31%	36%
Kitikmeot	48%	57%	50%
Kivalliq	35%	73%	63%

Inuit Labour for Major Construction contracts was as follows:

REGION	AVERAGE % OF INUIT LABOUR REQUIRED	AVERAGE % OF INUIT LABOUR BID	ANTICIPATED AVERAGE % OF INUIT LABOUR ACHIEVED
Baffin	19%	29%	41%
Kitikmeot	25%	24%	*Contracts not completed
Kivalliq	43%	48%	53%

**Major Works projects in the Kitikmeot were not yet completed at the time of the review.*

Because many multi-year projects are not yet completed, the Inuit Labour Achieved for Major Construction is based on the information available to date. Based on bid information, it is anticipated that approximately \$281,000 in bonuses would be paid out, but to date only a portion of this amount has been paid for actual Inuit labour achievements.

4.3 SUBMISSIONS (BIDS/PROPOSALS) RECEIVED BY GN

The GN tracked the number of submissions (tenders/proposals) received for Large and Small Contracts - Excluding Goods Contracts and LCA's. (Sole Source contracts were not included in this analysis.)

The average number of total submissions (Inuit and Non-Inuit) for contracts is shown in the following table for the main contract types, as well as the percentage of submissions from Inuit firms.

CONTRACT TYPE	AVERAGE NUMBER OF ALL SUBMISSIONS PER CONTRACTS AWARD	AVERAGE NUMBER OF INUIT FIRM SUBMISSIONS PER CONTRACT
Architecture/Engineering Services	2.8	0.05
Major Construction	2.6	1
Minor Construction and Maintenance Services	2.1	0.6
Consulting Services	7	0.7
Service Contracts	1.8	0.4

The table below shows the percentage of bids from Inuit firms, compared to the number of these contracts won by Inuit firms.

CONTRACT TYPE	PERCENTAGE OF SUBMISSIONS BY INUIT FIRMS	CONTRACTS AWARDED TO INUIT FIRMS
Architecture/Engineering Services	2%	0%
Major Construction	38%	43%
Minor Construction and Maintenance Services	29%	36%
Consulting Services	9%	5%
Service Contracts	23%	14%

4.4 CONTRACTS AWARDED DUE TO NNI ADJUSTMENTS

The GN tracked contracts where the NNI bid adjustment changed the result of the contract award, for Large and Small Contracts - Excluding Goods Contracts, and LCA's. Bid adjustments do not apply to Sole Source contracts.

Large and Small Contracts - Excluding: Goods Contracts, LCA's, and sole source contracts

ALL CONTRACTS ANALYSED	AWARDED DUE TO NNI ADJUSTMENTS			
	All NNI Awards	Inuit	Nunavut	*Other
259 Contract Awards	46 Contracts	33%	54%	13%
\$50,336,785 Value	\$3,078,134 Value	37%	48%	15%

**Contracts to Other can have partial NNI adjustments for the parts of the work that are subcontracted to Nunavut or Inuit firms, and for using Inuit or Nunavut labour.*

As this is the first year of data collection from contracts to which the NNI Policy applies, it is difficult to accurately identify trends. Data will have to be collected for at least two years before clear patterns emerge regarding the effectiveness of the NNI in reaching its objectives. Furthermore, as stated in Section 7.3.7 (“Determining Progress”), the Committee has agreed that a jointly funded study is required to determine appropriate benchmarks for measuring progress. Nevertheless a number of interesting insights have emerged from the data of this first Review that require comment.

Two of the NNI’s objectives are “Strengthening the Nunavut Economy” and “Inuit Participation”. Figures for the 2000-2001 fiscal year show that all Inuit and Nunavut firms combined won 82% of all GN contracts in terms of total numbers, and 62% in terms of total dollars. Future Reviews will provide evidence of progress beyond or decline from these levels. However, it is important to note that the level of Inuit participation in GN contracting is still a long way from Inuit participation at a representative percentage of the population.

5.1 INUIT AND NUNAVUT FIRMS WINNING GN CONTRACTS

Of all contracts awarded, 41% of the total number of contracts were awarded to Inuit firms, and 41% to Nunavut firms. On a dollar basis 24% of the total value of GN contracts was paid to Inuit firms, and 38% to Nunavut firms. The remaining 38% of contract dollars went to firms not registered either under the GN Nunavut Firms or the NTI Inuit Firms Registries and included many awards to Southern and NWT businesses.

This table illustrates Government of Nunavut Contract Awards in the 2000/2001 Fiscal Year.

	INUIT	NUNAVUT	NOT REGISTERED
Number of Contracts Awarded	41%	41%	18%
Dollar Value of Contract Awarded	24%	38%	38%

The difference between number of contracts awarded and dollar value of contracts awarded to Inuit firms indicates that Inuit firms won a fairly large number of small value contracts, and a proportionately smaller number of large value contracts. Although Inuit and Nunavut firms won over 60% of the dollar value of all GN contracts awarded in 2000-2001, it cannot yet be determined whether or not this level is adequately enhancing economic development in Nunavut.

5.2 EFFECT OF NNI ADJUSTMENTS

All together, there were 259 Large and Small Contracts - excluding Goods Contracts, LCA's, and Sole Source contracts - awarded. Of these 259 contracts, 46 were awarded to companies that were not initially the low bidder, but were awarded the contract because of the NNI adjustments. Inuit and Nunavut firms were awarded 87% of these, or 85% in dollar terms.

An important point for clarification is that companies which are not NNTI-registered Inuit, or GN-registered Nunavut firms won contracts through bid adjustments. Such companies were eligible for NNI adjustments on bids in which they subcontracted work to Inuit and/or Nunavut firms or supplied Inuit and/or Nunavut labour. The bid adjustment is only applied to the dollar amount of Inuit, Nunavut, and/or Local content in the bid.

Although 46 out of 259 (19%) of applicable contracts were awarded as a result of bid adjustments, the dollar value of these contracts was only \$3,078,134 (out of \$50,336,785), or 6%. Either figure seems to indicate that Inuit or Nunavut firms won most contracts because of competitive pricing, rather than because of NNI adjustments.

The GN did not track this information for Goods Contracts in fiscal year 2000/2001, but they are tracking for this current fiscal year, so future NNI Reviews will be able to consider the effect of adjustments on Goods Contracts.

5.3 INUIT EMPLOYMENT LEVELS

It is difficult to read trends in Inuit employment from government contracting based on a single year's data. However, a comparison of Inuit labour minimums specified in contracts and Inuit labour bid by contractors, on both minor and major construction contracts, seems to indicate that contractors are actively recruiting Inuit labour.

For example, in the Kivalliq Region, average levels of employment bid are twice the minimum mandatory levels required for Minor Construction and Maintenance contracts. The difference between the required levels and the levels of Inuit labour bid could indicate that some contractors are making special efforts to exceed minimum Inuit labour requirements, or it could indicate that the Inuit labour levels were set too low. In any case, minimum average levels are below the long term levels required for Inuit participation at a representative level.

As with many of the other data sets, the Inuit Employment levels will not likely provide solid indications of progress or decline for another couple of years. They are further complicated by both the large range of contract types and dollar values and the fact that a number of the larger multi-year contracts are still in progress.

5.4 NNI BONUSES AND PENALTIES

The penalty and bonus provisions of the NNI Policy apply only to those contracts that have requisite levels of Inuit employment. Bonuses are available to any contractor who achieves a higher level of Inuit content than the minimum demanded in contract documents. Penalties apply when contractors fail to achieve mandatory minimum levels of Inuit employment. Major Construction contracts also contain remedies for situations where contractors do not meet the Inuit, Nunavut and Local levels quoted in their bids. These remedies include, but are not limited to, damages and holdbacks on payments.

For the 2000-2001 fiscal year, the GN calculated that if all contractors achieved the Inuit Employment levels specified in their bids, the GN would pay out approximately \$281,000 in bonuses. To date, only a portion of this amount had been paid out. This figure, however, is expected to increase as construction contracts awarded in 2000-2001 are completed.

As a dollar figure, the total of bonuses available appears relatively low. However, the anecdotal evidence provided in submissions to the Review Committee and in the NTI Survey conducted on Inuit firms, indicates that many contractors believe the bonus/penalty system provides an attractive incentive for providing higher levels of Inuit labour. This observation is backed, to a certain extent, by the comparison of Inuit employment levels required, and those bid in the three regions of Nunavut.

For contracts awarded in the 2000/2001 fiscal year, no contractors have been assessed Inuit labour penalties for failing to achieve mandatory minimums for Inuit employment, or contract damages for failing to achieve Inuit, Nunavut, or local content proposed in bids.

5.5 SOLE SOURCE CONTRACTS

Sole source contracts do not follow competitive tendering or proposal processes, but are awarded directly to a firm, or individual, and must be authorized by a Deputy Minister.

Figures shown in the table in section 4.1.7 for Sole Source contracts to Other firms provide strong evidence of the GN's present reliance on specialized services such as professional accounting, legal, consulting, information technology, and medical services, support, etc., from outside Nunavut. Most of these services are presently not available in Nunavut.

6 TRAINING & ORIENTATION - GN CONTRACT PROCEDURES

The following is a summary of the training initiatives delivered by PW&S in the first year of implementation of the NNI Policy. This section was presented to the Review Committee as a GN information item.

PW&S provided a number of training initiatives to the majority of Nunavut communities, to GN employees, businesses, and the public after the creation of the NNI Policy. These initiatives included presentations of highlights of the NNI Policy with specific focus on simplified examples of how the bid adjustments and labour bonuses/penalties are applied to government tenders. Another presentation highlighted and explained, in layperson's terms, the GN Contract Regulations.

All handout materials for these workshops were translated into Inuktitut and Inuinnaqtun and included copies of the presentations, the NNI Policy, the Contractor's Procedures Manual (which is a shorter version of the GN Contract Procedures Manual), the GN Contract Regulations and Applications for Nunavut Firm Status under the NNI Policy. These materials remain available, and are still distributed to anyone who asks for them.

Nearer to the end of the first year of implementation, the GN developed and delivered another presentation to all but a few Nunavut communities. This was a presentation that explained the GN's Request for Proposals process with specific focus on how a fuel distribution proposal would be evaluated. This presentation copy is also available to the public and is given out when requested.

Although most presentations and seminars were open to the GN, businesses, and the Public, upon request PW&S also delivered presentations to specific groups beginning with the GN Deputy Ministers, and then Directors, Management, and other levels of government employees of specific departments. Presentations were also made to Economic Development Officers of Nunavut at their annual meeting, at the Kivalliq Chamber of Commerce AGM, and at trade shows in Iqaluit and Cambridge Bay.

These NNI related handout materials are available to GN employees through the MS Outlook Public Folders in the "Contract Forms" folder section. Public Works and Services also provides on-going contracting advice and information to all GN departments and agencies engaged in government contracting activities through the Headquarters Contracts and Procurement Division, and their Regional offices.

NNI Training that the GN provides its employees is available to all Nunavut Municipalities, Housing Associations, the Nunavut Housing Corporation, the Nunavut Power Corporation and any other agencies or corporations associated with the GN, and

representatives from these organizations have attended the NNI presentations and seminars.

Furthermore, this training is available to Municipal Liaison Officers and Community Economic Development Officers who are responsible for issuing tender notices and assisting small businesses with getting started up and functioning. This training can be more specialized with the involvement of the Departments of Community Government and Transportation, Sustainable Development and Education.

7 OBSERVATIONS AND CONCERNS

The GN PW&S representatives brought contract procurement and implementation experience to the NNI Review. The GN EIA representative provided support with regard to implementation of the Nunavut Land Claims Agreement as well as experience and direction in intergovernmental relations.

The NTI representatives provided experience in Land Claims organizations and business, as well as knowledge of the NLCA, and first-hand experience with GN contracting procedures.

The following are observations and concerns that GN and NTI members brought for discussion.

7.1 GN OBSERVATIONS AND CONCERNS

The following are some areas of interest, and concerns requiring clarification raised by the GN members of the NNI Review Committee:

7.1.1 FREQUENTLY ASKED QUESTIONS

The following are frequently asked questions the GN wishes to be clarified in an interpretive bulletin to the NNI Policy:

LOCAL PREFERENCE

Q. The NNI Policy allows for a 3% adjustment for a Local firm; but there is no list of local firms, how is this local firm status verified?

A. The NNI Policy says that the 3% adjustment for local firms is only given if the company is listed on the Nunavut Firms Registry and is local to the community where the work is to be carried out. PWS has provided direction that the adjustment should be given to either a Nunavut firm (registered with GN) or an Inuit firm (registered with NTI) so long as the company is registered and the community for their registration is the same as the community where the work is to be carried out, or where the Goods Contracts are required. The local adjustment is not given to firms that are not registered with either the GN or NTI.

CONTRIBUTIONS AND GRANTS

Q. Do contribution agreements or grants fall under the NNI Policy?

A. Currently, contribution agreements or grants are not considered contracts that fall under the NNI Policy.

CAP ON BID ADJUSTMENTS

Q. Does the \$100,000 cap apply to the goods portion of construction and other contracts that include goods?

A. The NNI allowable adjustments for Inuit, Local, and Nunavut status are given on the first \$100,000.00 on a goods purchase contract only, and this cap is not to be applied to construction contracts or other service contracts.

