



The Impact of COVID-19 on Canada's Territorial Economies.

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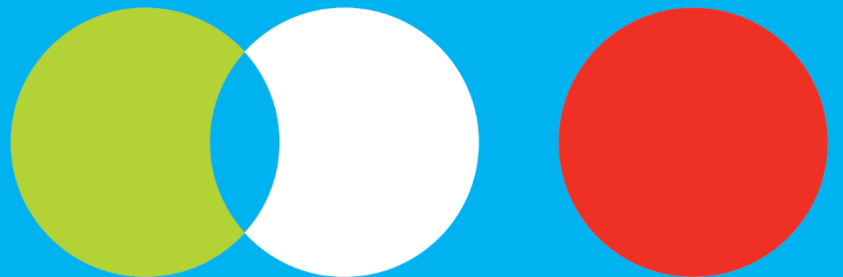
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Impact of COVID-19

Executive Summary



Executive Summary

Overview. The COVID-19 pandemic is taking its toll on the territorial economies. Much like all other parts of Canada, tourism-related industries such as accommodations and food services are being hit particularly hard. Because air transportation is the main method of travel to visit the territories, and we do not anticipate a return to pre-pandemic air travel anytime soon, it will take longer for tourism-related industries in the North to recover to pre-pandemic levels compared to the rest of Canada.

Thankfully for the territorial economies, mining operations in the North were not required to shutdown earlier this year. And while production has been affected at some mining sites due to the pandemic, the sector has remained mostly intact when compared to other industries in the territories. Meanwhile, the large contribution of the public sector to GDP in the territories partially shelters their economies from fluctuations in the private sector. This allows us to project positive economic growth for Yukon and Nunavut this year in our baseline forecast—something that we are not forecasting in any other region of Canada. Unfortunately for the Northwest Territories, the shutdown of the Ekati diamond mine in March has exacerbated an already bleak economic outlook in the territory's diamond industry, adding to the woes of the region's tourism sector.

Beyond our baseline outlook for the territories, we also present three alternative forecast scenarios. The alternative assumptions for each scenario cover different possibilities as to how each sector in the North may recover from the current crisis in terms of real GDP and employment.

Mining. Most mining operations have continued throughout the pandemic period, but COVID-19 mitigation measures at mine sites have affected profitability. The price of three out of four key northern commodities have risen during the pandemic – gold, copper and iron ore. While diamonds have picked up since their initial decline, they have not yet reached 2019 values.

To prevent local spread of the virus, mines in the Northwest Territories and Nunavut separated fly-in fly-out (FIFO) workers from local workers and sent local staff home in mid-March. Meanwhile, FIFO workers at remote mine sites in Nunavut and the Northwest Territories have been exempted from quarantine requirements. As second wave COVID-19 cases have been reported at many operating mines, local concerns about the potential for southern FIFO workers infecting remote vulnerable communities across the territories continue. Local mine workers remain off-work in the Northwest Territories and Nunavut.

Construction. From initial short-term delays early in the pandemic, construction picked up in the summer albeit with larger projects running slower than planned. Many territorial construction projects are really resource development projects, and so are tied to commodity prices which are up. Other projects depend on government funding, which is strained by demands from all directions, and funding may be tight into the medium term.

A long-standing shortage of qualified construction trades people in the North has created a need for FIFO workers. With the pandemic, there have been changing schedules and additional costs for FIFO workers due to quarantine requirements.

Tourism. Tourism can be a route to economic diversification in the territories, reducing dependence on the resource economy and fluctuating commodity prices. However, those efforts to broaden economic opportunities have been set back several years by the pandemic.

The summer of 2020 has been an almost complete write-off for northern tourism operators. There has been a complete collapse of international tourism due to national border restrictions. And territorial quarantine requirements make most short vacation stays by southern Canadian visitors very unattractive.

Under optimistic assumptions, tourism activity could return to 2019 levels by 2022. On the downside, if a vaccine for COVID-19 is undeveloped or ineffective, and consumers remain hesitant to travel over the next few years, tourism activity may not recover to its pre-pandemic level over our five-year forecast horizon.

Impacts on Indigenous businesses. Mid-sized service and supply companies, many of which are Indigenous-owned, have been casualties of the rising costs of COVID-19 mitigation at mines, as mine operators cancelled small capital projects to reduce expenses. At the same time, these service and supply companies had difficulties accessing government relief. Given their seasonal income swings, it can be difficult for small Indigenous businesses to adequately demonstrate their lost revenues in the required three-month period identified by government applications. Small tourism operators also face challenges in accessing government aid: application forms are complex for people whose first language is not English—an issue for many Indigenous sole-proprietors; financial statements are required, which many small operators lack; and, the cut-off point for income lost seems arbitrary.

Fly-in Fly-out Workers. While the impact of COVID-19 on FIFO workers in the resource sector and construction has had a lot of attention, it is worth noting that they made up only half (53 per cent) of all FIFO workers in 2016 in the three territories. Almost a third of territorial FIFO workers (31 per cent) come north to work in the public sector, wholesale and retail trade, accommodation and food services, and transportation.¹ Many of these workers also have been impacted by the travel restrictions implemented in reaction to the pandemic.

CanNor investments. To mitigate the impact of the pandemic on northern SME's CanNor implemented the Northern Business Relief Fund (NBRF) and the Regional Relief and Recovery Fund (RRRF). Through these two mechanisms, between April 20 and October 15 CanNor provided grants totalling \$24.5 million to more than 500 businesses across the territories. More than half of grant recipients were in the tourism sector, and about one-fifth were Indigenous-owned businesses. (See Appendix A for details).

Industry looking for flexibility. Industry representatives in all three sectors said their members much prefer to survive this crisis by continuing their work, rather than taking on loans or grants.

¹ Statistics Canada, Canadian Employer-Employee Dynamics Database.

So, the support they want from government should include flexible and creative solutions to help them safely restart and/or continue their business operations.

Introduction

In response to a request from CanNor, The Conference Board of Canada has prepared an economic forecast, along with a more detailed look at three sectors that are major contributors to the GDP and local economies of the territories: mining, construction and tourism.

As a result of successful public health measures, the health impacts of the COVID-19 disease in the territories has been minimal. As of October 28, there had been only 22 cases in Yukon, 9 in the Northwest Territories and none in Nunavut. However, a number of cases among southern fly-in fly-out FIFO mine workers in the territories were reported within provincial numbers.

In contrast, the impact of travel restrictions, quarantine requirements, and economic shutdown measures related to COVID-19 has been severe. It is clear that, while it may be possible to isolate the territorial population from the pandemic, the northern economy is integrated into the Canadian economy and the world economy and therefore broad economic impacts cannot be avoided.

The analysis in this report draws on economic forecasting done using the Conference Board's Territorial Forecasting Model (TFM) to estimate COVID-19's potential impacts. Using our models, we have prepared a base case scenario, and three alternative scenarios, an optimistic scenario, a pessimistic scenario and a very pessimistic scenario. (See Tables 1 and 2.) These measures include real GDP and labour market indicators by territory and detailed industry breakdowns. (Please see accompanying spreadsheets for full details of the four scenarios.)

Table 1: Territorial policy assumptions by scenario

Scenario	Borders (interprovincial and international travel)	Vaccine	Business closures
Base case	Permitted with no self-isolation period in the second half of 2021 assuming traveller has been tested or taken vaccine.	Available to all Canadians in June 2021, allows consumer and business confidence improve immediately but they do not fully recover until early 2022.	No mandatory closures after initial reopenings in 2020.
Optimistic scenario	Permitted with no self-isolation period around mid-2021 assuming traveller has been tested or taken vaccine.	Available to all Canadians in June 2021, allows consumer and business confidence to recover shortly after.	No mandatory closures after initial reopenings in 2020.
Pessimistic scenario	Permitted with no self-isolation period in mid-2022 assuming traveller has been tested or taken vaccine.	Available to all Canadians in early 2022, but initial impact is minimal. Consumer and business confidence fully recover in late 2022.	Additional closures of non-essential services in late 2020-early 2021.
Very pessimistic scenario	Permitted with no self-isolation period in mid-2022. No vaccine but Territories decide to accept risks at this point.	Not developed. Or if there is, there is an insignificant effect on the Territorial economies. Consumer and business confidence do not completely recover until the end of the forecast period.	Periodic closures of non-essential services through 2021. Short closure of mining and construction activities in 2021.

Source: The Conference Board of Canada.

Table 2: Expected territorial sectoral impacts by scenario

Scenario	Tourism	Other non-essential businesses	Mining	Construction	Education
Base case	Fully recovers in late 2022, no shock from pent up demand.	Small setback in late 2020 due to second wave in Canada. Full recovery in early 2022.	No disruptions to territorial mining production after 2020.	No disruptions to construction activity after 2020.	No widespread school closures.
Optimistic scenario	Fully recovers in early 2022, pent up demand allows for spike in late 2021 after vaccine is available.	No setbacks after initial reopenings. Full recovery in late 2021.	No disruptions to territorial mining production after 2020.	No disruptions to territorial construction activity after 2020.	No widespread school closures.
Pessimistic scenario	Fully recovers in mid-2023.	Setback due to additional closures and second wave late in 2020. Full recovery in late 2022.	Mining production is below more optimistic scenarios due to high level of uncertainty from COVID-19, but no closures.	Uncertainty in mining, other business activity, and territorial finances weighs on investment more than optimistic scenarios, impacting territorial construction sector in later years.	Temporary widespread school closures in early 2021.
Very pessimistic scenario	Never fully recovers over forecast period.	Setbacks due to additional closures, weak consumer and business confidence. No full recovery over forecast period.	Territorial mining production is below all other scenarios due to high level of uncertainty from COVID-19, short period of widespread mining closures hurts activity in 2021.	Small closure hurts construction activity in 2021. Uncertainty in mining, other business activity and territorial finances weighs on investment more than other scenarios, impacting territorial construction sector in later years of forecast period.	Temporary widespread school closures in early 2021.

Source: The Conference Board of Canada.

Economic Outlook

The COVID-19 crisis has severely downgraded our pre-COVID-19 economic forecast for Canada's three territories. While all sectors have been impacted, tourism-related industries like accommodations and food services have been particularly hurt as 2020 has been a lost year for tourism in the North. Looking ahead, we do not anticipate travel activity in the territories to return to pre-pandemic levels anytime soon. Continued border restrictions, the high reliance on air travel, and an only gradual recovery in consumer confidence signals that the tourism sector in the territories will take a long time to recover, even when compared to other regions in Canada. In our most optimistic scenario, we expect travel to the territories to return to pre-pandemic levels in 2022. However, if a COVID-19 vaccine is not developed or is found to be ineffective, the tourism sector is unlikely to recover over the next five years.

