

# Challenges for the Northern construction industry

Similar to other regions of Canada, one of our largest barriers to developing our construction sector is human resources and skills training.

At one time there were estimates that more than half of all skilled trades workers employed in the North were routinely flown in for specific projects. Since the economic downturn, these figures have changed. Over the last 10

years our territories have been bustling at the seams, having similar growth to places such as Fort McMurray. And as the world economy picks up, we forecast many decades of more robust activity.

Due to the limited construction markets in the North, the start of large projects really stretches the capacity of our resources. Add a few more large projects

in any given year and then fly-in workers start to become a reality again. Ideally, our association would like consistent and sustainable growth in the construction sectors and not turbulent boom and bust cycles.

As an association that believes in Northern capacity building and also a truly competitive market, we welcome external interest, investment

and participation. In a monopoly, the price is the price the customer pays, but add one or two competitors and watch the prices start going down, and we in the North are fully aware of value competition brings to any market.

Aboriginal government and economic development corporations play a huge role in the economic environment in both the Northwest Territories and Nunavut. In fact, the Government of Nunavut has incentives such as the NNI Policy that favour tender and proposals that involve Inuit participation.

The Northwest Territories and Nunavut will truly be a critical player in the country's economic future as our infrastructure develops and resources and gas reserves become more and more accessible.

As we approach the 2011-2012 construction fiscal year, several issues have been flagged by the NWT and Nunavut Construction Association. Last year and the year prior was supposed to be the largest roll-out of capital construction projects these territories have ever seen.

However, for a number of reasons, many contractors have not seen the trickle-down effects that these numbers should have generated. This year, project's roll-out numbers will be similar to numbers prior to the stimulus program. Therefore, concerns have already been raised on how the trickle-down will affect small contractors.

## GUEST Column

Phil Moon Son is executive director of the NWT and Nunavut Construction Association.



On Feb. 28, the Government of Nunavut's Throne Speech, read by Nunavut Commissioner Edna Elias, identified some fiscal constraints, along with a cautious budgetary plan for the coming fiscal year. Finance Minister Keith Peterson will be grappling with a deficit budget.

However, even though the Government of Nunavut is implementing measures to prevent the current financial situation from worsening, they have committed to infrastructure projects such as the construction of more public housing and other capital projects such as airports.

The recent throne speech supports various members' concerns regarding the need to cautiously continue a certain level of capital projects even in a period of financial constraints. The housing and infrastructure conditions in many communities is serious; Nunavut has by far the worst over-crowding conditions in all of Canada and has the lowest level of private-driven housing developments.

### Investment needed

In addition, a continuous level of infrastructure investment in the territory would help prevent a collapse in the skilled trades capacity that often occurs when government drastically retracts its capital projects expenditures.

According to the Government of Nunavut's summary of capital expenditures for the fiscal year of 2011-2012, expenditures will exceed the projected estimates for the 2010-2011 year. This year, all of the departments combined will spend almost \$125 million on capital projects, not including operations, maintenance and other previously expensed projects.

In Nunavut, these estimates illustrate a promising level of activity in the construction sector. All across Canada, as the level of government investment intentions decrease, the level of private investment intentions is increasing. This was precisely what the initiators of the stimulus program hoped would occur.

However, having these national trends of private investment intentions come to Nunavut is another story. According to Statistics Canada, Canadian businesses intend to increase their investment in construction and

machinery and equipment by 3.8 per cent this year to \$261.34 billion (\$266.67 billion) compared with an eight per cent increase in 2010.

Total investment by both the private and public sectors is estimated to rise 3.3 per cent in 2011 to \$349.10 billion, according to Statscan's survey of 28,000 organizations between October 2010 and January 2011.

Lastly, in our ongoing efforts to build truly Northern capacity in numerous areas such as construction, manufacturing and product development, our association has embarked on a roundtable initiative. This roundtable discussion will hopefully bring together Northerners from all regions to discuss and share information.

### Growth in the North

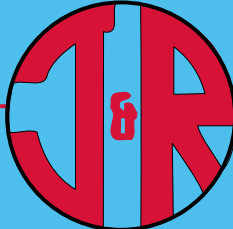
These discussions will hopefully grow Northern-based companies by maintaining and expanding their markets, products and capacity, assisting Northern-based companies to be more productive and profitable while preparing them for opportunities in the very bright economic future of the North. These discussions will primarily focus on the following themes:

a) How products and technologies can increase productivity and profitability in the manufacturing and construction sector in the territories, and how technology can be enhanced and marketed nationally and internationally;

b) Assisting the Northern sectors in the commercialization of new products and processes, such as the development and assistance of patents, intellectual materials and related technology;

c) Understanding the Northern manufacturing and construction supply chain in the North and how these supply chain affect material development, manufacturing and construction profitability.


The NWTCA is a non-profit organization representing almost 200 contractors, architects, engineers and other related businesses throughout the NWT and Nunavut. One of our primary mandates is to promote and represent the Northern construction industry while building capacity in our sector. If you have any questions about any of these issues please do not hesitate to call us.



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