BID ADJUSTMENTS FOR GOODS & SERVICES

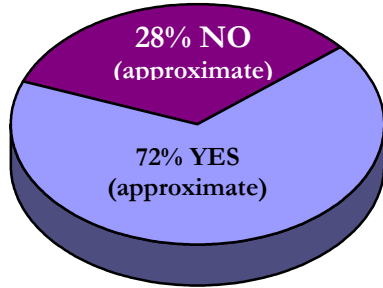
Q. For calculating bid adjustments for the materials part of a construction contract, how do I know if an Inuit firm is a supplier and what they are approved to supply? Do I give a bid adjustment to a Nunavut firm if they are providing goods or services that they are not approved for by the GN?

A. Approval of Nunavut Suppliers of goods by the GN requires meeting specific criteria that are not applicable to businesses that provide services. The bid adjustment for goods is only applicable if the Nunavut supplier is approved for the type of goods supplied. For services all Nunavut firms qualify for a bid adjustment. All Inuit firms qualify for bid adjustments for goods and services.

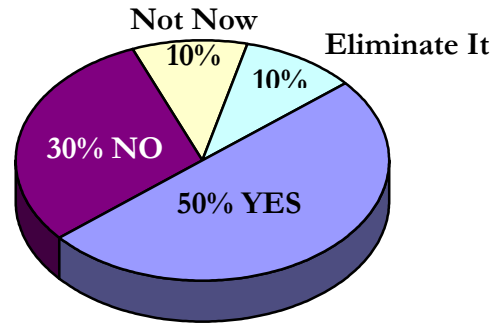
7.1.2 GN SURVEY

Over the first year of the NNI Policy the GN requested input from firms that are on the GN's list of Approved Nunavut Businesses. Last fall over 300 questionnaires were sent out. The questions asked and responses received, with a 55% response rate, were:

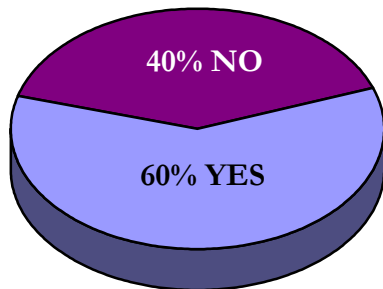
1. Is the Policy working?



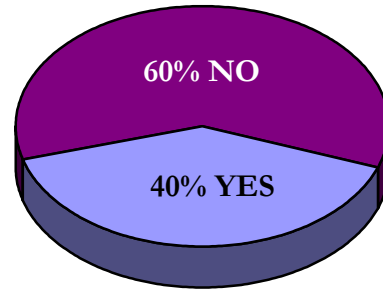
2. Should there be any changes made?



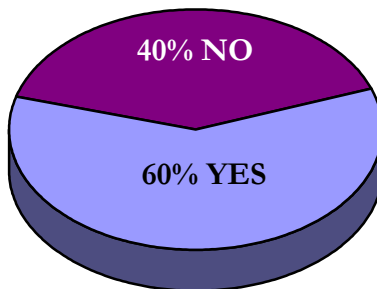
3. Are you satisfied with the assigned percentages used for adjustments? (e.g. 3% local, 3% Inuit, 14% Nunavut)



4. Are there any changes required to the NNI Policy application form?



5. Do you feel Nunavut needs a policy like the NNI Policy?



7.1.3 NUMBER OF COMPANIES BIDDING

The GN are concerned with the small number of companies bidding; it is difficult to ensure good value and fair competition. Some business do not want to bid on GN contracts because of the paperwork associated with the NNI Policy for bid forms and labour reports. Lack of knowledge about the Inuit labour bonus/penalty is possibly another reason for companies not bidding on large construction tenders.

7.2 NTI OBSERVATIONS AND CONCERNS

Considerations brought by NTI representatives to the Annual Review include the following:

7.2.1 NTI SURVEY

Forty Inuit firms registered with the NTI Inuit Firm Registry and the GN NNI List were asked about their experience with the NNI Policy. Of the 40 firms, 26 had submitted proposals to the GN or bid on GN tenders during the 2000/2001 contracting season.

Two areas respondents felt needed more attention were the legitimacy of the status of Inuit owned firms and the monitoring and enforcement of Inuit Content. When asked which part of the NNI Policy has made the most difference to Inuit Companies, the majority answered the 3% bid adjustment for Inuit owned firms. As requested by respondents, NTI will continue to periodically contact Inuit firms for their feedback and experiences through mediums such as this survey.

7.2.2 CENTRALIZATION OF GN PURCHASING / BUNDLING OF CONTRACTS

The NLCA contains provisions that encourage the GN to break down larger contracts where possible to allow smaller Inuit firms to compete. NTI is concerned that the GN may not be following these provisions as closely as possible, particularly in the areas of centralized purchasing and bundling of contracts.

7.2.2.1 *Centralized Purchasing*

It appears that, as a result of centralized large computer supply contracts through PW&S (centralized purchasing), smaller communities and firms were losing opportunities to bid on computer supply tenders. However, PW&S has advised that bulk computer purchasing was discontinued during the 2000/2001 fiscal year and orders are now for individual departments.

At the time of this Review NTI had not come across any further specific examples of problems with centralized purchasing.

7.2.2.2 *Bundling of Contracts*

NTI is also concerned that some current practices of the GN, such as the “Supply, Ship & Erect” contracts of the Nunavut Housing Corporation, may not be going far enough to break down contracts in order to allow Inuit firms to bid. Please see attached Appendix C for Nunavut Housing Corporation’s Briefing to the Review Committee.

Another example of bundled contracts is the contract for GN employee household removals, where the GN issued an RFP for a single contractor to handle all employee moves in Nunavut instead of having separate contracts that would allow existing contractors in each region to bid on a regional basis.

NTI believes that the GN must find a balance between the economies of centralized purchasing and bundling of contracts, and providing smaller Inuit and Nunavut firms the chance to compete for these types of contracts.

7.2.3 MONITORING AND ENFORCEMENT

A number of Inuit firms have reported to NTI that they believe GN monitoring and enforcement practices need improvement. They believe that some contractors do not adequately adhere to contract requirements, particularly minimum Inuit labour levels. Contractors must be monitored more effectively and the reports they submit to the GN reviewed more thoroughly, through a process consistent with all Contracting Authorities and regions. It should be noted that for contracts awarded in the fiscal year 2000-2001, there were no penalties assessed for not meeting Inuit labour requirements.

7.2.4 GN TIME OF PAYMENT AFTER RECEIPT OF INVOICES

Another issue raised was the speed of the GN payment process. Although the standard time for the GN to pay an invoice is typically 20 days from receipt of invoice for northern companies, many contractors have noted that their payments are coming later than this, and in some cases much later. Some contractors have not submitted all the required paperwork to the GN, so payment has been held back, but these are far from being the majority of cases. The Review Committee recognized this as an item that needs addressing.

7.3 OTHER CONCERNS DISCUSSED BY THE REVIEW COMMITTEE

The following are concerns discussed by the NNI Review Committee.

7.3.1 APPEALS

The Appeals Board mandated by the NNI Policy has not been set up yet because the GN and NTI have not agreed on the scope of the proposed Board. Over the past year, the GN has received a number of requests for a contract award decision to be reviewed by an Appeal Board, but to date none of these appeals have been reviewed.

The Terms of Reference for the NNI Review include "the Appeals process as provided in the NNI Policy." GN members of the Committee have suggested that the Terms of Reference for the Appeals Board be resolved between NTI and the GN outside the Policy review process and NTI has agreed. The GN has committed to meeting with NTI early in 2002 to attempt to finalize the Appeals Board Terms of Reference problem.

7.3.2 ECONOMIC LEAKAGE

The Committee discussed the "economic leakage" that occurs when companies from outside small Nunavut communities perform large contracts in those communities. At present there is no data to quantify economic benefits going to the community from these contracts, compared to benefits that might accrue if a local company were to win the contract. The Committee recommends that the GN and NTI jointly commission and jointly fund a study to examine the economic effects of large outside firms performing work in small communities.

7.3.3 TRADES AND OTHER TRAINING OR UPGRADING PROGRAMS REQUIRED

Achieving the NNI Policy objective of Nunavut Education and Training will require an investment in further training programs in business and trades. Some examples of the training programs the Review Committee discussed are small business ownership, office management, Trades as a Career Option, Trades Competitions through Skills Canada, re-introduction of and expansion of the trades courses back into High School curriculum, and other on-the-job training and certification programs for skill development of students and workers targeting both genders.

The GN and NTI fully support such initiatives but recognize that the GN alone does not have the resources to develop and implement all the programs that might be needed. The success of these programs will depend on the commitment and collaboration of a number of organizations and agencies, including NTI, regional Inuit economic development organizations, Human Resources and Development Canada, Nunavut Chambers of Commerce and the business community.

7.3.4 FUTURE REVIEWS

The Review Committee believes that future Reviews should operate under the same Terms of Reference, with minor modifications, including:

- a) A statement that the same TOR will be used for future reviews of the Policy;
- b) A provision to allow for future revisions to the Terms of Reference if required;
- c) An additional clause to set out a mechanism and criteria for circumstances when a Review Committee would meet for a reason other than to conduct an Annual Review;
- d) A change to the conditions for public release of the report, so that it is released publicly one week after the completion of a Cabinet review.

The Review Committee suggests that subsequent Annual Reviews be completed by September 15 each year, and that GN contract reports be completed and available by July 31 each year, as set out in the GN Contract Procedures Manual. GN PW&S Department has indicated that the Procedures Manual could be updated to include the proposed date for the NNI Review.

GN members of the Review Committee concluded that, in order to provide more balanced and complete progress towards achieving the objectives of the NNI Policy, more involvement from other GN departments will be needed in future Reviews.

7.3.5 COMMUNICATION BETWEEN REVIEWS

Both NTI and GN Committee Members recognize the requirement for a line of communication for NNI Policy related issues and concerns between Reviews. The primary points of contact proposed for this liaison would be the NTI Director of Business Development or designate, and the GN Manager of Contracts & Procurement or designate.

7.3.6 NNI POLICY RELATED CONTRACTING PROCEDURES

The NTI and GN Committee Members also recognize the requirement for the GN Contracting Procedures Manual to conform to the NNI Policy. They suggest that the GN and NTI commence this review, and attempt to complete it in time for the GN's 2002/2003 contracting season. The Committee felt that special attention should be given to the procedures relating to monitoring and enforcing Inuit Labour Content on construction contracts. Results of this procedural review should be made available to the next annual NNI Policy Review Committee.

7.3.7 DETERMINING PROGRESS

The Review committee recognized that there might be many factors that determine the degree of success of the NNI Policy in addition to the percentage of Inuit participation. Issues such as the quality of jobs held by Inuit, comparative levels of pay, the relative distribution of wealth and the nature of training available may also be significant indicators. Equal distribution of the benefits of the policy in relation to gender might also be an indicator. Accordingly, the Committee agreed that a jointly funded study would be required to determine and recommend appropriate benchmarks.

8 CONCLUSIONS

At the end of the review process the Committee posed a number of questions in order to form a collective sense of whether the NNI policy was having the intended impact on the Nunavut business environment.

1. ***Do Bid Adjustments make a difference?*** Most members feel that it is too early to say. The benchmarks have only just been established and there is insufficient data to see any trends. Nevertheless, it is clear that many businesses are choosing registration as Nunavut or Inuit firms. It is these companies that appear to be winning most competitively tendered contracts. While some members feel that the impact was not large, the policy seems to make a difference when the bid prices are close. Certainly, from the surveys and submissions received, there is a perception that the adjustments are necessary and close monitoring will help determine if Inuit and local businesses need a bid adjustment.
2. ***Does the distinction between Inuit/Nunavut/Local businesses make a difference?*** While the number of small, local Inuit businesses has increased and the distinction creates a preference for Inuit over Nunavut firms, it is too soon to tell to what degree this feature is helpful.
3. ***Does the Inuit employment objective make a difference?*** There is general agreement that setting employment objectives does make a difference but that it is too early to say how much and in what way. The Committee agrees that this is an important issue, but there is not enough information to properly assess the impact of the policy on Inuit employment. There are differences in the way regions are implementing the policy, and there is some difference of opinion about the nature of the underlying justification for setting Inuit employment levels. It is not clear at this early stage in the operation of the policy whether this objective is affecting all levels of employment. The Committee feels that a study of the impact on employment is necessary.
4. ***Was it easier or more complicated to do business with the government under NNI?*** There is a range of opinion on this question. Any new policy takes time to get used to and, as there was no similar review of the GNWT BIP, it is difficult to measure the difference.
5. ***Is the NNI policy fulfilling all of the GN's obligations under Article 24 of the NLCA?*** While many members feel that it is again too early in the process to draw any conclusions, others feel that the policy may not go far enough and may require fine-tuning in some areas, for example, training and other employment development programs.

6. *Did the Committee feel that the NNI policy is working?* While they were optimistic, there is general agreement that it is too early to know to what extent.
7. *Does the Review process work?* Most committee members agree that the review process was a good start. Areas that could be improved for future reviews include surveys of the business community and wider GN departmental representation on the Review Committee.

SOME OVERALL CONCLUSIONS

It is the conclusion of the Review Committee that GN Contracting Authorities should ensure a more consistent pro-active approach in advising unsuccessful bidders/proponents of the reasons for not winning the work as well as constructive criticism on how they might improve future submissions. The Committee recognizes that this information, in particular to Inuit companies, will help improve the overall quality of bids and proposals, contribute to the education process, and ensure compliance with Article 24 of the Nunavut Land Claims Agreement (NLCA).