Thankfully for the territorial economies, the mining and, to a lesser extent, construction sectors have been impacted less than most other industries in the North. In our baseline forecast, we expect these sectors to continue to hum along, uninterrupted, over the next five years. However, if the pandemic worsens next year, it is possible we will see widespread shutdowns of mining and construction operations in 2021. But even in our very pessimistic scenario, we anticipate these closures to be short in duration. Because the mining and construction industries are so vital to the territorial economies, we do not foresee a scenario where those sectors are required to shutdown for more than a month next year. That will propel economic growth in Canada's North, helping to offset the disastrous situation within its tourism-related industries.

Yukon - the brighter outlook

The overall economic outlook for Yukon is bright. Despite the ongoing crisis surrounding the pandemic, we still expect real GDP in the territory to rise 1.8 per cent this year, with an additional gain of 7.3 per cent anticipated in 2021. Apart from Nunavut, Yukon is the only province or territory in Canada that we are forecasting to see positive economic growth this year, a reflection of the territory's rising mining sector. Two of the mines located in Yukon—Eagle Gold and Minto—are expected to sharply ramp up production this year, allowing output in the territory's mining industry to nearly triple.

The unprecedented gains in the mining sector this year, however, are masking the weaknesses in many other sectors in Yukon's economy. Construction activity in the territory is expected to contract this year following the completion of the Eagle Gold mine late last year, though the losses are being partially offset by solid residential investment in the region. Beyond construction, large losses are expected in most sectors this year, though industries heavily reliant on tourism like accommodation and food services, and arts, entertainment, and recreation will be particularly impacted by the pandemic.

In our optimistic scenario, Yukon's economy will expand 2.6 per cent in 2020, with additional economic growth of 7.7 per cent forecast in 2021. The more upbeat outlook reflects a stronger end to 2020 (i.e. minimal impacts from the "second wave" of COVID-19 cases in other parts of Canada), and a stronger bounce back in tourism activity late next year compared with our baseline forecast. In our very pessimistic scenario, however, real GDP in the territory will expand just 0.9 per cent in 2020, with a more modest expansion of 4.3 per cent forecast next year. This downside situation reflects additional border closures, weaker business and consumer confidence compared to other scenarios, and short, but significant disruptions to mining and construction activity next year.

The outlook for Yukon's labour markets is more modest than is the outlook for their real GDP. That is because the territory's major driver of growth—its mining sector—is much more capital intensive than the industries which have been more heavily impacted by the pandemic. Further adding to the discrepancy between employment and GDP growth in Yukon is the fact that many of the new jobs that have been created in territory's mining sector this year have gone to non-residents. An issue present across all three territories, mining companies in Canada's North are often forced to bring in workers from other parts of the country due to a lack of specific mining skills within the resident population.

Overall, our baseline forecast calls for employment in Yukon to contract by 2.6 per cent in 2020—equivalent to around 570 jobs—before expanding 4.5 per cent next year as many jobs lost due to the pandemic continue to recover. In our more positive scenario, employment in the territory will contract 1.5 per cent in 2020 before expanding 4.8 per cent next year when a stronger rebound in tourism than our baseline scenario allows for additional hiring across most sectors of Yukon's economy. Under the assumptions in our very pessimistic scenario, employment in the territory would contract 3.1 per cent in 2020, and post just 1.7 per cent growth next year. In this scenario, the positive growth in 2021 reflects the gradual return of several jobs following the re-opening of non-essential businesses earlier this year and is not an indication of a rebound in tourism activity.

Northwest Territories – looking weak

Unlike Yukon, the economic outlook for the Northwest Territories is weak. In our baseline forecast, real GDP in the territory is expected to contract 7.6 per cent this year and rebound only 4.6 per cent in 2021. The steep contraction this year is due largely to the lost year for the territory's tourism sector, in addition to weakness in its mining sector.

Even before the pandemic, real GDP in the territory was forecast to fall throughout much of the medium term, due largely to weakness in the global diamond industry. The territory's diamond production has likely passed its peak, as indicated by mining plans issued for Gahcho Kué, Diavik, and Ekati. And the COVID-19 crisis has only exacerbated the negative outlook in the Northwest Territories' mining sector. In March, Dominion Diamond decided to suspend production entirely at its Ekati site due to the pandemic, and the company filed for

creditor protection shortly after. Although operations may resume at Ekati later this year, it will not be enough to avoid a steep contraction in the territory's mining sector.

In our optimistic scenario, real GDP in the Northwest Territories is still expected to contract sharply this year, by 6.8 per cent, with a rebound of 4.9 per cent anticipated in 2021. Even with our more favourable assumptions, the mining sector in the Northwest Territories would still see a steep contraction, due largely to the shut down of Ekati. On a positive note, stronger performance in key sectors of the territory's economy like wholesale and retail trade is made possible due to more optimistic consumers. On the firm side, industries such as financial services and professional, technical, and scientific services would see a more modest contraction as businesses are less impacted by the pandemic in the second half of 2020 in this scenario.

Using the assumptions in our very pessimistic scenario, real GDP in the Northwest Territories would contract 8.7 per cent this year and rise by a meagre 0.5 per cent in 2021. A muted tourism sector, combined with little help from the territory's mining industry, imply a dire economic outlook for the Northwest Territories in that scenario.

Thankfully, the labour market outlook for the Northwest Territories is less grim than its outlook for real GDP. Because the territory's mining sector is a much larger contributor to GDP than employment, weakness in the global diamond industry does not have a sizable impact on employment in the Northwest Territories. Still, job losses are anticipated in many sectors in 2020 following shutdowns of non-essential businesses earlier this year. Employment in commercial services, for example, will contract 24.7 under our baseline assumptions. That sector—which includes tourism-related industries like accommodations and food services—accounted for about one fifth of all jobs in the Northwest Territories in 2019 and is a major driver of the territory's overall employment.

In total, our baseline forecast anticipates that employment in the Northwest Territories will contract 3.4 per cent in 2020—equivalent to about 730 jobs—with a 3.8 per cent recovery anticipated next year. Using our more positive assumptions, employment in the territory will fall 2.6 per cent in 2020, and post a strong rebound of 4.2 per cent next year, as border re-openings and pent up demand for travel allow jobs in the Northwest Territories' tourism sector to expand at a quicker pace than our baseline scenario. Under our very pessimistic assumptions, employment in the territory will fall 3.8 per cent this year and rise only 0.9 per cent in 2021 as travel activity is assumed to remain muted over the short term.

Nunavut – a favourable future

The economic outlook for Nunavut is favourable, even in the face of the pandemic. That is because the territory's mining sector—which has remain mostly intact during the current crisis—will account for over one-third of its entire economy in 2020, a share that is higher than any other province or territory in Canada. Last year, gold production began at Agnico Eagle's Amaruq satellite deposit at the company's Meadowbank complex. The company

began producing gold at its Meliadine mine last year as well, an operation which has more potential than the Meadowbank site. Overall, Agnico Eagle's gold production will propel Nunavut's economy in the short term, with our baseline forecast expecting a 2.9 per cent expansion this year, with an additional 11.6 per cent gain anticipated in 2021.

Under our optimistic assumptions, Nunavut's economy will expand 3.9 per cent this year, with additional economic growth of 12.3 per cent forecast in 2021. This scenario has around the same mining production as our baseline forecast, but key secondary drivers of Nunavut's economy such as the retail and financial sectors would see stronger recoveries in the second half of this year, and the momentum would carry over into 2021.

Even in our very pessimistic scenario, Nunavut's economy would still expand 1.8 per cent in 2020 and grow 5.6 per cent next year. That is because we anticipate that, at worst, mining and construction activities would be shut down for only a short period of time in 2021. Because mining and, to a lesser extent, construction, are so vital to the territory's economy, we do not foresee a scenario where those sectors are paused for an extended period of time, regardless of how the pandemic unfolds in the short term.

Pivoting to labour markets, our baseline scenario anticipates that Nunavut will lose about 620 jobs this year, equating to a 4.4 per cent loss in the territory's employment. Similar to the other territories, Nunavut's mining sector will impact the region's real GDP much more than its labour markets. And like every other province and territory in Canada, widespread shutdowns of non-essential businesses earlier this spring is weighing on our employment forecast for Nunavut. The construction sector is playing a role in the territory's employment outlook as well, as some projects were delayed to the COVID-19 crisis. For example, the number of public housing units slated to be constructed this year was reduced which, combined with the completion of Agnico Eagle's mining projects in 2019, is hurting the employment outlook in the territory's construction sector.

In our optimistic scenario, employment in Nunavut would fall 3.6 this year—equivalent to about 500 jobs. But a recovery of 5.0 per cent, or 650 jobs, would unfold in 2021, due to a stronger recovery in commercial services compared to other scenarios, particularly within the accommodations and food services industry. Implementing our very pessimistic assumptions, employment in the territory would fall 4.7 per cent this year and recover only 1.7 per cent in 2021. Within this scenario, we anticipate the territorial government to be particularly cautious and, while mining and construction would mostly remain intact, we would see additional mandatory shutdowns of nonessential businesses next year.

Mining Sector Overview

Most mining operations have continued throughout the pandemic period, but COVID-19 mitigation measures at mine sites have affected profitability. There were no major outbreaks of the virus in mines in the territories during the first wave of COVID. However, as the second wave took hold in southern Canada in early-October cases had appeared at five mines, causing considerable disruption as infected workers were sent back south, and contacts at mines had to isolate. Nunavut's Hope Bay mine had the worst outbreak with up to 16 workers testing positive. Local concerns about the potential for southern FIFO workers to bring the virus into remote vulnerable communities across the territories continue, and most local mine workers remain off-work in the Northwest Territories and Nunavut.

- **Local workers sent home.** To prevent local spread of the virus, mines in the Northwest Territories and Nunavut separated FIFO workers from local workers and sent local staff from vulnerable communities home in mid-March. Yukon mines established protocols to restrict contact between mine staff and local communities. FIFO rotation workers are still working, but with precautions, including quarantines, adjusted schedules, on-site testing, etc.
- **Quarantine exemptions for FIFO mine workers.** FIFO workers at remote mine sites in Nunavut and the Northwest Territories have been exempted from quarantine requirements.²³ Mining companies are using direct charters to bring workers in and out of mine sites without going through civilian airports or interacting with the local population. Yukon out-of-territory mine workers are arriving by land and air, but the Yukon government has allowed for alternative quarantine arrangements to isolate miners at mining camps.
- **Production maintained at operating mines.** The reduced workforce had some short-term impact on production, but by the third quarter, production was back to normal at most mines. However, COVID-19 mitigation measures have raised the cost of production across the board.
- **Commodity prices.** In a pandemic we are reminded how gold is always a value hedge in uncertain times, while diamonds are a dispensable luxury.
 - **Top prices for gold.** Despite a brief drop at the start of the shutdown in mid-March, the price of gold has continued an upward trend that started in mid-2018 through the early pandemic. With prices peaking at more than US \$2,000 in the first week of August, gold mines have seen a positive effect on their bottom line.
 - **A glut of diamonds.** In mid-March the international diamond markets in Brussels and Israel were shut down by travel restrictions, and gem shows and retail closed, bringing diamond marketing to a halt. From July, prices

² Gleeson, "Diamond Mines Exempt from Coronavirus Travel Restrictions Due to Economic Importance."