The Committee notes that the existing contracting guidelines are not clear with respect to the Inuit Content evaluation criteria in Request for Proposals. For instance, how information regarding Inuit management, labour and training should be described in the Request for Proposal and evaluated when reviewing the Proposal. It is important that clear Inuit content criteria be developed and made available to both Contracting Authorities and prospective proponents. The Committee also feels that further training must be provided to ensure that Contracting Authorities and appropriate GN Staff are fully aware of how to use the Evaluation Criteria in assessing proposals.

During the Review it was observed that the GN Contract Procedures Manual was not always consistent with the NNI Policy. Committee members conclude that a special effort should be made to ensure that the Manual is consistent with the Policy prior to the 2002-03 Contracting season.

The Committee was also concerned with ensuring that the NNI Policy fully conform to the provisions of Article 24 of the NLCA with regard to contracting practices. Committee Members are particularly concerned about the consistent application of Article 24, ss.24.4.2 c) and d) thus ensuring that Inuit Firms are provided with all reasonable opportunities to submit competitive bids and proposals.

The Committee notes that the GN has made considerable progress during the first contracting period in conducting contracting orientation workshops in many Nunavut communities. The GN and NTI should work cooperatively in undertaking these training and orientation efforts.

The accurate measurement of Inuit Participation is observed by Committee members to be particularly problematic. An agreed-upon measurement process is essential if the GN

is to be able to show steady improvement in the results achieved by Inuit through Government Contracts. The Committee believes that a jointly funded study designed to determine what components should be included in measuring Inuit Participation and how these measures should be applied. The components should include, but not be limited to Inuit Labour, Management, Ownership and Training.

The Committee identified some vague or ambiguous terms in the NNI policy. For example, in the definition of a contract for “emergency services” it is not clear that the word “emergency” refers only to contracts made where a delay would be “injurious to the public.” The meaning of “Local Business” and “Nunavut resident” requires some explanation, as does the application of the “bid adjustment cap.” Accordingly, the Committee proposes that Public Works issue an Interpretative Bulletin to clarify this terminology.

During the review process there were a number of concerns expressed about the tender notice system, and many useful suggestions made for improving it. The issuing of Tender Notices often leaves businesses in remote communities at a disadvantage. Methods such as radio will help remove the time delays.

The tender documents should be available not only in the Regional Offices but also, where practicable, in the communities where the work is to be done. Similarly, where possible, it should be permissible to deliver the bids and proposals to the GN office in the community where the work is to be done as well as the Regional Offices. Plan holders/Bidders Lists should be posted in all the communities.

The Committee recognizes that the bid and proposal template documents should be translated into both Inuktitut and Inuinnaqtun. In addition, the Committee is unanimous in agreeing on the importance of training.

While it is difficult to reach any firm conclusions about the worth of the NNI policy in this first year of its operation, baseline data now exists, benchmarks are established and trends will be discernable in future years.

9 RECOMMENDATIONS

As a result of the First Annual Review of the Nunavummi Nangminiqqtunik Ikajuuti (NNI Policy), the Review Committee arrived at a number of conclusions about ways in which GN delivery of the NNI Policy can be clarified or improved. These conclusions are presented in the form of recommendations as follows.

Recommendation #1 – Feedback to Unsuccessful Bidders

That the GN further develop guidelines for Contract Authorities to provide consistent and constructive feedback to unsuccessful bidders/proponents to explain why their submission was unsuccessful and how they can improve future submissions.

Recommendation #2 – Evaluation Criteria for Request for Proposals

That the GN develops clear criteria for determining Inuit Content in Evaluation/Rating Criteria for Requests for Proposals, including management, labour and training, and that these criteria will, where practicable, be standardized across all departments.

Recommendation #3 – Training in Use of Evaluation Criteria

That the GN provide training to its Contract Authorities and any appropriate GN staff in development and use of Evaluation/Rating Criteria used in the evaluation of RFP's.

Recommendation #4 – Review of Procedures

That the GN and NTI review the GN Contract Procedures Manual for conformity to the NNI Policy for the 2002/2003 contracting season.

Recommendation #5 – Consistency with NLCA

That the GN review its contracting practices to ensure they are consistent with the goal of achieving the objectives of the Nunavut Land Claim Agreement Article 24, ss.24.4.2 c) and d):

“In inviting bids on government contracts in the Nunavut Settlement Area, the Government of Canada and the Territorial Government shall provide all reasonable opportunities to Inuit firms to submit competitive bids, and, in doing so, shall take, where practicable and consistent with sound procurement management, the following measures:

- c) permit bids for goods and services for a specified portion of a larger contract package to permit smaller and more specialized firms to bid;*
- d) design construction contracts in a way so as to increase the opportunity for smaller and more specialized firms to bid;”*

Recommendation #6 – Training for GN Employees and Businesses

That the procedures in Chapter 3 (Training) of the GN Contract Procedures Manual be adhered to as follows:

- a) In consultation with NTI, GN will carry out Section 3.1.1 (Article 24 training), and Section 3.4.1 (translation of relevant training documents) from the GN Contract Procedures Manual.*
- b) The GN will make available to NTI its training schedule as set out in Section 3.2.2, and will provide NTI with its workshop materials prior to the workshop as set out in Section 3.2.3 of the GN Contract Procedures Manual.*
- c) NTI and the GN will make all efforts to provide simultaneous interpretation during workshops as set out in 3.2.3ii.*

Recommendation #7 – Study to Measure Inuit Participation

That the GN and NTI jointly conduct a study to determine how to measure components of Inuit Participation, which might include but not be limited to Inuit Labour, Inuit Management, Inuit Ownership and Training

Recommendation #8 – Study to Examine Economic Leakage

That the GN and NTI commission a study to examine the economic effects of large outside firms performing work in small communities.

Recommendation #9 – Tender Notices

That the GN reviews its system of issuing Tender Notices, and attempts to increase the ways in which it communicates its contracting activities across Nunavut, including the use of radio to advertise Tender Notifications, taking into account the extra time required for bidders in the more remote communities.

Recommendation #10 – Plan Holders/Bidders Lists

That the GN provide relevant contracting information, including Plan Holders/Bidders Lists and Award Lists, to Nunavut communities for public posting.

Recommendation #11 – Availability of Tender Documents

That, where practicable, the GN provide tender documents in the community where work is to be done, as well as at the Regional Offices.

Recommendation #12 – Delivery of Bids and Proposals

That bidders, where practicable, be allowed to deliver bid or proposal documents to GN offices in the community where the work is to be done, as well as to Regional offices.

Recommendation #13 - Translation

That the GN undertake to translate bid or proposal template documents into Inuktitut and Inuinnaqtun.

Recommendation #14 - Interpretation

That an Interpretive Bulletin should be attached to the NNI Policy to clarify a number of interpretation questions. The Committee recommends that the interpretive bulletin be drafted by PW&S and be recommended for approval by Cabinet to have the same effective date as the NNI Policy. This interpretive bulletin should include the following items:

- a) *A definition for “Emergency” should be included in the Definitions section of the NNI Policy, as it relates to sole source contracts. Item 1 of the Interpretive Bulletin should read as follows:*

Reference s. 5.2 (c) Emergency Services Contracts are those sole source contracts awarded in accordance with s.10 (a) of the GN Contract Regulations made pursuant to the Financial Administration Act. “The goods, services or construction are urgently required and delay would be injurious to the public interest.”

- b) *Item 11.1 (c) requires clarification of the Nunavut firm adjustments for supply of goods, and the supply component of construction contracts. This clarification is required to ensure consistent understanding of bid adjustments and application of bid adjustments by contract authorities. Item 5 of the interpretive bulletin should read:*

Reference page 3 of 8 Clause 11.1 (c), and page 3 of 7 the definition for “Nunavut Supplier” and “Local Supplier”.

For the supply of goods, or the clearly identified goods or materials portion of a bid such as for a construction contract,

- the 14% for Nunavut status applies only if the company listed in the bid is approved by the GN for supply of the category of goods or materials identified in the bid,

- the 3% for Inuit status is given if the company is on the Inuit Firms List,

- the 3% for Local status is given for local companies if the company is either a Nunavut supplier for the category of goods or material identified in the bid, or is an Inuit firm.

- c) *The NNI Policy should include a clearer definition of Local Business, which would include Inuit firms that are also local firms. Item 2 of the Interpretive Bulletin should read as follows:*

Reference s.11.1(c) (iii) The 3% Adjustment for companies with local status can be applied to any company that is a Nunavut firm or an Inuit firm so long as that company is registered with either the GN or NTI and is local to the community where the work is to be carried out.

- d) *The GN should clarify the application of the \$100,000.00 bid adjustment cap. Item 3 of the Interpretive Bulletin should read as follows:*

Reference s.11.4 The \$100,000.00 bid adjustment cap applies to goods contracts only and does not apply to construction contracts.

- e) *The definition of “Nunavut Resident” should be clarified to mean that, in order to be a Nunavut Resident, a person must meet the requirements regardless of whether they are Inuit or not. Item i. in the definition is corrected grammatically and the meaning of “ordinarily resident” given clarification for the purposes of determining Nunavut Resident status.*

Reference Appendix A page 4 of 7 “Nunavut Resident” – a person who:

(i) is either on the NTI Inuit Enrollment List, or has spent the last twelve months ordinarily resident in Nunavut; and

(ii) has a valid Nunavut Healthcare Card and/or other accepted proof of residency such as a Nunavut General Hunting License, a Nunavut Driver’s License, a lease or rental receipt, and provides a physical address where residing.

For the purposes of interpreting (i). above, “ordinarily resident” means “in the last twelve months, lived in Nunavut for a period of, or periods the total of which is, 183 days or more.”

10 APPENDICES

APPENDIX A - NNI POLICY REVIEW TERMS OF REFERENCE

APPENDIX B - ANNUAL CONTRACT DATA REPORT 2000/2001

**APPENDIX C - NUNAVUT HOUSING CORPORATION BRIEFING
NOTE**



Nunavummi Nangminiqaqtunik Ikajuuti

FIRST ANNUAL REVIEW - 2001

TERMS OF REFERENCE

Introduction

Following are the terms of reference for the first annual review of the Nunavummi Nangminiqaqtunik Ikajuuti (NNI Policy) as agreed to by both the Government of Nunavut (GN) and Nunavut Tunngavik Inc. (NTI).

Sections 16 and 17 of the NNI Policy provide for periodic reviews of its implementation, at least on an annual basis. These sections of the policy are attached as Annex A.

Section 21, attached as Annex C, states that Cabinet may make changes to the policy.

Membership:

The GN and NTI shall each appoint up to a maximum of five members to the Review Committee; a minimum of three members from each side shall constitute a quorum. This will include at least one participant each from the Department of Public Works and Services and the Department of Executive and Intergovernmental Affairs from the GN, and from the Implementation and Business Development Departments of NTI.

The GN and NTI team shall each appoint a member to act as co-chair. The co-chairs shall alternate responsibility to chair the meetings of the Committee. The co-chairs will be responsible for agreeing to and circulating meeting agendas/framework prior to each meeting.

The Committee or either of the GN or NTI team may invite people with particular knowledge or expertise to attend meetings of the Review Committee for the purposes of providing specific support and advice. NTI and GN will notify the co-chairs at least three days in advance of any meeting when such resource people have been engaged. Each team will be limited to three invited resource people per meeting.

Minutes shall be prepared for each Review Committee meeting and distributed with the agenda prior to the next meeting. Minutes are to be reviewed and approved by Review Committee members as the first item of business at that meeting.

Decisions of the Review Committee will be by consensus of the Members.

Scope:

First and foremost, the review of the NNI Policy should review progress towards the objectives set out in Section 7: a) Good Value and Fair Competition, b) Strengthening the Nunavut Economy, c) Inuit Participation, and d) Nunavut Education and Training. These objectives are included as Annex C. Section 17.2 specifically calls for *"the Review Committee to develop and apply specific mechanisms for assessing progress towards objectives and making recommendations for adjustments to the Policy."* This requirement should be addressed within the context of the following considerations:

- The review should cover contracts awarded during the first year of the NNI Policy, that is from April 1, 2000 through March 31, 2001.
- The review should consider measurable statistics such as number and dollar amounts of contracts, Inuit labour, bonus and penalty assessments, number of businesses registered with NTI and the GN, and other information as is reasonably available, as well as feedback from the business community and GN contract authorities.
- The Policy review should include both the substance and the application of the policy to ensure that progress is being made towards the Policy's objectives, as set out in 16.3. The review of the Policy's application may include contracting procedures set out in the "Contract Procedures Manual", *"inter alia"*:
 - notices of procurement opportunities (RFP's and Tenders);
 - orientation/training of potential bidders with particular emphasis on Inuit Firms (as called for under Article 24);
 - evaluation and bid adjustment processes; and
 - the evaluation processes used for the award of Proposals.
- The review should examine the various details of the evaluation process that have been further described in the "Contract Procedures Manual" developed by the Responsible Department (PW&S) and made available to the public as called for in Section 11.3.
- The review should examine any evaluation criteria relevant to NNI Policy that have been developed by the Contract Authorities.
- The committee should make suggestions as to what data should be gathered in future in order to improve assessment mechanisms in subsequent reviews.

Other areas that should be included in the review:

- The amount of Inuit content, including employment (labour) and training, that has been included in GN contracts;

- The amount of bonuses and penalties and the way that they have been applied to GN contracts;
- Any specific monitoring and enforcement concerns that may have arisen with regard to the implementation of Policy as per Section 17.3;
- The extent (volume and value) to which Cabinet has exercised its authority to exclude certain contracts;⁴
- The effect of the application of Section 5.2 on achieving the objectives of the NNI Policy;
- The Appeals process as provided in the NNI Policy;
- A conclusion section focusing on the extent to which the NNI Policy (10.1) has proven effective in advancing the Government's obligations under Article 24 of the NLCA;
- Make recommendations, if necessary, for the resolution of any problems that may arise in the implementation of the Policy between reviews;
- Any other issues related to the substance and application of the NNI Policy, that the committee may agree upon.

Confidentiality

The parties commit to disclose information to the Review Committee as fully as possible, but it is recognized that the Review Committee members should not have access to commercially sensitive or confidential information provided by bidders; and for this reason, specific bid information will be provided in an example format. The information which is disclosed will be kept strictly confidential and shall not be used by any person in any proceedings or in any manner outside the review process.

Consultation

The Review Committee shall invite public input and consult with all interested parties. The Review Committee shall agree to a process for regional consultations according to a schedule mutually acceptable to both parties, and recognizing that regional representatives may participate of behalf of committee members.

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5.2 The Policy does not apply to:

- (a) a contract that provides the Government of Nunavut with insurance against liability;
- (b) a Government of Nunavut Employment Contract; or
- (c) a contract for the supply of emergency services.

Costs

Costs associated with the Review shall be borne by the Party incurring them unless otherwise agreed by the Committee.

Time Frame

The terms of reference for the review should be set by September 25, 2001.

Any specific information or data gathered in advance by either GN or NTI should be provided to all Committee members by October 16, 2001.

The Committee should consider its deliberations and recommendations and prepare a report to be submitted to Cabinet and to the NTI Board and made available to the public no later than January 11, 2002.

Signed on this 26th day of September, 2001, at Iqaluit, Nunavut.

Deputy Minister of Executive
Government of Nunavut

Chief Executive Officer
Nunavut Tunngavik Incorporated

Annex A

Extract from the Nunavummi Nangminiqagtunik Ikajuuti (NNI) policy:

16.0 Periodic Review

16.1 It is recognized that achieving the objectives of the Policy will require consistent and persistent effort.

16.2 It is further recognized that the achievement of objectives may be most realistically and reliably secured by measured progress over time.

16.3 The substance and application of the Policy should therefore be reviewed and revised on a periodic basis to ensure that progress toward objectives is being made in a demonstrable and balanced way.

17.0 Review Committee

17.1 A Contracting Policy Review Committee, consisting of representatives appointed by the Government of Nunavut and Nunavut Tunngavik Incorporated, shall be established to review the implementation of the Policy on a periodic basis and, in any event, at least on an annual basis.

17.2 As part of its mandate, the Review Committee shall develop and apply specific mechanisms for assessing progress towards objectives and making recommendations for adjustments to the Policy.

17.3 As part of its mandate, the Review Committee shall examine monitoring and enforcement concerns arising out of the implementation of the Policy.

17.4 The Review Committee will conduct a comprehensive review at the end of the first three-year period, and every five years thereafter

17.5 The Review Committee shall submit all of its work to the Government of Nunavut and Nunavut Tunngavik Incorporated.

17.6 In carrying out its work, the Review Committee shall make efforts to collect public input and to consult with interested parties. Without limiting the ability of the Committee to make other parts of its work available to the public, these annual and multi-year reviews shall in all cases be made available to the public.

ANNEX B

- 21.0 Revisions to or repeal of this Policy
- 21.1 Cabinet may make changes to this policy consistent with the obligations of the Government of Nunavut in Article 24 of the Nunavut Land Claims Agreement which requires a collaborative process with Nunavut Tunngavik Inc. in the maintenance of preferential procurement policies, procedures and approaches.

ANNEX C7.0 Policy Objectives

- 7.1 The Policy has the following objectives:

(a) Good Value and Fair Competition

To secure goods and services for the Government of Nunavut at the best value, recognizing the higher cost of doing business in Nunavut, and using a contracting process that is clear, fair and equitable.

(b) Strengthening the Nunavut Economy

To build the economy of Nunavut and its communities by strengthening business sector capacity and increasing employment.

(c) Inuit Participation

Subject to ss.16(2), to bring about a level of Inuit participation in the provision of goods and services to the Government of Nunavut that reflects the Inuit proportion of the Nunavut population.

(d) Nunavut Education and Training

Subject to ss.16(2), to increase the number of trained and skilled Nunavut Residents in all parts of the workforce and business community to levels that reflect the Inuit proportion of the Nunavut population



GOVERNMENT OF
NUNAVUT
ANNUAL CONTRACT DATA
REPORT

FISCAL YEAR 2000/2001



Prepared by the Department of Public Works and Services
Contracts and Procurement Section, Operations Division

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INTRODUCTION

The Government of Nunavut's Annual Contract Data Report was prepared by the Department of Public Works and Services (PW&S) and provided to the Nunavummi Nangminiqaqtunik Ikajuuti (NNI Policy) Review Committee to facilitate the annual review of the NNI Policy. The organization of this report is based on the Government of Nunavut (GN) Contract Procedures, Section 16, and information that is available from GN databases. For this first annual report, the NNI Policy Review Committee also provided input regarding the report format.

The Report presents statistical information about GN contracts that were reported by other Departments, and PW&S Regional Offices and Divisions, to PW&S, Contracts and Procurement Section. Contracts by the Nunavut Housing Corporation and the Legislative Assembly are not reported to PW&S and are not included in this report. All contract information in this report is for contracts that were awarded during the fiscal year 2000/2001, the first year of contracting under the NNI Policy.

DEFINITION OF TERMS

"Goods": In this report, "Goods" contracts are purchase contracts entered into by the Contracts & Procurement Section, Public Works and Services Headquarters Operations Division, for Government of Nunavut Departments, that are primarily for the purchase of goods.

"Inuit": In this report, contracts to "Inuit" means contracts with Inuit firms that were registered with Nunavut Tunngavik Inc. (N.T.I.).

"LCA" or "Local Contract Authority": this is a contract form used by Government of Nunavut Departments for local purchases that do not exceed \$5,000 in value. Use of this form is restricted to contracting with parties located in Nunavut.

"Local": In this report, "Local" contracts are those awarded to Inuit or Nunavut businesses that are based in the same community where the work is being carried out.

"Nunavut": In this report, contracts to "Nunavut" means contracts with Nunavut firms that were registered with the GN as such. For this report, if a Nunavut firm is also registered with N.T.I. as an Inuit firm, then the contract is counted as a contract to Inuit, and not as a contract to Nunavut.

"Other": In this report, contracts to "Other" means contracts with persons, organizations, or firms that were not registered as an Inuit firm with N.T.I., or as a Nunavut firm with the Government of Nunavut.

"Purchase Orders": In this report, "Purchase Orders" are contracts for purchase of goods that were not carried out by the Contracts and Procurement Section, Public Works and Services Headquarters, Operations Division.

"Sole Source": In this report, "Sole Source" means a contract that was entered into without a competitive request for tenders or proposals. The criteria are noted on Page 18 of this report.

GOVERNMENT OF NUNAVUT
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REPORT SUMMARY

This is a summary of the Report, highlighting the participation of Inuit and Nunavut registered firms, and Inuit labour in Government contracts.

- 1. All Contracts:** 11,298 contracts were awarded in 2000/2001 fiscal year; 41% were to Inuit, and 41% to Nunavut. The total dollar value of all contracts was \$85,152,650.96: 24% of dollars to Inuit, and 38% to Nunavut.
- 2. Small Contracts:** 1,038 Small Contracts were awarded; 19% were to Inuit, and 24% to Nunavut. The total dollar value of Small Contracts was \$4,188,381.08: 20% of dollars to Inuit, and 29% to Nunavut.
- 3. Local Contract Authorities (LCA's):** 9,466 LCA's were issued; 45% were to Inuit, and 43% to Nunavut. The total dollar value of LCA's was \$4,109,878.77: 40% of dollars to Inuit, and 46% to Nunavut.
- 4. Large Contracts - Including Goods:** 794 Large Contracts were awarded; 27% were to Inuit firms, and 34% to Nunavut. The total dollar value of Large Contracts was \$76,854,391.11: 23% of dollars to Inuit, and 39% to Nunavut.
- 5. Large Contracts - Excluding Goods:** 229 contracts were awarded; 15% were to Inuit, 29% to Nunavut. The total dollar value of these contracts was \$60,004,875.21: 20% of value to Inuit, and 29% of contracts and 41% of value to Nunavut.

5.1 Contract Type Analysis: For the 229 Large Contracts - Excluding Goods - 85% of contracts were for Consulting Services, Minor Construction and Maintenance, Major Construction, and Service Contracts. 84% of the value was for Consulting Services, Major Construction, and Service Contracts.

- The Contract Types that Inuit and Nunavut firms won most often were: Minor Construction and Maintenance Services (31% Inuit, 62% Nunavut), and Major Construction (43% Inuit, 30% Nunavut).
- The Contract Types where most dollars went to Inuit and Nunavut were for Minor Construction and Maintenance: 28% of dollars went to Inuit, and 52% to Nunavut, and for Major Construction: 26% of dollars went to Inuit and 53% to Nunavut.

5.2 Contract Method Analysis: Out of 229 Large Contracts - Excluding Goods - 61% were competitive requests for submissions (tenders or proposals), and 39% were sole source awards.

▪ Out of the 39% for Sole Source Contracts, 3% were to Inuit, and 3% to Nunavut firms. The total value of these contracts was \$60,004,875.21: 81.5% of the value was for competitive requests for submissions and 18.5% of was for Sole Source contracts.

- Out of the 18.5% of value for Sole Source Contracts, 0.9% were to Inuit, and 0.6% were to Nunavut firms.
- The Sole Source Contracts that were not to Inuit or Nunavut were mainly for Consulting Services and Service Contracts.

GOVERNMENT OF NUNAVUT
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REPORT SUMMARY CONTINUED

5.3 Awards to Local Businesses: For the 229 Large Contracts - Excluding Goods - 58 contracts were to Local businesses: 38% of these to Inuit, and 62% to Nunavut. The dollar value for Local contracts was \$14,061,260.21: 74% of this to Inuit, and 26% to Nunavut.

6. Inuit Labour: For Minor Construction and Maintenance Services Contracts across Nunavut, an average of 35% minimum Inuit labour was required; on average, bidders committed to 59% in their bid documents, and actually achieved 55%. For Major Construction across Nunavut, an average of 29% Inuit labour was required; on average, bidders committed to 26%, and actually achieved 43% Inuit labour. Because multi-year projects are not yet completed, the Average Inuit Labour Achieved for Major Construction is based on the information available to date.

- Based on bid information, it is anticipated that approximately \$280,781.09 in bonuses would be paid out. To date, \$31,879.44 has been paid for actual Inuit labour achievements, but not all projects have been completed.

7. Submissions Received: Considering the main contract types for Small and Large Contracts (excluding Goods and LCA's), in general where Inuit firms are bidding, they are winning a significant percentage of the contracts.

- For Minor Construction and Maintenance Services, Inuit firms submitted 29% of the bids, and won 36% of the contracts. For Major Construction, Inuit firm submitted 38% of the bids, and won 44% of the contracts.

On average, there were 2.1 bids received for Minor Construction and Maintenance Services, 2.6 for Major Construction, and 1.8 for Service Contracts.

8. Contracts awarded due to NNI Adjustments: For contracts (Small and Large) excluding Goods and LCA's, 18% of contracts, and 6% of the value, were awarded due to NNI Adjustments.

- 46 contracts (out of 259) were awarded due to NNI Adjustments: 37% of awards due to NNI adjustments were to Inuit firms, and 25% to Nunavut.
- The value of contracts awarded due to NNI adjustments was \$3,078,134.97 (out of \$50,336,785 for competitive contracts): 37% of awards due to NNI adjustments were to Inuit, and 48% to Nunavut.
- Inuit or Nunavut firms won most contracts because of competitive pricing, rather than because of NNI adjustments.

9. Comparison to Previous Fiscal Year: For contracts awarded by Public Works and Services in fiscal year 2000/2001 compared to fiscal year 1999/2000, the number of contracts, and value of contracts awarded increased for Inuit firms, Nunavut firms, and Other (non-registered).

- 232 more contracts, and \$5,996,346.16 increase in dollar value to Inuit firms.
- The percentage of contracts to Inuit in fiscal year 2000/2001 was 9% more than the previous year, but the value to Inuit was 7% less. The decrease in percentage of value was primarily because a very large construction contract was awarded in 2000/2001 to a Nunavut firm.

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REPORT OVERVIEW

This report focuses on the distribution of contracts awarded to companies, individuals, or organizations in three status categories:

- 1) Inuit – listed on the NTI Inuit Firms Registry,
- 2) Nunavut – listed on the GN Nunavut Firms Registry and
- 3) Other – not registered as an Inuit or a Nunavut firm.