³ Sharma, "Contact Tracing Identifies 12 People Connected with Presumptive Covid-19 Case." 2020/10/30

began to rise, but have not reached 2019 levels. A glut in diamonds developed and prices have dropped. Mines reduced 2020 production in response, and profitability has been affected.

- **Rising copper prices.** After a big dip at the beginning of the shut down, copper prices rose steadily from April through September, exceeding the highest prices from mid-2018.
- **Iron ore.** Iron ore prices have also been rising since April but are still below their previous peak in July 2019.
- **Communities disconnected.** Mining companies are doing COVID-related outreach, such as providing personal protective equipment, cleaning supplies, etc. However, official community consultations are more difficult to arrange. Companies want to avoid any in-person meetings between local and southern workers. However, northern communications infrastructure to support virtual gatherings, such as broadband internet, continues to fall short in remote communities.⁴ At the same time, hundreds of local mine workers remain off the job.
- **International implications.** The Chinese government sees COVID-19 as an opportunity to acquire strategic assets at discount prices—including roads, ports, mines and energy resources—that expand its Polar Silk Road strategy. Chinese interest in Canadian arctic mining was already evident in the MMG Ltd. investment in the Izok and High Lake zinc-copper deposits in Nunavut's proposed Slave Corridor.⁵ In May, the Chinese state-owned Shandong Gold Mining Co. Ltd put in an offer to buy the troubled TMAC gold mine in Nunavut, and in June the Ontario courts approved the shareholders decision to accept the sale.⁶ In October, the deal was still under review by Investment Canada.
- **Exploration shut down.** Travel restrictions deterred most exploration in the territories this summer. Given that investment in exploration was already declining, this lost season puts another crimp in an already restricted pipeline for future mine projects, which will impact long-term recovery in the sector.

⁴ Wallis, "Northern Gold Mining with Ammar Al-Joundi."

⁵ Montgomery, "China's Effort to Buy an Arctic Gold Mine Raises Many Concerns."

⁶ Shadian and Wakkus, "When It Comes to Canada-China Relations, It Is Time to Look North." 2020/10/30

Yukon Mining

Tourism and mining are the biggest private sector industries in Yukon. The mining sector generated \$91 million in real GDP for Yukon in 2019. In addition, the transportation and warehousing industry attributed 41 per cent of its revenue to mining.⁷ There are three major active mine projects: Pembridge Resources' Minto copper-gold-silver mine; Victoria Gold's Eagle gold mine; and Western Copper and Gold Corporation's Casino copper-gold mine. In addition, there is an active placer mining community. Despite the pandemic, mining output is forecast to more than double in 2020.

Production continues. Eagle Gold, which only began operations in 2019, continued ramping up production with 400 workers. By August, they were able to make an early repayment of debt due to strong cash flow resulting from the high price of gold. The Minto mine had only restarted operations in October 2019 but was able to ship copper concentrate to Japan in April and again in August when the Skagway port re-opened. With the high price of gold, there was good activity in placer mining in the summer.

Permitting delays. Mining projects which are going through the Yukon Environmental and Socio-economic Assessment Board (YESAB) review processes, such as the Newmont/Coffee Gold Mine Project and the Casino Mining Corporation (CMC) gold-copper mine, had a temporary set back as reviews were put on hold in March. However, reviews quickly resumed with time allowed for comments extended.⁸ In September, Newmont was told they could proceed to prepare a Draft Screening Report by YESAB. The Casino mine had increased its projected resources and deferred its Environmental and Social Impact Statement submission to December 31, 2021, which would push the review process into 2022. This leaves the actual start-up date in question.

Labour mobility impacted. Yukon out-of-territory mine workers were initially required to isolate in Whitehorse hotels for 14 days. However, by the summer, mines were getting permission from the government to arrange alternative quarantine plans for FIFO workers at camps or outside of camps. Travel restrictions also set back exploration with less people travelling to their claims and more lapsed claims than in previous years.⁹ There were concerns in Dawson City in April about placer miners coming in from other provinces and countries and not fully isolating on arrival.¹⁰ However, by June some were happy for the money placer miners were contributing to the local economy.¹¹

⁷ Yukon Bureau of Statistics, "Yukon Business Survey 2019."

⁸ YESAB, "Participation in Assessments during the COVID-19 Pandemic - YESAB."

⁹ Personal communication, Yukon mining representative, September 2020.

¹⁰ Gignac, "Gold Miners Still Showing up in Yukon, Ignoring Self-Isolation Rules."

¹¹ CBC News, "Placer Mining Bolstering Dawson City Economy This Year."

Mining forecast. In all four scenarios, the Yukon mining sector is primed for strong growth. Two producing mines are ramping up production and new mines are in pre-production. Across the scenarios, the mining contribution to GDP will grow to four to five times the 2019 level by 2024. Likewise, local employment in the primary sector is expected to slowly climb over the forecast period.

Table 3: Yukon mining GDP at basic prices (millions, chained \$ 2012)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total - All Industries	2,320	2,488	2,512	2,593	2,618	2,666	2,859	2,947	3,113	3,259
Baseline										
Mining and Oil and Gas Extraction	167	249	177	120	91	250	342	348	414	504
(% change)	-37.0	48.6	-28.7	-32.1	-24.6	175.2	36.9	1.9	19.0	21.7
Optimistic										
Mining and Oil and Gas Extraction	167	249	177	120	91	251	352	359	427	519
(% change)	-37.0	48.6	-28.7	-32.1	-24.6	177.3	39.9	2.1	18.8	21.6
Pessimistic										
Mining and Oil and Gas Extraction	167	249	177	120	91	237	320	326	384	465
(% change)	-37.0	48.6	-28.7	-32.1	-24.6	161.1	35.3	1.6	17.9	21.1
Very pessimistic										
Mining and Oil and Gas Extraction	167	249	177	120	91	237	294	326	384	465
(% change)	-37.0	48.6	-28.7	-32.1	-24.6	161.1	24.0	10.9	17.9	21.1

Source: The Conference Board of Canada; Statistics Canada

Table 4: Yukon mining employment (annual averages, thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total - All Industries	19.4	20.2	21.2	21.3	21.5	20.8	21.2	21.7	22.8	23.4
(% change)	-2.0	4.1	5.0	0.5	0.9	-3.1	1.7	2.3	5.1	2.8
Baseline										
Primary Sector	0.5	0.3	0.3	0.6	0.6	0.8	0.8	0.8	0.9	1.1
(% change)	-16.7	-40.0	0.0	100.0	0.0	25.2	8.3	1.0	9.0	18.1
Optimistic										
Primary Sector	0.5	0.3	0.3	0.6	0.6	0.8	0.8	0.8	0.9	1.1
(% change)	-16.7	-40.0	0.0	100.0	0.0	26.0	11.0	1.1	8.9	17.9
Pessimistic										
Primary Sector	0.5	0.3	0.3	0.6	0.6	0.7	0.8	0.8	0.8	1.0
(% change)	-16.7	-40.0	0.0	100.0	0.0	19.7	5.9	0.6	8.1	17.6
Very pessimistic										
Primary Sector	0.5	0.3	0.3	0.6	0.6	0.7	0.7	0.7	0.8	1.0
(% change)	-16.7	-40.0	0.0	100.0	0.0	19.7	-3.6	0.5	18.7	17.6

Source: The Conference Board of Canada; Statistics Canada

Northwest Territories Mining

The Northwest Territory's mining sector, dominated by three producing diamond mines—Dominion Diamond Mines' Ekati, Rio Tinto managed Diavik, De Beer's Gahcho Kué. Diamond mines contributed \$1,171 billion to the territory's real GDP in 2019. The sector was already affected by decreasing diamond output and had not been predicted to grow prior to the pandemic.

FIFO miners exempted from quarantine. Recognizing the size of the contribution of the diamond mines to the territorial economy, FIFO miners at the three remote mines were exempted from quarantine requirements at the outbreak of the pandemic.¹² However, this led to the lay-off of local workers from vulnerable communities to protect their home communities. Diavik and Gahcho Kué sent their Northwest Territories' workers—about 65 in total—home in mid-March to reduce risk of spreading the virus within the territory.^{13,14} The mines also introduced policies such as pre-flight screening, discouraging international travel for FIFO workers.¹⁵ By May, both mines were testing inbound workers, and had labs set up to test workers on site.¹⁶ They also started using dedicated charters from private airports to reduce potential travel exposure at commercial airports.¹⁷

Isolated COVID-19 cases. In late July, one Alberta FIFO worker tested positive at Diavik, initially leading to isolation for 35 co-workers. The worker was returned to Alberta, and no additional cases were found at the mine. Diavik had a second COVID-19 case in an Ontario FIFO worker in September, and about 20 co-workers were isolated at the mine site.¹⁸ In late October, Gahcho Kué reported a worker from Yellowknife had tested positive and three more were awaiting results.¹⁹

Ekati shut down. Ekati suspended operations in mid-March and put 1,100 workers on leave without pay.^{20,21} Ekati's owner Dominion Diamond Mines filed for insolvency protection in April citing the virus's impact on transport and marketing diamonds. The company had an inventory worth nearly US\$200 million, but could not get it to sorting facilities or on to sales.²² In May, Dominion announced an agreement to sell all its assets to The Washington

¹² Gleeson, "Diamond Mines Exempt from Coronavirus Travel Restrictions Due to Economic Importance."

¹³ Williams, "Ekati Owners Outline Tentative Reopening Plan for Mine."

¹⁴ Strong, "Gahcho Kué, Diavik Diamond Mines Sending Some N.W.T. Workers from Remote Centres Home."

¹⁵ Tessier-Burns, "NWT Mines Introduce Additional Health Protocols, No Intentions to Close amid COVID-19 Concerns."

¹⁶ CBC News, "Public Health Closes Investigation into Positive COVID-19 Case at Diavik Mine."

¹⁷ CBC News, "COVID-19 Testing in Place at Gahcho Kué and Snap Lake Mines."

¹⁸ McBride, "Positive Case of Covid Confirmed at Diavik Diamond Mine."

¹⁹ CBC News, "Positive COVID-19 Test Confirmed in Worker at N.W.T. Mine, Three More Workers Awaiting Tests."

²⁰ Whitehouse, "Union to File Grievance with Dominion over Ekati Mine Closures."

²¹ CBC News, "Ekati Diamond Mine in N.W.T. Suspends Operations in Response to COVID-19."

²² "Industry."

Companies, and resume operations at Ekati.²³²⁴ In September, Ekati owners resumed diamond sales.²⁵ In October, the sale was opposed by some Diamond creditors who fear the mine has been underpriced due to the pandemic. Some senior staff at the mine were let go and workers on leave had no date for a return to work.²⁶ Dominion had put in an order to buy diesel for 2021 operations, to be shipped to the mine during the ice road season, but the purchase depended on the sale going through.²⁷ October 9, Dominion announced the sale was off, leaving the whole operation in question.²⁸ The uncertainty spilled over to Diavik which has not been receiving Dominion's payments to fund its operations.²⁹

Production down. Reduced personnel, travel restrictions, and adapted operating procedures designed to limit COVID-19 risks resulted in an 11 per cent decrease in production at Gahcho Kué in the second quarter, compared with the same period in 2019. To fund continued operations, they cut a deal with a Dunebridge Worldwide Ltd to sell US \$50 million worth of diamonds, and they expected to come close to their planned output by the end of 2020.³⁰³¹ By September, confidence was building in the online diamond market and demand had increased.³² But diamond prices, that had been on a steady rise since July, were still below 2019 levels.³³ Industry representatives say that, given the cost of COVID-19 mitigation measures and the lower price of diamonds, neither Gahcho Kué or Diavik will make money this year.³⁴

Indigenous corporations hit. The Indigenous corporations that own service and supply companies that serve the mining sector were casualties of the rising costs of COVID-19 mitigation at the mines. Mine operators looking to reduce expenses cancelled the smaller capital projects that these Indigenous companies typically take on. At the same time, these service and supply companies had difficulties accessing government relief. Given their seasonal income swings, it was difficult to demonstrate the revenue lost in the required the three-month period.

Pre-production work. The Nechalacho rare earth mine planned to begin small scale operations in 2021 (within a 40-foot shipping container) east of Yellowknife.³⁵

²³ Lasley, "COVID-19 Shatters Ekati, Owner Insolvent."

²⁴ "Dominion Diamond Mines Reaches Agreement on Key Terms With the Washington Companies to Sell Substantially All of Its Assets."

²⁵ Williams, "Dominion Says It Has Resumed Diamond Sales."

²⁶ Gleeson, "N.W.T. Government Hoping Ekati Deal Will Lead to Reopening of Mine."

²⁷ Williams, "Dominion, in a Gamble, Agrees to Buy 10M Litres of Fuel for Ekati."

²⁸ CBC News, "Dominion Diamonds Says the Proposed Sale of Ekati Is Off."

²⁹ Williams, "Diavik's Continued Operation Now 'at Risk' over Missing \$120M."

³⁰ Ragsdale, "Pandemic Curbs Diamond Mining, Markets."

³¹ Lasley, "Mountain Province Finds Diamond Buyer."

³² Evans, "Rare 102-Carat Canadian Diamond Could Be among the World's Most Expensive."

³³ "Diamond Index."

³⁴ Personal communication, NWT mining representative, September 2020.

³⁵ Williams, "Nechalacho Rare Earths Mine 'to Begin Operations in 2021.'"

Exploration limited. Exploration in the summer of 2020 has been limited, but not halted. Most explorers were delaying work until 2021. Exploration companies, which tend to raise funds on the stock market did not qualify for government relief from lost revenues, as stock market investment falls outside the CRA definition of revenues. Industry representatives fear that the long-term trend of limited investment in infrastructure and exploration bodes poorly for long-term recovery of the industry with few viable projects in the pipeline.³⁶

Government relief. The Northwest Territories Department of Lands waived all rent on mining surface dispositions, easements and licenses of occupation between April 2020 and March 2021.³⁷ Some mining companies have taken advantage of Canada Emergency Wage Subsidy (CEWS), but not all—the maximum offset for wages of \$58,000 doesn't go far in the north.

³⁶ Personal communication, NWT mining representative, September 2020.

³⁷ Department of Lands, "Land Lease Rents and Fees."
2020/10/30

Mining forecast. Mining's contribution to Northwest Territories GDP has been in decline for some years, as the three large diamond mines near the end of their production lives with few other projects in the pipeline. Our optimistic forecast sees that decline continue, even if Ekati comes back online in 2021. Our very pessimistic scenario sees local employment in the primary sector down to only 1,000 workers by 2024.

Table 5: Northwest Territories mining GDP at basic prices (millions, chained \$ 2012)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total - All Industries	4,621	4,570	4,643	4,716	4,302	3,976	4,160	4,214	4,147	4,143
(% change)	1.0	-1.1	1.6	1.6	-8.8	-7.6	4.6	1.3	-1.6	-0.1
Baseline										
Mining and Oil and Gas Extraction	1327	1382	1715	1714	1171	1052	1103	1079	972	948
(% change)	-5.4	4.2	24.1	-0.1	-31.7	-10.2	4.8	-2.2	-9.9	-2.5
Optimistic										
Mining and Oil and Gas Extraction	1327	1382	1715	1714	1171	1064	1118	1096	990	966
(% change)	-5.4	4.2	24.1	-0.1	-31.7	-9.2	5.1	-2.0	-9.6	-2.5
Pessimistic										
Mining and Oil and Gas Extraction	1327	1382	1715	1714	1171	1016	1052	1024	920	892
(% change)	-5.4	4.2	24.1	-0.1	-31.7	-13.3	3.6	-2.7	-10.1	-3.1
Very pessimistic										
Mining and Oil and Gas Extraction	1327	1382	1715	1714	1171	1016	965	1024	920	892
(% change)	-5.4	4.2	24.1	-0.1	-31.7	-13.3	-5.0	6.2	-10.1	-3.1

Source: The Conference Board of Canada; Statistics Canada

Table 6: Northwest Territories mining employment (annual averages, thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total - All Industries	21.9	22.5	21.3	21.4	21.3	20.6	21.4	21.6	22.0	22.1
(% change)	-0.9	2.7	-5.3	0.5	-0.5	-3.4	3.8	1.3	1.5	0.5
Baseline										
Primary Sector	2.0	1.6	1.6	1.4	1.3	1.4	1.4	1.3	1.1	1.1
(% change)	25.0	-20.0	0.0	-12.5	-7.1	4.2	1.4	-7.7	-10.9	-5.2
Optimistic										
Primary Sector	2.0	1.6	1.6	1.4	1.3	1.4	1.4	1.3	1.2	1.1
(% change)	25.0	-20.0	0.0	-12.5	-7.1	5.4	1.6	-7.5	-10.6	-5.2
Pessimistic										
Primary Sector	2.0	1.6	1.6	1.4	1.3	1.3	1.3	1.2	1.1	1.0
(% change)	25.0	-20.0	0.0	-12.5	-7.1	1.1	0.2	-8.0	-10.9	-5.6
Very pessimistic										
Primary Sector	2.0	1.6	1.6	1.4	1.3	1.3	1.2	1.2	1.1	1.0
(% change)	25.0	-20.0	0.0	-12.5	-7.1	1.1	-6.9	-1.0	-10.9	-5.6

Source: The Conference Board of Canada; Statistics Canada

Nunavut Mining

Agnico Eagle's Meliadine and Meadowbank gold mines produce 25 per cent of Nunavut's GDP and are the largest private sector employer. Two other mines operate in the sector: Baffinland's Mary River iron ore mine and TMAC's Hope Bay gold mine.

Vocal local concerns. Local residents in Rankin Inlet were initially very concerned about the risk of FIFO workers bringing in the virus and blockaded a road to Agnico Eagle's Meliadine mine in March, and their concerns were not misplaced.³⁸ The difficulty of completely insulating the territory from the pandemic in the south was clear by late September, as small, but increasing numbers of FIFO mine workers tested positive for COVID-19 into the fall. To protect the local population, all the mines have furloughed local workers and mine sites remained closed to visitors. Local workers at all Nunavut mines were still at home in October, with the cost of pay building up.

Local lay-offs. Agnico Eagle sent home 400-500 of its Nunavut employees from its Meliadine and Meadowbank mines on 75 per cent of their salary in late-March.³⁹ They also paused exploration projects in the territory in late-March. They had ramped up production again by July, depending on FIFO workers, but the pay for off-work local staff was costing Agnico Eagle \$1,4 million a month.⁴⁰ The Meliadine Mine reported its first COVID-19 case in late September.⁴¹ Never-the-less, by the end of 2020, Agnico Eagle expects production to have reached close to 2019 levels.⁴² The mine reported its first COVID-19 case in October.⁴³

Baffinland sent home about 300 of Mary River's Nunavut-based employees in mid-March. In July the mine had a brief scare when two workers at Mary River Mine tested positive, but they tested negative within days.⁴⁴ In September, a FIFO worker was confirmed positive followed by a second in October.^{45,46}

TMAC's Hope Bay mine sent home 60 Nunavut workers in March. With a reduced staffing plan TMAC's mining rate had slowed and Q2 production was down from 2019.⁴⁷ The mine was continuing production by processing stockpiled ore, but the resultant cash flow made the company ineligible for government revenue-loss relief. In October, the mine was disrupted by Nunavut's only COVID-19 outbreak, with up to 16 southern FIFO workers

³⁸ Canadian Mining Journal, "COVID-19," 19.

³⁹ Bell, "Nunavut Mining Firms Get Some Rent Relief from Ottawa."

⁴⁰ Bell.

⁴¹ Nunatsiaq News, "Agnico Eagle Declares First Positive Case of COVID-19 at Nunavut Mine."

⁴² George, "Despite COVID-19 Challenges, Agnico Eagle Says It's in Nunavut for the Long Term."

⁴³ Nunatsiaq News, "Agnico Eagle Declares First Positive Case of COVID-19 at Nunavut Mine."

⁴⁴ Neary, "Presumed Case of Covid at Mary River Mine Turns out Negative."

⁴⁵ CBC News, "Nunavut Confirms Case of COVID-19 at Mary River Mine"; The Canadian Press, "Nunavut Reports First Confirmed Coronavirus Infections with 2 New Cases."

⁴⁶ CBC News, "Nunavut Confirms Case of COVID-19 at Mary River Mine."

⁴⁷ TMAC, "TMAC Announces Q2 2020 Operating Results."

testing positive.⁴⁸ Work at the mine had ceased, with limited staff doing maintenance work and TMAC considering laying off their furloughed local workers.⁴⁹

Housing crisis highlighted. The COVID-19 crisis has highlighted the intersection of the ongoing housing crisis in Nunavut with the lay-off of local workers. Some local mine workers do not have a permanent place to stay during their rotations out of mining accommodation. For example, one Nunavut-based employee of Agnico Eagle moved to Winnipeg in September. Living in the south allowed her to both find stable housing and re-join the mine workforce at Meliadine as a FIFO worker.⁵⁰ Ironically, other local Nunavut workers may also be considering moving south as a strategy to get back to work in the north.