For this report, contracts to firms that were on both Inuit Firms and Nunavut firm registries have been included in the Inuit Category, but not in the Nunavut category. The report also analyzes firms submitting bids or proposals for contracts, and Inuit labour for construction and maintenance contracts. Charts and graphs are used to illustrate the statistics presented.

SECTION 1, All Contracts, includes all types and values of contracts reported. The number and value of contracts for Inuit and Nunavut firms for all contracts is provided. A breakdown of the number of contracts and value of contracts for Goods Contracts, Local Contract Authorities (LCA's), and for all other Contract Types is provided.

SECTION 2, Small Contracts, includes Goods Contracts under \$5,000 and all other Contract Types under \$25,000, and does not include Local Contracting Authorities (LCA's). A breakdown of the number and value of Small Contracts to Inuit and Nunavut firms is provided.

SECTION 3, Local Contracting Authorities (LCA's), includes only LCA purchases. LCA's are contracts for local purchases not to exceed \$5,000 in value. A breakdown of the number and value of LCA's to Nunavut and Inuit firms is provided.

SECTION 4, Large Contracts - Including Goods, includes Goods contracts with a value of \$5,000 and greater, and all other Contract Types with a value of \$25,000 and greater. A breakdown of the number and value of Large Contracts - Including Goods to Inuit and Nunavut firms is provided.

SECTION 5, Analysis of Large Contracts - Excluding Goods, analyzes Large Contracts - Excluding Goods by Status. These contracts are analyzed further in Sub-section 5.1 by Contract Type, 5.2 by Contracting Method and Sole Source awards, and 5.3 is an analysis of bids received.

5.1 Contract Types: This sub-section provides an analysis of Large Contracts - Excluding Goods - by nine Contract Type categories used by the GN: *Air Charters, Architectural/Engineering, Consulting, Major Construction, Minor Construction and Maintenance Services, Leases, Purchase Orders, Service Contracts, and Other Contract Types*. The number and value of contract for each contract type is provided and illustrated by pie charts, and the number and value for each Contract Type to Inuit and Nunavut, is provided and illustrated by graphs.

GOVERNMENT OF NUNAVUT
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REPORT OVERVIEW CONTINUED

5.2 Contract Methods and Sole Source Contracts: This sub-section provides an analysis of Large Contracts - Excluding Goods - by Contracting Method. A breakdown is given by: *Public* or *Invited* requests for submissions (tenders or proposals), and for contracts that were *Sole Source* awards. For sole-source awards, the number of contracts and value to Inuit and Nunavut firms are provided. A further analysis of Sole Source awards provides a breakdown by Contract Type.

5.3 Awards to Local Businesses: this sub-section provides an analysis of Large Contracts - Excluding Goods - awarded to *Local* Inuit or Nunavut businesses. A breakdown of the number and value of contracts to Local businesses is provided for Inuit and Nunavut firms.

SECTION 6, Inuit Labour, provides Inuit labour information for Small and Large value Minor Construction and Maintenance Services, and Major Construction contracts.

6.1 Inuit Labour for Minor Construction and Maintenance Services: This sub-section is an analysis of Inuit labour minimum requirements, Inuit labour shown on bids, and Inuit labour actually achieved for Minor Construction (contracts less than \$100,000), and Maintenance Services contracts.

6.2 Inuit Labour for Major Construction: This sub-section is an analysis of Inuit labour minimum requirements, Inuit labour shown on bids, and Inuit labour actually achieved for Major Construction (contracts \$100,000 and over).

6.3 Inuit Labour Bonuses: This sub-section provides dollar amounts of potential bonuses, based on bid information, and the amount of bonuses paid to date. The distribution of bonuses paid is shown for the 3 Regions.

SECTION 7, Analysis of Submissions Received, provides information about the number and status of firms bidding for Small and Large Contracts - Excluding Goods. The number of bids and the number of bids from Inuit firms for competitive contracting provided for the main Contract Type categories: Architectural/Engineering, Minor Construction and Maintenance Services, Major Construction, Consulting Services, and Service Contracts, and is illustrated in a graph.

SECTION 8, Contracts Awarded due to NNI Adjustments: This section provides information about contracts where the NNI adjustments resulted in the company being awarded the contract, when the company would not have won the contract without the adjustment. The number and dollar value of contracts won due to NNI adjustments are provided for Inuit and Nunavut businesses.

SECTION 9, Comparison to Previous Year: This section compares the number and dollar value of Public Works and Services contracts from fiscal year 2000/2001 to Public Works and Service contracts from the previous year 1999/2000.

GOVERNMENT OF NUNAVUT
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SECTION 1 - ALL CONTRACTS

Section 1, All Contracts includes all contracts awarded: Goods Contracts, LCA's, and all other Contract Types.

All Contracts - by Status Category

Note: Inuit firm and Nunavut firm Status

For this Section, and all subsequent sections of this report, 3 Status categories are used:

Inuit – listed on the NTI Inuit firms Registry,

Nunavut – listed on the GN Nunavut Firms Registry, and

Other – not registered.

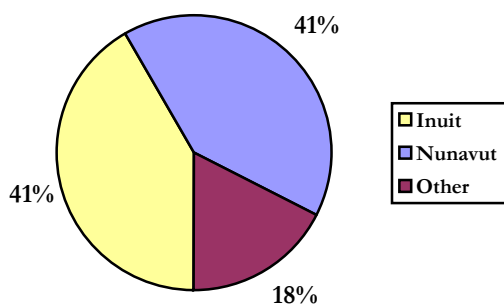
- For this report, those companies that were both Inuit and Nunavut registered, are included in the 'Inuit' category, but not in the 'Nunavut' category.

- 'Other' includes Hamlets, Housing Associations, and Inuit Organizations, and Nunavut Arctic College, as well as businesses that are not registered as Inuit or Nunavut firms; 'Other' also includes businesses located in the NWT and southern Canada.

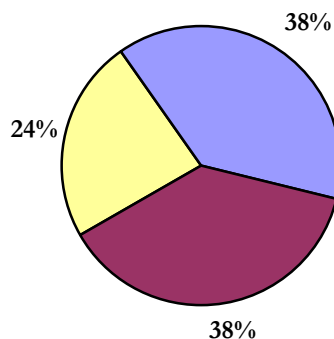
The pie charts below illustrate the number of contracts reported, and the total value of contracts to Inuit, Nunavut and Other.

- There were a total of 11,298 contracts awarded: 4,716 to Inuit (41%), 4,593 to Nunavut (41%), and 1,989 to Other (18%).
- The total value for all contracts was: \$85,152,650.96: \$20,154,126.94 to Inuit (24%), \$32,801,599.75 to Nunavut (38%), and \$32,196,924.27 to Other (38%).

All Contracts to Inuit and Nunavut



Value of All Contracts to Inuit and Nunavut



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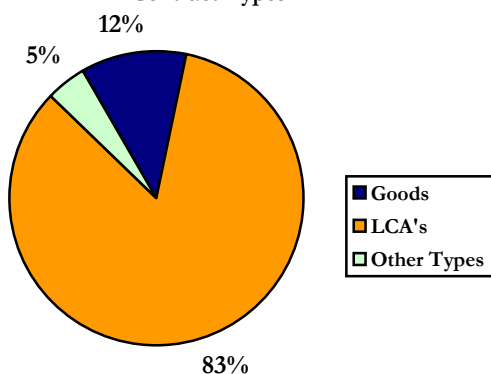
SECTION 1 - ALL CONTRACTS CONTINUED

All Contracts - Breakdown for Goods, LCA's, and all other Contract Types

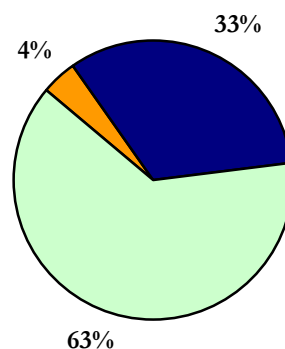
The pie charts below illustrate the number and value of contracts for Goods Contracts, LCA's, and all other Contract Types.

- A total of 11,298 contracts were awarded: 1,320 were Goods Contracts (12%), 9,466 were LCA's (83%), and 512 were for all other Contract Types (5%).
- The total value for contracts awarded was \$85,152,650.96: \$18,147,720.06 for Goods Contracts (33%), \$4,109,878.77 for LCA's (4%), and \$62,895,052.13 for all other Contract Types (63%).
- Section 3 of this report provides more information for LCA's, and Section 5 focuses on Large Value Contracts excluding Goods Contracts and LCA's.

All Contracts showing the percentage for LCA's, Goods Contracts, and other Contract Types



Value of All Contracts showing the percentage for LCA's, Goods Contracts, and other Contract Types



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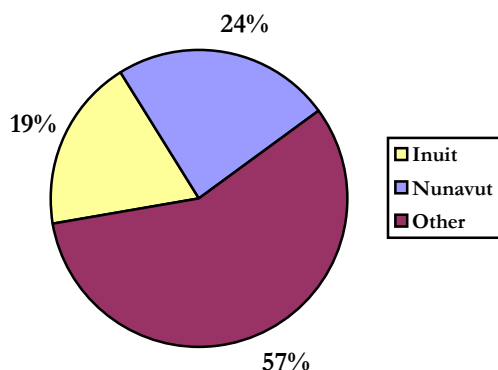
SECTION 2 - SMALL CONTRACTS

Section 2, Small Contracts includes all Goods Contracts under \$5,000, excluding LCA's, and all other Contracts Types under \$25,000.

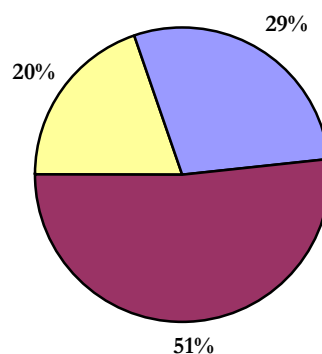
The pie charts below illustrate the number of Small Contracts reported, and the total value of Small Contracts to Inuit, Nunavut and Other.

- There were 1,038 Small Contracts reported: 196 to Inuit (19%), 247 to Nunavut (24%), and 595 to Other (57%).
- The Small Contracts totaled \$4,188,381.08 in value: \$828,178.36 to Inuit (20%); \$1,201,030.55 to Nunavut (29%), and \$2,159,172.17 to Other (51%).

Small Contracts to Inuit and Nunavut



Value of Small Contracts to Inuit and Nunavut



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SECTION 3 - LOCAL CONTRACTING AUTHORITIES (LCA'S)

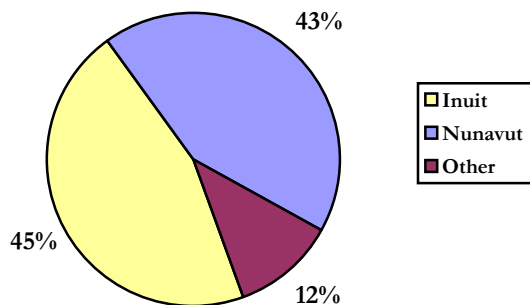
Section 3, Local Contract Authorities (LCA's) includes LCA contracts, which are used by the GN for local purchases not exceeding \$5,000 in value. Because of the small value of these contracts, the GN Regulations do not require a formal competitive bidding procedure for these contracts, although informal requests for pricing are required if over \$1,000.

The pie charts below illustrate the number of LCA's, and the total value of LCA's to Inuit, Nunavut and Other.

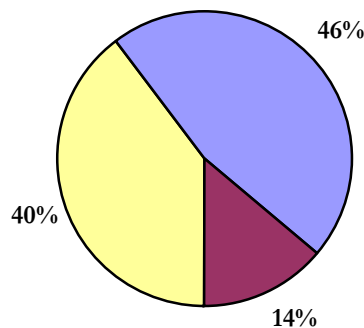
- There were 9,466 LCA's: 4,302 to Inuit (45%), 4,073 to Nunavut (43%), and 1,091 to Other (12%).
- The total value of LCA's was \$4,109,878.77; \$1,638,006.21 awarded to Inuit (40%); \$1,899,289.12 to Nunavut (46%); and \$572,583.40 to Other (14%).

Note: Almost all LCA purchases for the 'Other' status category were for Inuit or Nunavut companies, individuals, or organizations that were not registered with either NTI or the GN.

LCA's to Inuit and Nunavut



Value of LCA's to Inuit and Nunavut



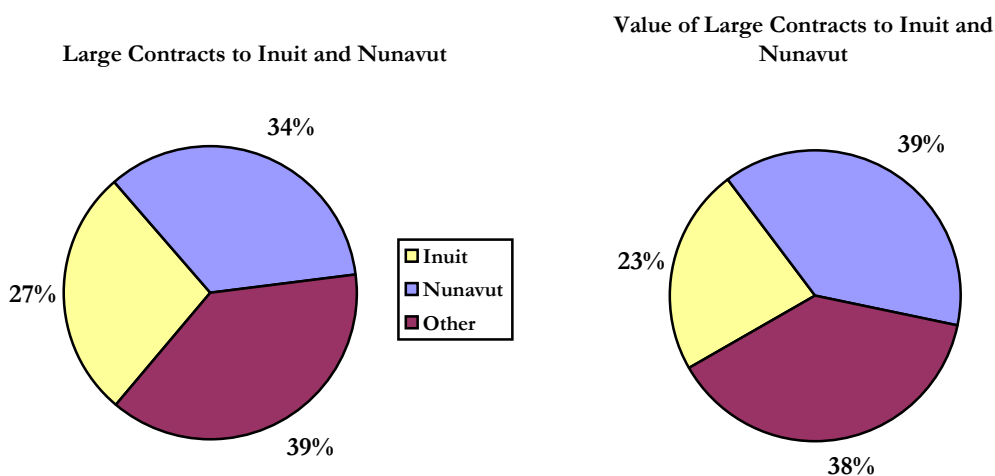
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SECTION 4 - LARGE CONTRACTS - INCLUDING GOODS

Section 4, Large Contracts includes of all Goods Contracts of \$5,000 and greater, and all other Contracts of \$25,000 and greater.