Exploration down. Fuel and materials were positioned in summer 2020 to allow sampling at the Naujaat Diamond Project in the summer of 2021.⁵¹ However, overall mining exploration spending had been in decline for the past decade in Nunavut, and the 2020 summer travel restrictions have further curtailed exploration investment, and pushed out planning for future mines.

Chinese see advantage. With the TMAC's Hope Bay gold mine destabilized by the pandemic, the Chinese state-owned Shandong Gold Mining Co. Ltd. proposed a buyout of TMAC Resources Inc. Concerns have been expressed in the press that this purchase reflects long term strategic plans by the Chinese government to acquire key assets in the north, including those along the North West Passage as part of their Polar Silk Road plans.⁵²⁵³⁵⁴ Shandong put a Canadian face on their project in August by hiring a Canadian CEO for its Canadian operations but in October the deal was still under review by Investment Canada.⁵⁵

Government relief. Ottawa provided \$1,5 million in rent relief for mineral leases on Crown Lands in Nunavut.⁵⁶

⁴⁸ Neary, "Presumptive Positive Covid-19 Cases Rise to Eight at Hope Bay Mine; New Mask Requirement for Exempted Workers."

⁴⁹ McKay, "Workers Trapped at Nunavut Mine in Midst of COVID-19 Outbreak Growing Anxious, Says Employee."

⁵⁰ George, "Nunavut Resident Moves South to Return to Mine Job Back Home."

⁵¹ Ragsdale, "Pandemic Curbs Diamond Mining, Markets."

⁵² Reuters, "China Unveils Vision for 'Polar Silk Road' across Arctic."

⁵³ Montgomery, "China's Effort to Buy an Arctic Gold Mine Raises Many Concerns."

⁵⁴ Shadian and Wakkus, "When It Comes to Canada-China Relations, It Is Time to Look North."

⁵⁵ Canadian Press, "Chinese Miner Hires Barrick Vet as CEO amid Nunavut Gold Mine Review."

⁵⁶ Neary, "Ottawa Offers Rent Relief to Nunavut Mines."

Mining forecast. Mining is a major contributor to the GDP of Nunavut. Even our very pessimistic forecast suggests that the sector is primed to double its contribution to GDP by 2024 riding high on production from the existing mines and looking forward to the project at Back River towards the end of the forecast period. Likewise, local employment in the sector is forecast to increase steadily over the forecast period.

Table 7: Nunavut mining GDP at basic prices by industry (millions, chained \$ 2012)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total - All Industries	2,353	2,479	2,765	2,974	3,156	3,247	3,623	3,754	3,939	3,976
(% change)	-0.4	5.4	11.5	7.6	6.1	2.9	11.6	3.6	4.9	0.9
Baseline										
Mining and Oil and Gas Extraction	485	526	678	744	876	1155	1543	1633	1762	1764
(% change)	-6.4	8.5	28.8	9.7	17.8	31.8	33.6	5.8	7.9	0.1
Optimistic										
Mining and Oil and Gas Extraction	485	526	678	744	876	1173	1578	1663	1785	1789
(% change)	-6.4	8.5	28.8	9.7	17.8	33.9	34.4	5.4	7.3	0.2
Pessimistic										
Mining and Oil and Gas Extraction	485	526	678	744	876	1130	1492	1577	1699	1699
(% change)	-6.4	8.5	28.8	9.7	17.8	29.0	32.0	5.7	7.7	0.0
Very pessimistic										
Mining and Oil and Gas Extraction	485	526	678	744	876	1130	1367	1577	1699	1699
(% change)	-6.4	8.5	28.8	9.7	17.8	29.0	21.0	15.3	7.7	0.0

Source: The Conference Board of Canada; Statistics Canada

Table 8: Nunavut mining employment by industry (annual averages, thousands)

Total - All Industries	12.7	13.5	13.4	13.5	13.9	13.3	13.9	14.1	14.5	14.7
(% change)	3.3	6.3	-0.7	0.7	3.0	-4.4	4.7	1.2	3.0	1.3
Baseline										
Primary Sector	0.3	0.4	0.5	0.6	0.6	0.9	1.1	1.1	1.2	1.1
(% change)	0.0	33.3	25.0	20.0	0.0	44.6	29.4	-1.4	4.5	-3.6
Optimistic										
Primary Sector	0.3	0.4	0.5	0.6	0.6	0.9	1.1	1.1	1.2	1.1
(% change)	0.0	33.3	25.0	20.0	0.0	46.9	30.3	-1.7	4.0	-3.6
Pessimistic										
Primary Sector	0.3	0.4	0.5	0.6	0.6	0.8	1.1	1.1	1.1	1.1
(% change)	0.0	33.3	25.0	20.0	0.0	41.5	27.9	-1.5	4.4	-3.8
Very pessimistic										
Primary Sector	0.3	0.4	0.5	0.6	0.6	0.8	1.0	1.1	1.1	1.1
(% change)	0.0	33.3	25.0	20.0	0.0	41.5	17.3	7.5	4.4	-3.8

Source: The Conference Board of Canada; Statistics Canada

Construction Sector Overview

- **Differential impacts.** There are three construction markets: infrastructure, residential and industrial, commercial and institutional (ICI). COVID-19 will have different impacts in each market.
- **Most work continues.** Overall, while there were short-term delays in the early days of the pandemic, construction picked up in the summer, but larger projects were running slower than planned. A few larger projects in Nunavut have been postponed until next summer.⁵⁷
- **Infrastructure intersects with mining.** Many territorial infrastructure projects are really resource development projects, and so are tied to commodity prices. For example, Fortune's NICO mine construction is going ahead, buoyed by high gold prices that have been driven by the pandemic. Other projects depend on government funding, which is strained by demands from all directions, and funding may be tight into the medium term.
- **Disrupted supply chains.** In March, lumber mills in Ontario and Quebec shut down. This created national supply chain disruptions in building materials for residential and ICI projects. In addition, delivery of materials usually sourced internationally, particularly from China were disrupted. Shortages lasted into the summer, resulting in significant price rises in the territories.
- **Rising costs for FIFO workers.** A long-standing shortage of qualified trades people in the North has created a need for FIFO workers.⁵⁸ With the pandemic, there have been changing schedules and additional costs for FIFO workers due to quarantine periods. Nunavut relies more on out-of-territory skilled construction workers than Northwest Territories and Yukon. Quarantining workers in southern cities has cost the Nunavut government and private contractors, with the benefits flowing into southern hotels. Anecdotal reports suggest that some construction workers declined to take up northern contracts, rather than quarantine.⁵⁹
- **Sub-contractors.** The construction sector is dominated by many small sub-contractors, and a few larger companies. In Northwest Territories, the quarantine has given local labour an advantage over out-of-territory, as contractors look to hire local to avoid quarantine costs.
- **Recovery solution.** Infrastructure spending is touted by many people as a route to rebooting the economy. October 1, the federal government announced a \$10 billion infrastructure program to aid in COVID-19 recovery.⁶⁰

⁵⁷ Personal communication, construction industry representative, September 2020.

⁵⁸ BuildForce Canada, "Construction and Maintenance Looking Forward Canada's Territories: Highlights 2020-2029."

⁵⁹ Personal communication, construction industry representative, September 2020.

⁶⁰ "Prime Minister Announces Infrastructure Plan to Create Jobs and Grow the Economy." 2020/10/30

Yukon Construction

In 2019, the construction sector employed about 2,100 people and contributed about \$349 million to real GDP.⁶¹ Construction sector businesses in Yukon reported a total revenue of more than \$770 million, which was 22 per cent of all business revenue. The industry sector that attributed the most of its revenue to construction was the retail trade.⁶² Yukon initially shutdown a number of non-essential services in March, but the majority of construction related activities were deemed critical and stayed open.⁶³ August the territorial government announced \$44,6 million for infrastructure projects in the Yukon under the COVID-19 Resilience funding.⁶⁴

Resource Gateway Project delayed. Construction was planned to begin in 2020 on this project to upgrade existing road infrastructure to better support natural resources development.⁶⁵ However, start of construction was set back to November 2020, and is now not expected to be completed until 2031.⁶⁶

ICI used for recovery. Three projects announced by the Yukon government in August 2020 were positioned as COVID-19 recovery: Tr'ondëk Hwëch'in Youth Centre in Dawson City and Watson Lake, retrofit upgrades to the administrative building and Carcross clean water upgrades. Infrastructure Canada is investing more than \$6.5 million in these projects through the Investing in Canada plan. The Yukon government is providing more than \$2.4 million, while the Tr'ondëk Hwëch'in First Nation is contributing \$50,000.⁶⁷

Residential market steady. The home building industry creates about 1,000 on-site and off-site jobs a year in the Yukon, making it one of the largest employers in the territory.⁶⁸ In 2016, census data indicated that 15 per cent of Yukon households were in core housing need.⁶⁹ In Q2 2020, CMHC reported 97 housing starts and 305 houses under construction in Whitehorse.⁷¹ By August, building permits were down only 3.4 per cent from the previous year, with the construction value of those permits less than 1 per cent different from 2019.⁷² However, shortages of building lumber in August led to a 60-100 per cent rise in prices over

⁶¹ Statistics Canada, "Table 36-10-0402-01 Gross Domestic Product (GDP) at Basic Prices, by Industry, Provinces and Territories," 36–10.

⁶² Yukon Bureau of Statistics, "Yukon Business Survey 2019."

⁶³ McMillan LLP, "Construction through COVID-19 in Canada: A Guideline for What Each Province and Territory Is Doing [Current as at June 9, 2020]."

⁶⁴ "Whitehorse Daily Star."

⁶⁵ Cameron, "Yukon Road Project a \$468-Million Resource Gateway - Constructconnect.Com."

⁶⁶ Yukon Party Caucus, "Resource Gateway Project Delayed 7 Years."

⁶⁷ Whitehorse Daily Star, "Whitehorse Daily Star."

⁶⁸ Canadian Home Builders' Association, "Yukon: Economic Impacts of Residential Construction New Home Building, Renovation And Repair."

⁶⁹ A household is in core housing need if it does not meet one or more of three standards: adequacy, suitability or affordability.

⁷⁰ CMHC, "Housing Market Outlook - Northern Housing."

⁷¹ CMHC, "Housing Starts, Completions and Units Under Construction."

⁷² Yukon Bureau of Statistics, "Yukon Monthly Statistical Review, August 2020."

the summer. Smaller contractors were at a disadvantage as they are less able to stock up and tend to buy just-in-time.⁷³

⁷³ Morin and August 18, "Yukon Builders See 'through the Roof' Increase in Lumber Costs | CBC News."
2020/10/30

Construction forecast. Yukon construction sector GDP is forecast to dip in 2020 and have slower growth than in the previous five years. However, even in the very pessimistic scenario, it is back to 2019 levels by 2022, with local construction employment exceeding 2019 levels from 2020 forward in all scenarios.

Table 9: Yukon construction GDP at basic prices (millions, chained \$ 2012)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
GDP At Basic Prices By Industry (millions, chained \$ 2012)										
Total - All Industries	2,320	2,488	2,512	2,593	2,618	2,666	2,859	2,947	3,113	3,259
Baseline										
(% change)	-7.6	7.2	1.0	3.2	1.0	1.8	7.3	3.1	5.6	4.7
Construction	196	205	252	335	349	343	350	356	393	405
(% change)	-25.1	4.2	23.4	32.7	4.1	-1.7	2.0	1.9	10.3	3.2
Optimistic										
Construction	196	205	252	335	349	345	353	364	405	420
(% change)	-25.1	4.2	23.4	32.7	4.1	-1.1	2.3	3.3	11.3	3.5
Pessimistic										
Construction	196	205	252	335	349	341	345	353	385	394
(% change)	-25.1	4.2	23.4	32.7	4.1	-2.1	1.2	2.1	9.1	2.3
Very pessimistic										
Construction	196	205	252	335	349	341	343	350	377	381
(% change)	-25.1	4.2	23.4	32.7	4.1	-2.1	0.6	1.8	7.7	1.2

Source: The Conference Board of Canada; Statistics Canada

Table 10: Yukon construction employment (annual averages, thousands)

Employment by industry (annual averages, thousands)										
Total - All Industries	19.4	20.2	21.2	21.3	21.5	20.9	21.9	22.4	23.5	24.1
(% change)	-2.0	4.1	5.0	0.5	0.9	-2.6	4.5	2.6	4.6	2.8
Baseline										
Construction	1.9	2.0	1.9	2.0	2.1	2.3	2.3	2.3	2.6	2.7
(% change)	11.8	5.3	-5.0	5.3	5.0	8.0	1.3	0.1	12.2	4.1
Optimistic										
Construction	1.9	2.0	1.9	2.0	2.1	2.3	2.3	2.4	2.7	2.8
(% change)	11.8	5.3	-5.0	5.3	5.0	8.7	1.8	1.7	13.4	4.4
Pessimistic										
Construction	1.9	2.0	1.9	2.0	2.1	2.3	2.3	2.3	2.5	2.6
(% change)	11.8	5.3	-5.0	5.3	5.0	7.4	0.4	0.5	10.8	3.1
Very pessimistic										
Construction	1.9	2.0	1.9	2.0	2.1	2.3	2.2	2.2	2.5	2.5
(% change)	11.8	5.3	-5.0	5.3	5.0	7.4	-0.3	0.1	9.2	1.8

Source: The Conference Board of Canada; Statistics Canada

Northwest Territories Construction

The construction sector employed 1,300 people in the Northwest Territories in 2019 and contributed about \$282,9 million to real GDP.⁷⁴ Construction, maintenance or repair services were not formally closed in Northwest Territories during the initial March shutdown.⁷⁵ The government has been relying on infrastructure projects to support construction and consulting contractors during the economic slowdown.⁷⁶ August labour force statistics showed a monthly gain in construction employment of more than 200 workers.⁷⁷

Larger contractors more impacted than smaller ones. A lot of smaller contractors had projects put on hold in March and April, but those projects picked up again in the summer. Companies that take on larger projects are having more problems, including delayed projects. An unexpected side effect of the overall slow down in Canadian construction has been that large southern general contractors, short of work in the south, have been bidding on northern building contracts. This has made it more difficult for larger territorial construction firms to win local work.⁷⁸

Roads construction linked to mine construction. The 97 km Tlicho All-Season Road is a critical piece of infrastructure for the Fortune Mines NICO mine project.⁷⁹ The road is being built through a public-private partnership. In April, construction on the two-lane gravel road was suspended for more than a month on the due to COVID-19 restrictions on the travel of non-essential workers, but work resumed in May.⁸⁰ The road is expected to open in the fall of 2021.

In August, as the Northwest Territories eased travel restrictions, Fortune Mines announced return to full work on developing their NICO mine project, buoyed by gold prices above US \$2,000. Gold has overtaken cobalt as the most valuable product to be extracted at the mine. Fortune plans a 50 km spur road to connect the mine site with the Tlicho All-Season road, and on to the rail head at Hay River, to export ore for processing.⁸¹ Permits are all in place, but the company continues to search for funding to fully develop the mine.⁸²

Residential building supports local contractors. Overall, the pandemic has had limited impact on the Northwest Territories housing sector. In recent years, new home construction

⁷⁴ Statistics Canada, "Table 36-10-0402-01 Gross Domestic Product (GDP) at Basic Prices, by Industry, Provinces and Territories," 36.

⁷⁵ McMillan LLP, "Construction through COVID-19 in Canada: A Guideline for What Each Province and Territory Is Doing [Current as at June 9, 2020]."

⁷⁶ Pruys, "Here's the NWT's Summer 2020 Highway Construction Plan."

⁷⁷ NWT Bureau of Statistics, "Labour Force Activity, August 2020."

⁷⁸ Personal communication, construction sector representative, September 2020.

⁷⁹ Gleeson, "Construction of Tlicho All-Season Road Paused."

⁸⁰ Whitehouse, "Construction Resumes on Tlicho All-Season Road."

⁸¹ Fortune Minerals, "Fortune Minerals Announces NICO Exploration Program."

⁸² Fortune Minerals, "Our Assets - NICO Cobalt-Gold-Bismuth-Copper Project - Status." 2020/10/30

has created about 600 on-site and off-site jobs in the territory.⁸³ Residential construction has not slowed down. Across the territory, 10.7 per cent of households were in core housing need in 2016.⁸⁴ More than 40 per cent of houses in Northwest Territories, or 6,308 buildings need major repairs and/or are unsuitable.⁸⁵ In Q2 2020, CMHC reported 17 housing starts and 26 under construction in Yellowknife.⁸⁶ In 2020, the government already planned to build 89 housing units and another 160 housing.

The Government of the Northwest Territories sees housing as a key element of economic recovery. The government's capital investment in residential construction creates work and brings income into small communities. It supports local and regional contractors and provides training opportunities for apprentices and building trades-helpers.⁸⁷ In 2019, of the 71 construction contracts awarded by the Northwest Territories Housing Corporation, 94 per cent went to companies based in the territory⁸⁸ In 2020, due to quarantine restrictions, out-of-territory companies that won government or private contracts expecting to bring in Alberta labour are now sub-contracting to local Northwest Territories labour. So, the quarantine has given local construction companies and labour an advantage, made them more competitive.

Northwest Territories has no local lumber industry, and no large-scale building retailers. That has left local construction businesses more vulnerable to the increases in the cost of building supplies seen across the country. Supply chain disruptions, shortage of lumber, along with rising demand, lead to 75 per cent price increases for some construction materials.⁸⁹

⁸³ Canadian Home Builders' Association, "Northwest Territories: Economic Impacts of Residential Construction New Home Building, Renovation And Repair."

⁸⁴ CMHC, "Housing Market Outlook - Northern Housing."

⁸⁵ Trinh and Belliveau, "NNCA Written Submission to Senator Margaret Dawn Anderson."

⁸⁶ CMHC, "Housing Starts, Completions and Units Under Construction."

⁸⁷ Chinna, "Northwest Territories Housing Corporation Capital Delivery 2020-2021."

⁸⁸ Trinh and Belliveau, "NNCA Written Submission to Senator Margaret Dawn Anderson."

⁸⁹ McBride, "Supply Chain Disruptions Lead to Lack of Lumber for Yellowknife Retailers, Builders." 2020/10/30

Construction forecast. After the 2020 dip in construction, our baseline forecast has the sector's GDP returning to 2019 levels by 2022 buoyed by mine construction, but then dropping off again. The optimistic scenario has construction GDP climbing in 2024, while the most pessimistic scenario has it down to less than half the level it was in 2015. Even in the optimistic scenario, local employment in the sector holds steady over the forecast period but remains below the levels seen in recent years.

Table 11: Northwest Territories construction GDP at basic prices (millions, chained \$ 2012)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total - All Industries	2,320	2,488	2,512	2,593	2,618	2,666	2,859	2,947	3,113	3,259
(% change)	-7.6	7.2	1.0	3.2	1.0	1.8	7.3	3.1	5.6	4.7
Baseline										
Construction	566	491	348	360	283	265	280	298	283	277
(% change)	29.1	-13.2	-29.0	3.2	-21.3	-6.3	5.8	6.3	-5.2	-2.0
Optimistic										
Construction	566	491	348	360	283	268	285	307	295	291
(% change)	29.1	-13.2	-29.0	3.2	-21.3	-5.3	6.5	7.5	-4.0	-1.1
Pessimistic										
Construction	566	491	348	360	283	264	275	292	274	265
(% change)	29.1	-13.2	-29.0	3.2	-21.3	-6.8	4.2	6.1	-6.0	-3.2
Very pessimistic										
Construction	566	491	348	360	283	264	272	286	266	255
(% change)	29.1	-13.2	-29.0	3.2	-21.3	-6.8	3.1	5.3	-7.2	-4.0

Source: The Conference Board of Canada; Statistics Canada

Table 12: Northwest Territories construction employment (annual averages, thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total - All Industries	19.4	20.2	21.2	21.3	21.5	20.9	21.9	22.4	23.5	24.1
(% change)	-2.0	4.1	5.0	0.5	0.9	-2.6	4.5	2.6	4.6	2.8
Baseline										
Construction	1.6	1.4	1.4	1.2	1.3	1.2	1.3	1.3	1.2	1.2
(% change)	-11.1	-12.5	0.0	-14.3	8.3	-4.4	3.8	0.3	-4.2	-1.4
Optimistic										
Construction	1.6	1.4	1.4	1.2	1.3	1.3	1.3	1.3	1.3	1.3
(% change)	-11.1	-12.5	0.0	-14.3	8.3	-3.6	4.4	1.2	-3.3	-0.7
Pessimistic										
Construction	1.6	1.4	1.4	1.2	1.3	1.2	1.3	1.3	1.2	1.2
(% change)	-11.1	-12.5	0.0	-14.3	8.3	-4.8	2.6	0.2	-4.8	-2.3
Very pessimistic										
Construction	1.6	1.4	1.4	1.2	1.3	1.2	1.3	1.3	1.2	1.1
(% change)	-11.1	-12.5	0.0	-14.3	8.3	-4.8	1.7	-0.4	-5.7	-2.9