- There were 794 Large Contracts: 218 to Inuit (27%), 273 to Nunavut (34%), and 303 to Other (39%).
- The Large Contracts amounted to \$76,854,391.11: \$17,687,942.37 to Inuit (23%), \$29,701,280.08 to Nunavut (39%), and \$29,465,168.66 to Other (38%).

Note: Because of the very high value of some large Major Construction contracts, one contract award can make a significant difference in the percentage of dollars to Inuit firms compared to Nunavut firms.



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SECTION 5 - ANALYSIS OF LARGE CONTRACTS – EXCLUDING GOODS

Section 5 analyzes Large Contracts (\$25,000 and greater) and does not include Goods Contracts, or LCA's. There were 229 Large Contracts excluding goods, and the total value for these contracts was \$60,004,875.21.

- 15% of contracts and 20% of dollars to Inuit, and 29% of contracts and 41% of value to Nunavut

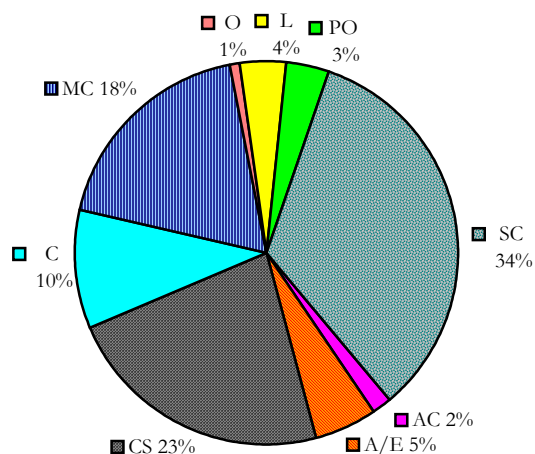
5.1 - CONTRACT TYPES (Large Contracts - Excluding Goods)

This sub-section analyzes contracts by Contract Type. There are 9 Contract Types. These were the number and dollar values for Large Contracts (\$25,000 and over), excluding Goods, for each type. The following information is illustrated on pie charts below.

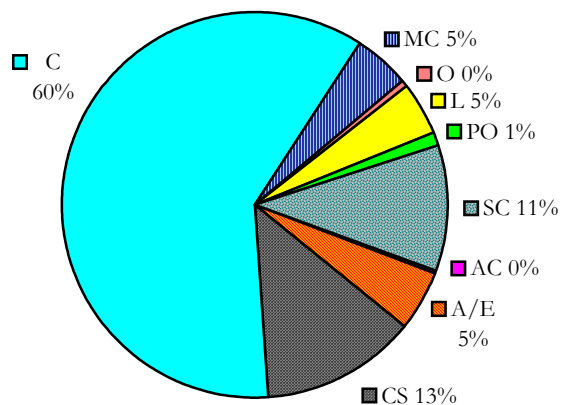
	<u>Contract Type</u>	<u>Number of Contracts</u>	<u>Value of Contracts</u>
AC	Air Charter:	4	\$167,332.73
A/E	Architectural/Engineering:	12	\$2,951,815.75
CS	Consulting Services:	52	\$7,899,141.72
C	Major Construction (\$100,000 +):	23	\$36,218,340.64
MC	Minor Construction or Maintenance:	42	\$2,816,419.97
O	Other types:	2	\$251,103.53
L	Leases for Real Property:	9	\$2,641,053.00
PO	Purchase Order:	8	\$643,889.11
SC	Service Contracts:	77	\$6,415,778.76
	Total	229	\$60,004,875.21

- 85% of Large Contracts were for: CS, C, MC and SC Contract Types.
- 84% of Large Contract dollars were expended for C, CS, and SC Contract Types.

**Percentage of Contracts - by Type
Large Contracts (excluding Goods)**



**Percentage of Value - by Type
Large Contracts (excluding Goods)**



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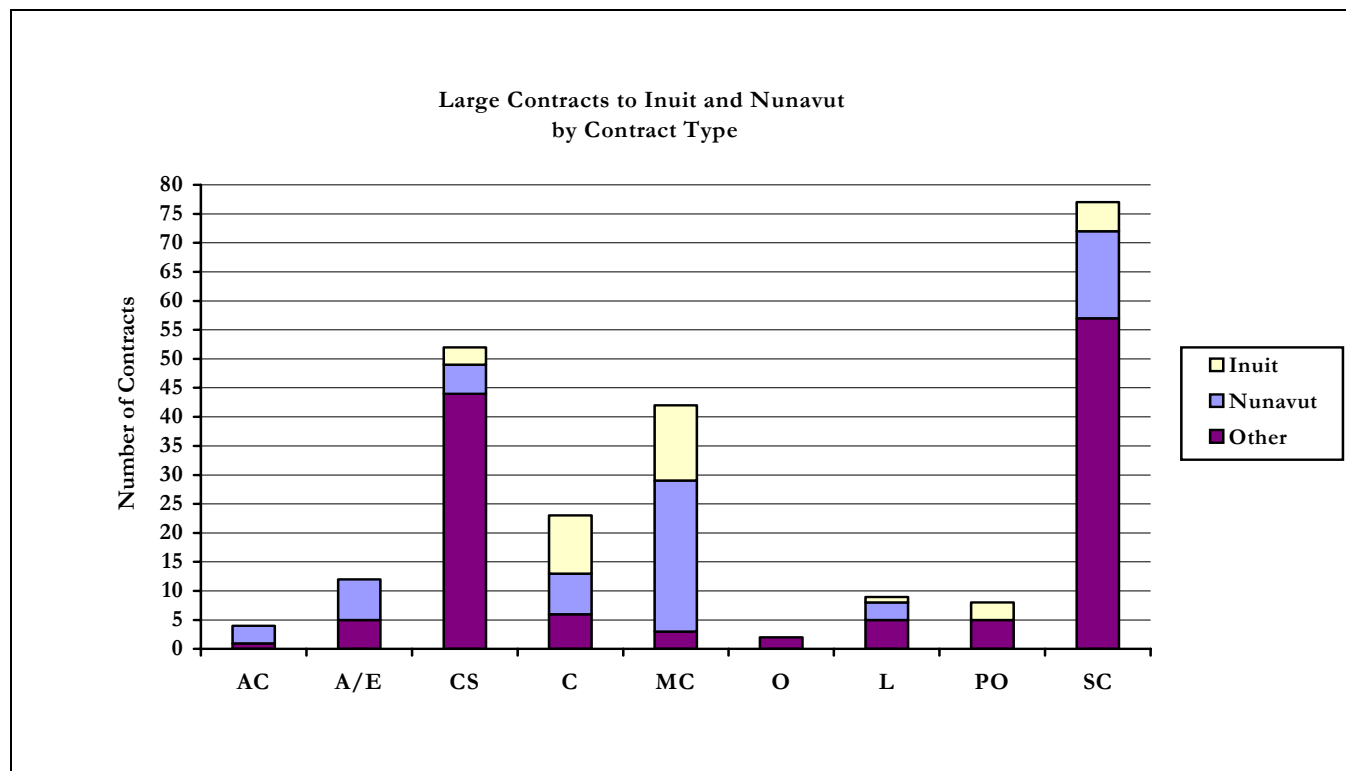
5.1 - CONTRACT TYPES (Large Contracts - Excluding Goods) Continued

Analysis by Number of Contracts

The graph and percentages below indicate the number of Large Contracts (\$25,000 and over), excluding goods, in the 9 Contract Type categories awarded to Inuit and Nunavut. The following are percentages of the Contract Type, awarded to Inuit and Nunavut, within the categories:

- AC Air Charter: there were no AC contracts to Inuit firms, 75% were to Nunavut. Firms.
- A/E Architectural/Engineering: no contracts to Inuit, 58% of contracts were to Nunavut firms.
- CS Consulting Services: 6% of contracts were to Inuit, 10% were to Nunavut.
- C Major Construction (\$100,000 +): 43% of the contracts were to Inuit, 30% to Nunavut.
- O Other types: no contracts to Inuit or Nunavut.
- MC Minor Construction or Maintenance: 31% of contracts were to Inuit, 62% to Nunavut.
- L Leases for Real Property: 11% of the contracts were to Inuit, 33% to Nunavut.
- PO Purchase Orders: none to Inuit, 38% to Nunavut.
- SC Service Contracts: 6% to Inuit, 19% to Nunavut.

Note: This report covers GN Departments only, and does not include Housing Corporation.



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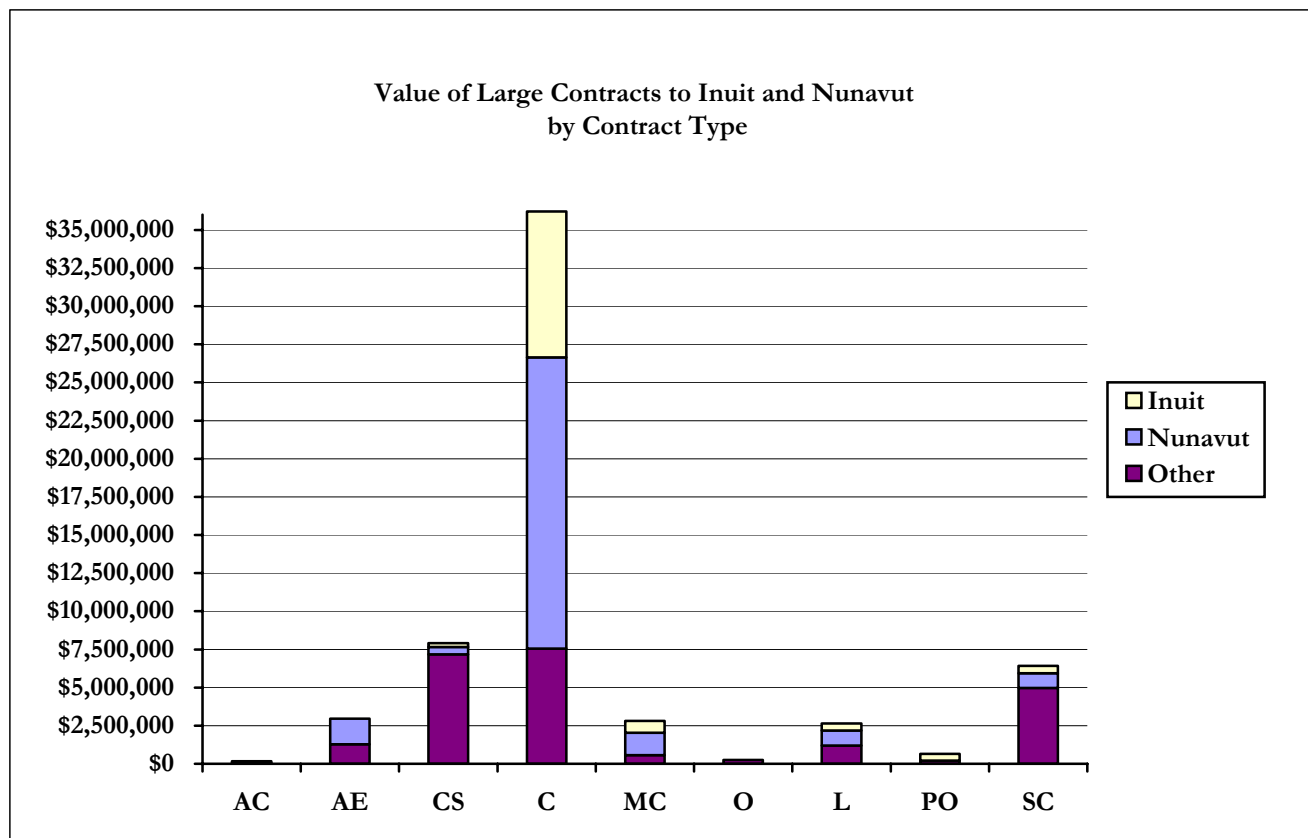
5.1 - CONTRACT TYPES (Large Contracts - Excluding Goods) Continued

Analysis by Value of Contracts

The graph and percentages below indicate the dollar value of Large Contracts (\$25,000 and over), excluding goods, in the 9 Contract Type categories to Inuit and Nunavut. The following are percentages of the dollar value of contracts to Inuit and Nunavut within the categories:

- AC Air Charters: none to Inuit firms, and 65% of total contract value to Nunavut firms.
- A/E Architectural/Engineering: none to Inuit firms, 57% of A/E contracts to Nunavut firms.
- CS Consulting Services: 3% of the value to Inuit firms, and 6% to Nunavut.
- C Major Construction (\$100,000 +): 26% of the value to Inuit, and 53% to Nunavut.
- MC Minor Construction or Maintenance: 28% of the value to Inuit, and 52% to Nunavut.
- O Other types: no contracts to Inuit or Nunavut.
- L Leases for Real Property: 17% of the value to Inuit, and 37% to Nunavut.
- PO Purchase Orders: 68% of the value to Inuit, none to Nunavut.
- SC Service Contracts: 7% of the value to Inuit, 15% to Nunavut.

Note: This report covers GN Departments only, and does not include Nunavut Housing Corporation.



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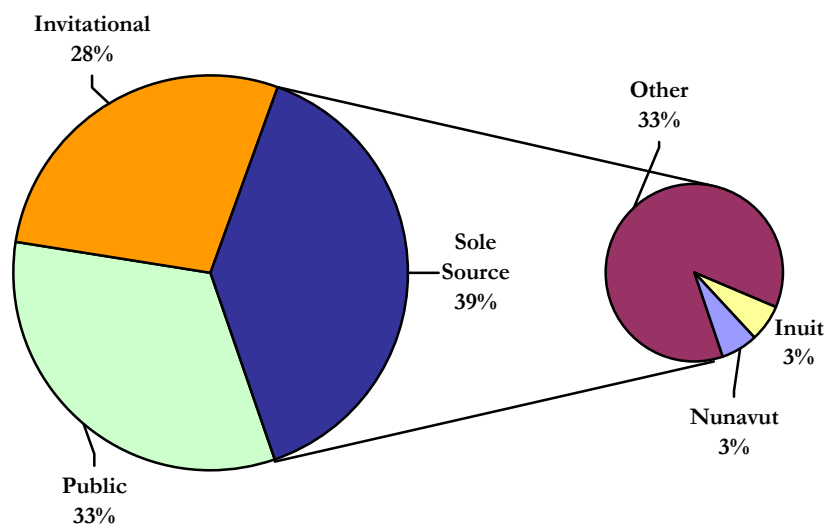
5.2 - CONTRACTING METHODS (Large Contracts - Excluding Goods)

This sub-section provides an analysis of Large Contracts (\$25,000 and greater), excluding Goods, by the Contracting Method. Contracts are entered into as a result of a competitive Request for Tenders, Requests for Proposals, or are Sole Source Awards. Requests for Tenders or Proposals can be publicly advertised, or bids/proposals can be invited.

Analysis by Number of Contracts Awarded

- Of a total of 229 Large Contracts (excluding Goods), 139 Contracts were the result of Public or Invitational requests for tenders or proposals (61%), and 90 were Sole Source Contract awards (39%). This is illustrated on the larger pie chart below.
 - ◆ Out of the 90 Sole Source awards (39% of Large Contracts), 6 were contracts to Inuit (3% of Large Contracts), and 6 were to Nunavut firms (3% of Large Contracts). This is illustrated on the smaller pie chart below.

Number of Contracts Awarded by Contracting Method, with Sole Source Breakdown



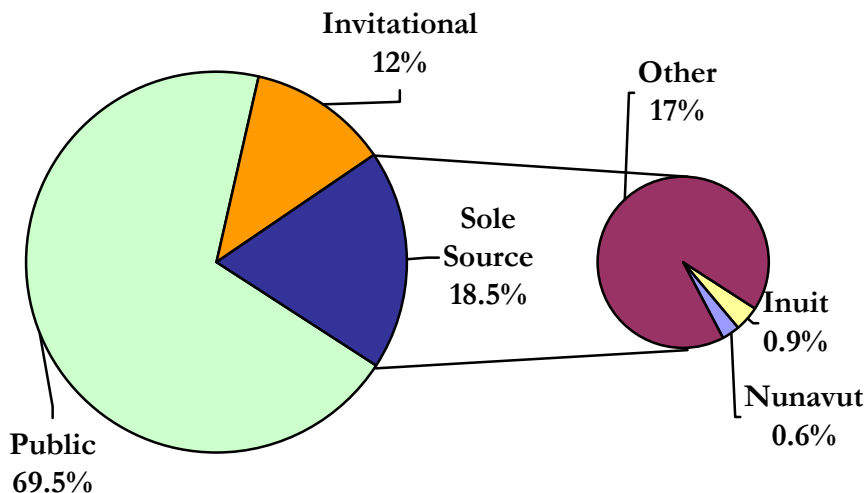
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5.2 - CONTRACTING METHOD (Large Contracts - Excluding Goods) Continued

Analysis by Value of Contracts Awarded

- Of a total contract value of \$60,004,875.21 for Large Contracts (excluding Goods) \$48,920,611.83 resulted from Public or Invitational requests for tenders or proposals (81.5%), and \$11,084,263.83 resulted from Sole Source awards (18.5%). This is illustrated on the larger pie chart below.
- Out of the \$11,084,263.80 value for Sole Source awards, \$512,791.41 of the value went to Inuit (just under 1% of Large Contracts), and \$378,033.97 went to Nunavut firms (less than 1% of all Large Contracts), and \$10,193,438.00 went to Other (17% of Large Contracts). This is illustrated on the smaller pie chart below.

Value of Contracts by Contracting Method, with Sole Source Breakdown



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5.2.1 Further Analysis of Sole Source Contracts - by Contract Type (Large Contracts - excluding Goods)

Of a total contract value of \$60,004,875.21 for Large Contracts (excluding Goods) and \$11,084,263.83 resulted from Sole Source awards (18.5%). This is illustrated on the larger pie chart below on the previous page.

- Out of the total value of \$11,084,263.83 (90 contracts), for Large Contracts (excluding Goods) that were Sole Source awards, \$10,193,430.00 (78 contracts) went to Other businesses (those not registered as Inuit or Nunavut firms).
 - ◆ Over 90% of the dollar value to Other (non-registered) for Large Sole Source Contracts were for two Contract Types: Consulting Services, and Service Contracts. These are the dollar values and the percent of the value of Sole Source Contracts to Other businesses for these two Contract Types:
 - Consulting Services: 61% of value of Sole Sources to Other (32 contracts for \$6,219,443.94),
 - Service Contracts: 35% of value of Sole Sources to Other (40 contracts for \$3,622,592.42),
 - All other types of contracts: (reference page 13) make up the remaining 4% of value of Sole Sources to Other (18 contracts for \$351,393.64).

Criteria for a Sole Source contract: Government of Nunavut Contract Regulations under the Financial Administration Act, allow Sole-Sourcing of contracts if one of the following conditions is applicable:

"where a contract authority believes, on reasonable grounds, that

- 1.1.1 (a) *the goods, services or construction are urgently required and delay would be injurious to the public interest;*
- 1.1.2 (b) *only one party is available and capable of performing the contract; or*
- 1.1.3 (c) *the contract is an architectural or engineering contract that will not exceed \$25,000 or any other type*

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5.3 AWARDS TO LOCAL BUSINESSES (Large Contracts - Excluding Goods)

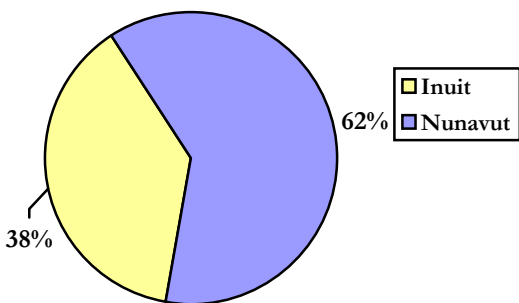
Local Contracts are contracts that were awarded to an Inuit or Nunavut firm that is based in the same community where the work is required. A business must be on the NTI Inuit Firms Listing or the GN Nunavut registry to be considered Local and eligible for the additional Local bid adjustment under the NNI Policy.

Note: Hamlets, Housing Authorities, and Inuit organizations are not Local under the NNI Policy because they are not businesses registered with NTI as Inuit firms, or with the GN as Nunavut firms.

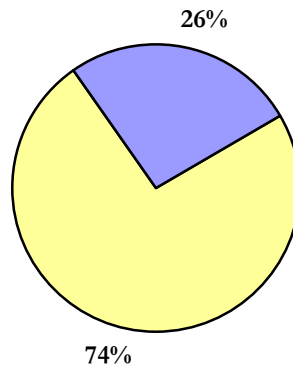
The charts and statistics below are based upon Large Contracts (\$25,000 and greater) - excluding Goods.

- Of 229 Large Contracts, there were 58 contracts to Local Businesses (10%).
 - ◆ Of the 58 Local contracts, 22 were to Inuit firms (38%), and 36 were to Nunavut Firms (62%).
- Of \$60,004,875.21 for Large Contracts, the total dollar value awarded to Local businesses was \$14,061,260.21 (23%).
 - ◆ Of the \$14,061.21 for Local Contracts, \$10,366,778.41 of the value went to Inuit Firms (74% of Local contracts), and \$3,694,481.80 to Nunavut Firms (26% of Local value).

**Contracts to Local Businesses
- by Status**



**Value of Contracts to Local Businesses
- by Status**



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SECTION 6 - INUIT LABOUR

The information in this Sections 7.1. and 7.2 are based on the Inuit Labour minimum requirements, the Inuit Labour bid, and the Inuit Labour actually achieved during construction. The Inuit Labour minimum labour requirements, are determined for each project, taking into consideration the skills required and the labour available to contractors. The NNI Policy provides incentives to bid higher levels than the minimum in the form of a bid adjustment, and provides incentives to achieve higher levels in the form of a bonus if more than the minimum percentage is achieved, or a penalty if the minimum is not met.

**6.1 - MINOR CONSTRUCTION AND MAINTENANCE SERVICES
CONTRACTS**

The information in this sub-section is based on all Minor Construction (less than \$100,000) and Maintenance Services contracts. (This report does not include Housing Corporation.)

- The average percentage of Inuit Labour that was Required for Minor Construction was 35%
- The average percentage of Inuit Labour that was Bid for Minor Construction was 59%
- The average percentage of Inuit Labour that was achieved for Minor Construction was 55%

This table gives the average percentages by Region, based on information reported.

REGION	AVERAGE % OF INUIT LABOUR REQUIRED	AVERAGE % OF INUIT LABOUR BID	ANTICIPATED AVERAGE % OF INUIT LABOUR ACHIEVED
Baffin	21%	31%	36%
Kitikmeot	48%	57%	50%
Kivalliq	35%	73%	63%

Note: Not all Inuit labour information has been reported to date, and for the Inuit Labour Achieved information, this is particularly so.

The percentages for average Inuit Labour Achieved are based on the portion of contracts where this information was available, which is a smaller number of contracts than were used to calculate the average Inuit Labour Required, and the average Inuit Labour Bid.

The Average % of Inuit Labour Achieved for contracts awarded in year 2000-2001 will be updated when more complete information is available, and included in the year 2001-2002 GN Contract Data Report.

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6.2 - ANALYSIS OF INUIT LABOUR FOR MAJOR CONSTRUCTION CONTRACTS

The information in this sub-section is based on all Major Construction (\$100,000 and over) contracts. (This report does not include Housing Corporation.)

Some multi-year Major Construction contracts awarded in the 2000/2001 fiscal year have not been completed, particularly in the Kitikmeot Region; therefore the Inuit labour that will be achieved for these contracts is not yet known and cannot be included in this report.

- The average percentage of Inuit Labour Required for Major Construction was 29%
- The average percentage of Inuit Labour being Bid for Major Construction was 26%
- The average percentage of Inuit Labour being achieved for Major Construction was 43%

This table gives the average percentage by Region, based on information reported.

REGION	AVERAGE % OF INUIT LABOUR REQUIRED	AVERAGE % OF INUIT LABOUR BID	ANTICIPATED AVERAGE % OF INUIT LABOUR ACHIEVED
Baffin	19%	29%	41%
Kitikmeot	25%	24%	* Contracts not completed
Kivalliq	43%	48%	53%

Note: Not all Inuit Labour information has been reported to date, and for the Inuit Labour Achieved information this is particularly so, because many large multi-year construction contracts have not yet been completed.

The percentages for Average Inuit Labour Achieved are based on the portion of contracts where this information was available, which is a smaller number of contracts than were used to calculate the Average Inuit Labour Required, and the Average Inuit Labour Bid.

The Average % of Inuit Labour Achieved for contracts awarded in year 2000-2001 will be updated when more complete information is available, and included in the year 2001-2002 GN Contract Data Report.

** There was insufficient information available for the Kitikmeot Region - most contracts were multi-year and not yet completed.*

GOVERNMENT OF NUNAVUT
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6.3 - ANALYSIS OF INUIT LABOUR BONUSES

This information is based on Minor Construction and Maintenance Services and Major Construction Contracts. (This report does not include Housing Corporation.) Inuit labour bonuses are paid when the percentage of dollars for Inuit labour (compared to total labour) that is achieved, exceeds the minimum percentage of Inuit labour required. Inuit labour penalties are assessed if the percentage of Inuit labour achieved is less than the minimum required.

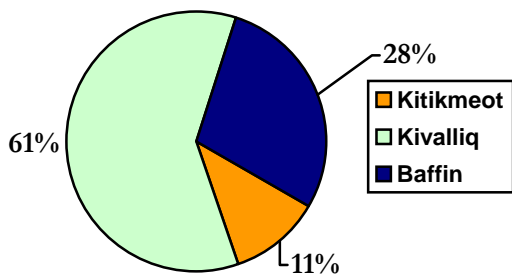
Note: Bonuses or penalties are calculated as follows:

1. The Inuit Labour percent achieved, minus the Inuit labour percent required = the percent difference; 2. Multiply the percent difference by the total dollars expended for labour; 3. Multiply the result by 1/3.
Example: Requirement is 25% Inuit labour, Achievement is 35% Inuit labour, Total labour is \$100,000: 1. The percent difference is 10% (35-25); 2. Total labour dollars of \$100,000 x 10% = \$10,000.00; 3. 10,000.00 x 1/3 = \$3,330.00 Bonus.