Source: The Conference Board of Canada; Statistics Canada

Nunavut Construction

The construction sector employed 700 local people in the Nunavut in 2019 and contributed about \$585 million in real GDP in 2019.⁹⁰ Nunavut has a unique construction market, given that construction materials are usually bought as much as 18 months in advance, and the construction season is short, running between July and late September, early October. So, materials may be sent on the sealift a year before to be in place for the beginning of next springs construction season before the ice is out. In 2020, the sealift was expected to go ahead on schedule, but with restrictions on interactions with the crews to protect locals, but there were concerns that delays in the supply chain in the south could affect what got loaded.⁹¹ Construction, maintenance or repair services were not formally restricted in Nunavut during the initial March shutdown.⁹² However, a few large projects have been delayed until next summer.⁹³

Quarantined labour. Most Nunavut construction projects rely on southern skilled workers to complement local workers. Quarantine requirements created logistical challenges and extra costs during the 2020 building season, as workers were required to isolate in southern hotels before arrival. An estimated 1000 southern construction workers were quarantined on their way into to Nunavut during the 2020 season, representing a considerable cost to public and private sector builders.⁹⁴

For public building projects, quarantine rooms and meals were paid by the Government of Nunavut, while extra wages were negotiated between the government and private employers. In June, the Government of Nunavut allocated \$18 million to cover the costs of isolating outside construction workers.⁹⁵ For private projects, contractors had to pay the extra wages and companies complained that the unexpected costs were a financial strain.⁹⁶ However, by August, construction companies were worried that even when paid, workers were deterred by the quarantine requirement. And workers already in the territory could not leave for holidays, because they would have to quarantine on return, and so risked burning out.⁹⁷

⁹⁰ Statistics Canada, "Table 36-10-0402-01 Gross Domestic Product (GDP) at Basic Prices, by Industry, Provinces and Territories," 36–10.

⁹¹ Patar, "With Precautions in Place, Eastern Arctic's Sealift Operators Prepare for Upcoming Season."

⁹² McMillan LLP, "Construction through COVID-19 in Canada: A Guideline for What Each Province and Territory Is Doing [Current as at June 9, 2020]."

⁹³ Personal communication, construction sector representative, September 2020.

⁹⁴ Hutchins, "How Nunavut Has Stayed Coronavirus-Free as a Second Wave Hits Canada - Macleans.Ca."

⁹⁵ Brown, "Nunavut Government Issues Nearly \$49M in Unbudgeted Money for COVID-19."

⁹⁶ Tranter, "Construction Workers Coming to Nunavut Must Complete 14-Day Isolation First."

⁹⁷ George, "Nunavut's COVID-19 Quarantine Requirement Hampering Private Construction." 2020/10/30

Grays Bay Road and Port Project. The Grays Bay Road and Port Project got \$21,5 million in federal funding at the end of 2019 to get the project 'shovel ready'.⁹⁸ But due to COVID, all field work was cancelled for 2020, which would have included environmental assessment, surveying and engineering work. Now the project will have to be rescheduled and being 'shovel ready' is at least three years away.⁹⁹

Back River Gold Project. Sabina Gold and Silver Corporation demobilized personnel in March due to COVID-19 and deferred their spring drilling program. However, by July 2020, the site was fully permitted and 'shovel-ready', and an expanded drill program was started.

Nanisivik deep-water port. The construction work planned on this Department of Defense military refueling station was set back. Contract workers did not arrive until August due to COVID-19 travel restrictions, which shortened the building season. Completion is pushed back to 2022.¹⁰⁰

Housing. Nunavut has the highest rate of core housing need in Canada, at 36.5 per cent of households in 2016, more than twice the rate of any other province or territory. Housing in Iqaluit is some of the most expensive in Canada.¹⁰¹ Nunavut has a deficit of 3,000 homes and overcrowding in existing homes is a major problem.¹⁰² New home construction is typically responsible for around 600 on-site and off-site jobs in the territory.¹⁰³

There were some delays for housing construction in Nunavut. The Nunavut Housing Corporation (NHC) had planned to build 70 public housing units in Iqaluit in 2020-2021. That number was cut to 46 units due to difficulties with the city holding meetings and finalizing permits and designs. However, the 60 units planned for other communities were to be built as planned.¹⁰⁴ By May 2020, 19 of 25 hamlets had decided to go ahead with 50 planned construction projects, valued at \$600 million, even though that included bringing in some outside workers. NHC requires non-resident construction workers in the territory to stay in registered tourist accommodations which incidentally supports the tourism sector.¹⁰⁵

⁹⁸ Neary, "Ottawa Gives \$21.5 Million to Kitikmeot Road and Port Project."

⁹⁹ Wallis, "Grays Bay Port and Road with Scott Northey."

¹⁰⁰ Berthiaume, "COVID-19 Blamed for Delay on Arctic Military Port First Promised in 2007."

¹⁰¹ CMHC, "Housing Market Outlook - Northern Housing."

¹⁰² Trinh and Belliveau, "NNCA Written Submission to Senator Margaret Dawn Anderson."

¹⁰³ Canadian Home Builders' Association, "Nunavut: Economic Impacts of Residential Construction New Home Building, Renovation And Repair."

¹⁰⁴ Sharma, "Construction of Public Housing Units Reduced by 24 amid Covid-19."

¹⁰⁵ Trinh and Belliveau, "NNCA Written Submission to Senator Margaret Dawn Anderson."

Construction forecast. The construction sector in Nunavut is dominated by mine construction. With most pre-production construction for existing mines complete, its contribution to GDP is expected to drop up to 2022 before increasing again with as work starts on the Back River project. However, all of our scenarios envisage small but steady increases in construction employment over the forecast period.

Table 13: Nunavut construction GDP at basic prices (millions, chained \$ 2012)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total - All Industries	2,353	2,479	2,765	2,974	3,156	3,247	3,623	3,754	3,939	3,976
(% change)	-0.4	5.4	11.5	7.6	6.1	2.9	11.6	3.6	4.9	0.9
Baseline										
Construction	277	318	439	579	585	501	412	401	414	418
(% change)	-2.9	15.0	38.0	31.8	1.1	-14.4	-17.7	-2.7	3.2	0.9
Optimistic										
Construction	277	318	439	579	585	504	424	421	438	445
(% change)	-2.9	15.0	38.0	31.8	1.1	-13.9	-15.9	-0.6	4.0	1.5
Pessimistic										
Construction	277	318	439	579	585	496	406	397	409	410
(% change)	-2.9	15.0	38.0	31.8	1.1	-15.2	-18.2	-2.2	3.1	0.2
Very pessimistic										
Construction	277	318	439	579	585	496	400	390	400	398
(% change)	-2.9	15.0	38.0	31.8	1.1	-15.2	-19.4	-2.6	2.6	-0.5

Source: The Conference Board of Canada; Statistics Canada

Table 14: Nunavut construction employment (annual averages, thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total - All Industries	12.7	13.5	13.4	13.5	13.9	13.3	13.9	14.1	14.5	14.7
(% change)	3.3	6.3	-0.7	0.7	3.0	-4.4	4.7	1.2	3.0	1.3
Baseline										
Construction	0.8	0.8	0.6	0.6	0.7	0.7	0.6	0.5	0.6	0.6
(% change)	14.3	0.0	-25.0	0.0	16.7	-2.0	-12.1	-9.0	3.5	1.4
Optimistic										
Construction	0.8	0.8	0.6	0.6	0.7	0.7	0.6	0.6	0.6	0.6
(% change)	14.3	0.0	-25.0	0.0	16.7	-1.2	-10.0	-6.8	4.4	2.0
Pessimistic										
Construction	0.8	0.8	0.6	0.6	0.7	0.7	0.6	0.5	0.6	0.6
(% change)	14.3	0.0	-25.0	0.0	16.7	-3.0	-12.6	-8.6	3.4	0.5
Very pessimistic										
Construction	0.8	0.8	0.6	0.6	0.7	0.7	0.6	0.5	0.5	0.5
(% change)	14.3	0.0	-25.0	0.0	16.7	-3.0	-14.0	-9.0	2.9	-0.3

Source: The Conference Board of Canada; Statistics Canada

Tourism Sector Overview

- **Diversification.** Tourism can be a route to economic diversification in the Territories, reducing dependence on the resource economy and fluctuating commodity prices. However, those efforts to broaden economic opportunities have been set back several years by the pandemic.
- **Summer season write-off.** The summer of 2020 has been an almost complete write-off for northern tourism operators. There has been a complete collapse of international tourists due to national border restrictions. In addition, territorial quarantine requirements make most short vacations stays by southern Canadian visitors very unattractive, and travel routes have become convoluted. In September, Destination Canada calculated that revenue from tourism across northern Canada in 2020 would be down by 85 per cent, or \$359.8 million less revenue than in 2019.¹⁰⁶
- **National travel restrictions.** As of October 2020, border restrictions prevent all foreigners entering Canada for discretionary or optional travel such as “tourism, recreation or entertainment”. Foreign passengers can only arrive at the international airports in Vancouver, Calgary, Toronto, and Montreal, and most must quarantine for 14-days.
- **Territorial travel restrictions.** There are no restrictions preventing Canadians crossing Territorial borders. However, there are strict 14-day quarantine requirements for most provincial residents who enter the Territories. There are quarantine exemptions for residents of the Territories moving between the Territories. However, Yukon residents must quarantine when entering NT or Nunavut, but not vice versa. Yukon and British Columbia have also created their own travel bubble and special regulations cover Americans driving to Alaska.
- **Quarantines support some tourist accommodations.** Yukon requires quarantine on arrival and a small number of tourists (e.g. hunters) are being allowed to isolate at remote tourist accommodations under government-approved plans, driving some revenue towards hunting outfitters in the territory. The Northwest Territories requires quarantine on arrival in one of four communities and is effectively driving money into selected hotels *within* the territory—by September some \$17 million.¹⁰⁷ Nunavut requires quarantine before departure in one of four cities (including Yellowknife), and so is driving money into selected hotels *outside* the territory—by October some \$22 million.¹⁰⁸
- **Indigenous tourism industry.** Up until 2020, a key feature of the Indigenous tourism sector has been its robust and positive growth trajectory. However, with the pandemic, the Indigenous tourism sector's direct GDP footprint in 2020 is forecast to

¹⁰⁶ Destination Canada, “COVID-19 Impact and Recovery Report: International Summary.”

¹⁰⁷ Personal communication, tourism representative, Northwest Territories, September, 2020.