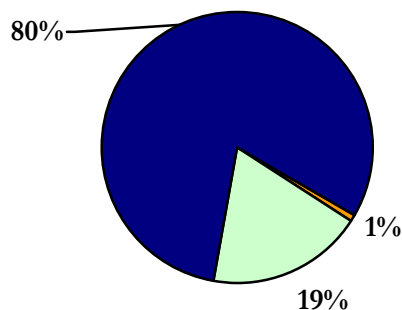
- Based on bid information, anticipated total bonus payments would be \$280,781.48; however, the bonuses are based on the actual Inuit labour achieved, and not on the amount bid.
- To date, \$31,879.44 has been paid for actual Inuit labour achievements for completed projects, however multi-year projects have not yet been completed and accounted for.
- There have not been any penalties assessed to date, but based on the progress of projects to date, there will be some penalty assessments when projects are completed.

The pie chart below illustrates the distribution of anticipated bonus payments among the 3 Regions.

Number of Anticipated Bonuses- Based on Bid Amounts - by Region



Value of Anticipated Bonuses- Based on Bid Amounts - by Region

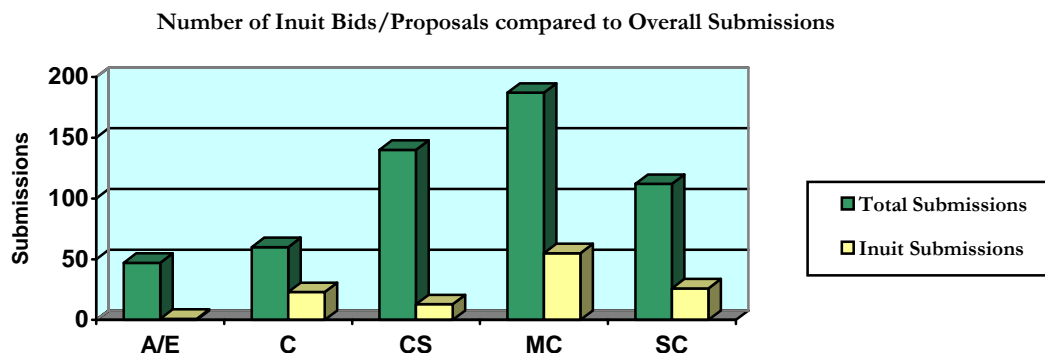


Note: The above information is based on the Bonus/Penalty information that was reported for contracts completed in these Regions. Bonus/Penalty information for contracts that have not yet been completed or reported has not been included; but the average based on information available is relevant for this Review. The Bonus/Penalty information for contracts awarded in year 2000-2001 will be updated w/when more complete information is available, and included in the year 2001-2002 GN Contract Data Report.

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SECTION 7 - ANALYSIS OF SUBMISSIONS RECEIVED

This section is an analysis of the number of submissions (bids or proposals) received for Small and Large Contracts - excluding Goods and LCA's. Sole Source contracts are excluded from this analysis. The information and chart below is a snapshot of a few Contract Types to give an indication of the number of submissions from Inuit firms, compared to the total number of submissions received in response to Requests for Tenders or Proposals.



Number of Inuit Firms Bidding and Winning Contracts (excluding Sole Source)

- **A/E - Architectural/Engineering services:** For 17 A/E contracts, there were a total of 47 proposals received; 1 from an Inuit Firm. The Inuit firm did not win the contract.
- **C - Major Construction (contracts of \$100,000 value or greater):** For 23 contracts, there were 60 submissions; 23 were from Inuit Firms (38% of the bids). Inuit firms won 44% of these contracts.
- **CS - Consulting Services:** For 19 contracts, there were 140 submissions; 13 were from Inuit Firms (9% of the bids). An Inuit firm won 1 of these contracts.
- **MC - Minor Construction (less than \$100,000) and Maintenance Services:** For 87 contracts, there were a total of 187 bids received; 55 were from Inuit Firms (29% of the bids). Inuit firms won 36% of these contracts.
- **SC - Service Contracts:** For 63 contracts, there were 112 bids received: 26 from Inuit firms (23% of the bids). Inuit firms won 14% of these contracts.

Average Number of Total Submissions

- On average, for competitive requests for submissions, 2.8 were received for each A/E contract, 2.6 for each C contract, 7 for each CS contract, 2.1 for each MC contract, and 1.8 for each SC.

Note: For a competitive bidding process, 3 bids are generally considered the minimum to ensure good value and fair competition.

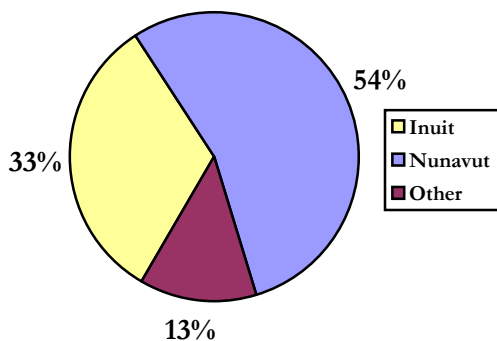
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SECTION 8 - CONTRACTS AWARDED DUE TO NNI ADJUSTMENTS

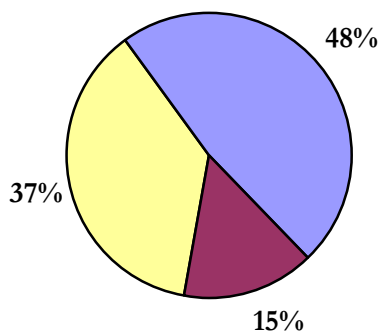
This information is based on Small and Large Contracts, excluding Goods and LCA's; Sole Source awards are excluded from this analysis. NNI Adjustments are applied to determine the low bidder or the best-value proposal that will be awarded a contract. A contract awarded "due to NNI Adjustments" is a contract that would have been awarded to another company, but the application of NNI adjustments changed which contract had the lowest price tender, or the best-value proposal.

- Out of 259 competitively awarded contracts, 46 were awarded due to NNI adjustments (18%).
 - Out of these 46 contracts, 15 were to Inuit firms (33%), and 25 to Nunavut firms (54%).
- Out of \$50,336,785 dollars for competitively awarded contracts, \$3,078,134.97 was for contracts awarded due to NNI adjustments (6%).
 - Out of the \$3,078,134.97, \$1,144,178 of the value went to Inuit firms (37%), and \$1,474,666.97 to Nunavut firms (48%).
- Most competitively awarded contracts (85% of contracts, and 95% of the value) went to Inuit and Nunavut firms because of competitive pricing or good value proposals, rather than because of NNI adjustments.
- Non-registered (Other) firms can receive a partial NNI adjustment based on Inuit and Nunavut Content (using Inuit and Nunavut Labour and/or Inuit and Nunavut Subcontractors).

Contracts Awarded due to NNI Adjustments - by Status



Value of Contracts Awarded due to NNI Adjustments - by Status



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SECTION 9 - COMPARISON TO PREVIOUS YEAR

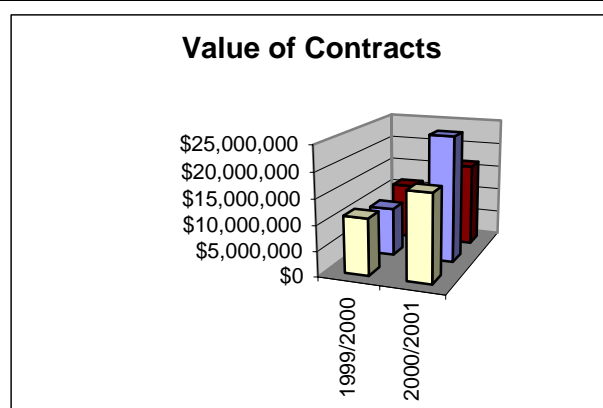
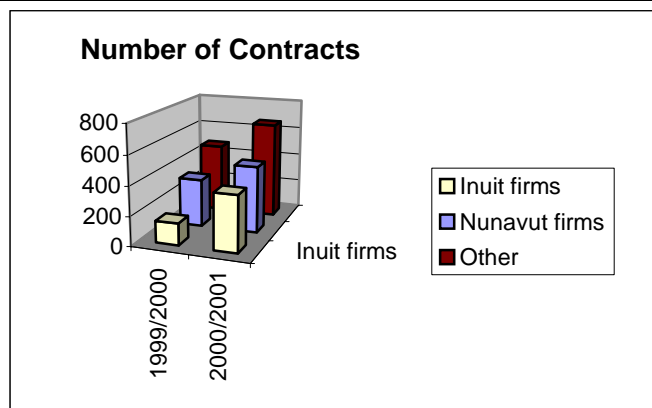
This Section compares contracts awarded in fiscal year 2000/2001, the first year of the NNI Policy, to contracts awarded in the previous year. In year 1999/2000 the 'Nunavut Business Incentive Policy (BIP)' was in effect under which bid adjustments were 15% for Nunavut firms, an additional 3% for Local, and no bid adjustment for Inuit firms. There were also 'Contracting Procedures' in effect that required minimum percentages of Inuit content. Contracts awarded by other Departments were not tracked in fiscal year 1999/2000, so the comparison is for these contracts that were awarded by Public Works and Services (PW&S) in both years:

- Goods Contracts by PW&S Contracts & Procurement Division for all Departments,
- all GN Minor Construction and Maintenance Services Contracts (MC),
- all GN Major Construction (C),
- all GN Architectural and Engineering Services (A/E),
- Service Contracts by PW&S, but not by other Departments.

The information in this table is presented in the graphs below.

Based on Number of Contracts						
<u>Firm Status</u>	<u>1999/2000</u>		<u>2000/2001</u>		<u>Increase in: Number, % of Total Number</u>	
Inuit	149	16%	381	25%	+ 232	+ 9%
Nunavut	328	34%	456	31%	+ 128	- 3%
Other	475	50%	660	44%	+ 185	- 6%
Total	952		1497		+ 545	

Based on Value of Contracts						
<u>Firm Status</u>	<u>1999/2000</u>		<u>2000/2001</u>		<u>Increase in: Value, % of Total Value</u>	
Inuit	\$11,226,141.38	35%	\$17,222,487.54	28%	+ \$5,996,346.16	- 7%
Nunavut	\$ 9,595,894.11	30%	\$27,907,493.77	45%	+ \$18,311,599.66	+15%
Other	\$11,192,737.05	35%	\$16,473,891.80	27%	+ \$5,281,154.57	- 8%
Total	\$32,104,772.54		\$61,603,873.11		+ \$29,589,100.57	



- The number of contracts, and value of contracts to Inuit increased in fiscal year 2000/2001.
- The percentage of contracts to Inuit increased by 9%, but the value decreased by 7%.

Note: Because of the very large value of some Major Construction contracts, one contract award can make a significant difference in the percentage of dollars to Inuit firms compared to Nunavut firms. For example, in fiscal year 2000/2001 an \$11 million dollar construction contract was awarded to a Nunavut firm.



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Nunavut Housing Corporation, HQ.
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Société d'habitation du Nunavut

BRIEFING FOR THE NNI POLICY REVIEW COMMITTEE

FROM: NUNAVUT HOUSING CORPORATION
SUBJECT: CONTRACTING

The “bundling or breaking down of contracts” which the Corporation utilizes is actually three different contracts:

- Supply Ship & Erect
- Material Only
- Labor only

SUPPLY, SHIP AND ERECT CONTRACTS (SSE) are used extensively for Capital Projects.

This type of contract consolidates materials, freight, and labor into a single contract with one general contractor. This contractor assumes all risks, including delays in materials, defective materials, material shortages, job site pilferage etc. The owner's interests are protected with bonding requirements for bidding, performance, labor & materials. Other advantages of this type of contract include:

1. Sealift material delivery requirements by a Nunavut approved company. (N3 Alliance)
2. Preferred Bidder Status for Local, Inuit & Nunavut companies to a maximum of 20 % of the contract.
3. A requirement for the Inuit labor cost to reach a minimum value. A bonus / penalty incentive of up to 25% of the total labor cost, further enforces this requirement.
4. For many of these contracts, the Local Housing Authority can be delegated to provide administration & inspection services, providing experience, training & employment to the local economy.

MATERIAL ONLY & LABOR ONLY CONTACTS are used extensively for Moderation & Improvement Projects as well as Operations & Maintenance Projects.

This type of contract utilizes thirteen separate commodity items such as, appliances, electrical, plumbing, heating / ventilating, to make tender packages clear & manageable. Labor contracts are advertised locally or regionally & provide employment within the local community. Material contracts are advertised Nunavut wide & provide territorial suppliers with convenient sales packages.

EXPENDITURE BREAKDOWN (\$ Million's)		
	Fiscal year 2000 – 01	Fiscal year 2001 - 02
Capital	20.473	14.465
Moderation & Improvement	3.714	6.659
Operations & Maintenance	4.291	4.341

No changes in the tendering process are anticipated for the fiscal year 2002 – 03.

Respectively submitted on November 29, 2001

SamT

Sam Tulk CET

Contracts Coordinator Email: stulk@gov.nu.ca