¹⁰⁸ Hutchins, “How Nunavut Has Stayed Coronavirus-Free as a Second Wave Hits Canada - Macleans.Ca.”

have shrunk by almost 66 per cent compared to 2019.¹⁰⁹ Our survey conducted April-May, 2020 for ITAC captured the experience of about 50 Indigenous tourism business owners from the Territories. They reported that revenues had declined by an average of 58 per cent in Q1, and they expected an average 87 per cent decline in Q2, with nearly a quarter expecting no income for Q2-Q4 in 2020

Table 15: Impact on Indigenous Tourism Across the Territories (per cent decline from 2019)

	Expected decline in revenues	Expected decline in employment
Accommodation	61 %	61 %
Recreation & Outdoor Activities	62 %	75 %
Gaming	80 %	96 %
Food & Beverage	57 %	76 %
Arts & Heritage	68 %	58 %
Air Transportation	95 %	47 %
Travel Services – Retail	78 %	6 %
Other	69 %	43 %
Other Transportation	85 %	55 %

Source: The Conference Board of Canada; Indigenous Tourism Association of Canada

- **Government relief.** In April, CanNor put in place the Northern Business Relief Fund (NBRF) for businesses operating in tourism, accommodations and food services, as well as arts, entertainment/recreation, transportation and retail sectors. The initial allocation for the Territories was \$15 million.¹¹⁰ In mid-May, the Regional Relief and Recovery Fund (RRRF) was given \$34.3 million to extend support for eligible recipients of the NBRF program up to \$100,000 or March 31, 2021, whichever comes first.¹¹¹ In May, only 3.5 per cent of businesses responding to a Government of Northwest Territories business survey had accessed the NBRF.¹¹² By October 15, CanNor had approved grants totalling \$24,5 million from NBRF and RRRF combined. (See Appendix A.)
- **No insolvencies yet.** Despite the considerable pressure the tourism industry has been under, the Office of the Superintendent of Bankruptcy reported only one business in Nunavut, and no consumers, going under between March and August

¹⁰⁹ Fiser, "The Impact of COVID-19 on Canada's Indigenous Tourism Sector: Insights from Operators."

¹¹⁰ CanNor, "About the Northern Business Relief Fund (NBRF)."

¹¹¹ CanNor, "About the Regional Relief and Recovery Fund (RRRF)."

¹¹² Government of Northwest Territories, "Survey Results: Economic Impact of COVID-19 on Tourism and Business in the Northwest Territories."

across the territories.¹¹³ This would suggest that the government subsidies were having a positive effect up to that point at least.

- **No easing of restrictions in sight.** In April, the federal, provincial, and territorial governments agreed to a set of common principles for restarting the Canadian economy. The criteria and measures refer to: transmission rates, testing, health care capacity, supports for vulnerable populations, workplace protocols, and measures to manage local disease activity. Most relevant to tourism and the complex jurisdictional responsibilities, the protocol specifies that restrictions on non-essential travel will be “eased and managed in a coordinated manner” and that “Re-opening of international borders and access for non-Canadian residents may only happen in later stages”¹¹⁴¹¹⁵ When these conditions will be met is an open question.
- **Challenges to removing travel restrictions.**
 - **Coordinating jurisdictions.** With territorial governments unlikely to give up the right to set public health policy at the local level, it may be difficult to align national and local priorities on admitting international travellers. The complexity of different requirements for entry and quarantine at national, territorial and even community levels may be a deterrent for tourists planning travel.
 - **Weak health care systems.** Territorial governments are likely to fear a threat to their limited health care infrastructure longer than the national government will.

¹¹³ Office of the Superintendent of Bankruptcy in Canada, “Insolvency Statistics in Canada, August 2020.”

¹¹⁴ PMO, “Prime Minister Releases Joint Statement by First Ministers for Restarting the Economy.”

¹¹⁵ PMO, “First Ministers’ Statement on Shared Public Health Approach to Support Restarting the Economy.”

Yukon Tourism

Tourism is more important to the Yukon economy than it is to Canada as a whole. Tourism represented 5.3 per cent of its business sector GDP in 2014 and grew faster than the rest of the economy at 2.9 per cent per year between 2014 and 2018.¹¹⁶ In 2018, Yukon businesses attributed more than \$360 million of their gross revenue to tourism. This suggests that tourism contributed more than \$145 million to Yukon's GDP in 2018.¹¹⁷ The largest industry sectors that contribute to tourism in Yukon are accommodation and food services and transportation and warehousing.¹¹⁸ The industry is highly seasonal with nearly 80 per cent of visitors arriving between the summer months of June and September, and more than 60 per cent of visitors come from the United States.¹¹⁹

Border shut down. In the first quarter of 2020, international tourist arrivals had dropped by 25 per cent,¹²⁰ and with the closing of the international and territorial borders in late March the tourism industry also shut down. More than 1000 international flights into Yukon had been cancelled. Cancelled cruise ship visits—a big driver of the industry—cost the territory between \$40 to 60 million.¹²¹

Canadians coming to Yukon for placer mining were reported to be replacing some of the lost accommodation and restaurant business from the drop in tourism but were unlikely to make a huge difference.¹²² The longer the travel restrictions are in place, the bigger hit businesses will take.

Expanded bubble. As part of the attempt to lessen the blow, Yukon opened a travel bubble with British Columbia, Nunavut and Northwest Territories on July 1 eliminating quarantine periods for residents of those jurisdictions.¹²³ However, fourteen-day quarantines remained in place for visitors from other provinces, making short visits to the territory impractical for most Canadian tourists. Federal rules allow US travellers to transit through BC and Yukon on their way to Alaska but specifically rule out any tourism activities during transit.¹²⁴ By mid-July, at least eight First Nation communities in Yukon had also issued their own travel

¹¹⁶ Wang, "Yukon in COVID-19 Pandemic: Decline in Tourism Activities and the Impact on the Economy."

¹¹⁷ Yukon Bureau of Statistics, "Yukon Business Survey 2019."

¹¹⁸ Yukon Bureau of Statistics.

¹¹⁹ Cohen, "Easing of B.C. Border Restrictions Won't Float Yukon Tourism Industry, Says Advocate."

¹²⁰ Wang, "Yukon in COVID-19 Pandemic: Decline in Tourism Activities and the Impact on the Economy."

¹²¹ CBC News, "While Yukon Businesses Brace for Lack of Tourism, the Pandemic's Impact on Mining Is Less Clear."

¹²² CBC News, "Placer Mining Bolstering Dawson City Economy This Year."

¹²³ Windeyer, "Yukon Health Officials Take Deep Breath as Territory Eases COVID-19 Border Controls."

¹²⁴ Canada Border Services Agency, "Coronavirus Disease (COVID-19): Information for Non-Canadians."

advisories asking visitors to take extra care and fully respect public health measures.¹²⁵ In 2018, Yukon had 323,000 overnight visitors, but in 2020, there were only 40,000 visitors between the beginning of May and the end of August.

Neil Hartling, Chair of the Tourism Industry Association of the Yukon (TIAY) predicted in June that up to half the territory's tourism businesses would not operate in the summer of 2020.¹²⁶ Related businesses were hard hit, with revenue per available room in the accommodation sector down nearly 80 per cent while jobs in the sector dropped by half.¹²⁷ Total receipts for food services and drinking places in June 2020 were down by \$1.4 million, or 17.5% compared with June 2019.¹²⁸

Special exemptions. In mid-September, the Yukon government told TIAY leadership not to expect expansion of the travel bubble or changes to travel restrictions including the 14-day isolation requirements until the spring 2021 at the earliest, if not until the fall 2021. However, the ministry is allowing outfitters to admit visitors if they can create a 'self-isolating' package experience that may qualify for a self-isolation exemption. Operational plans must specify safe transit plans i.e. airport pick-up and delivery, dedicated vehicles; safe accommodations, such as dedicated rooms, separately plated meals; safe supply drop offs, etc.¹²⁹¹³⁰ TIAY members were encouraged to be creative in re-imagining how their operations might provide tourist experiences that met the requirements of such plans.

Government relief. Businesses in Yukon can access the NBRF through the Yukon Government's Yukon Business Relief Program.¹³¹ In June, Tourism and Culture Minister Jeanie Dendys admitted that the tourism sector was "hit first and will be hit for the longest", which suggests a long recovery period as well.¹³²

¹²⁵ Yukon First Nations Culture & Tourism Association, "Yukon First Nation Travel Advisories & COVID-19 Resources."

¹²⁶ Cohen, "Easing of B.C. Border Restrictions Won't Float Yukon Tourism Industry, Says Advocate."

¹²⁷ Windeyer, "Unemployment Slumps as GDP Projected to Rise. Is Yukon's Economy Tanking or Holding Steady?"

¹²⁸ Yukon Bureau of Statistics, "Yukon Monthly Statistical Review, August 2020."

¹²⁹ Government of Yukon, "Hunting Outfitting Operations during COVID-19."

¹³⁰ Government of Yukon, "COVID-19 Operational Plan Template for Outfitters."

¹³¹ CanNor, "About the Northern Business Relief Fund (NBRF)."

¹³² Cohen, "Easing of B.C. Border Restrictions Won't Float Yukon Tourism Industry, Says Advocate."
2020/10/30

Tourism forecast. The optimistic forecast for sectors related to tourism in Yukon shows a drop in GDP in accommodation and food services of almost half, not recovering to 2019 levels until 2023. Employment in commercial services returns to 2019 levels by 2022 in this scenario. In our very pessimistic scenario, the accommodation and food services GDP does not recover to 2019 levels until 2024, while employment in commercial services returns to 2019 levels in 2023.

Table 16: Yukon accommodation and food sector GDP at basic prices (millions, chained \$ 2012)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total - All Industries	2,320	2,488	2,512	2,593	2,618	2,666	2,859	2,947	3,113	3,259
(% change)	-7.6	7.2	1.0	3.2	1.0	1.8	7.3	3.1	5.6	4.7
Baseline										
Accommodation and Food Services	75	79	85	87	92	51	66	78	97	100
(% change)	-0.3	5.6	7.2	3.0	5.8	-45.2	30.0	19.0	23.4	3.1
Optimistic										
Accommodation and Food Services	75	79	85	87	92	55	75	84	99	101
(% change)	-0.3	5.6	7.2	3.0	5.8	-40.2	35.0	12.9	17.6	2.5
Pessimistic										
Accommodation and Food Services	75	79	85	87	92	50	55	63	87	93
(% change)	-0.3	5.6	7.2	3.0	5.8	-46.3	12.0	12.9	38.4	6.8
Very pessimistic										
Accommodation and Food Services	75	79	85	87	92	50	55	63	87	93
(% change)	-0.3	5.6	7.2	3.0	5.8	-46.3	12.0	12.9	38.4	6.8

Source: The Conference Board of Canada; Statistics Canada

Table 17: Yukon commercial services employment (annual averages, thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total - All Industries	19.4	20.2	21.2	21.3	21.5	20.9	21.9	22.4	23.5	24.1
(% change)	-2.0	4.1	5.0	0.5	0.9	-2.6	4.5	2.6	4.6	2.8
Baseline										
Commercial Services*	5.0	5.0	5.5	5.2	4.6	3.8	4.2	4.5	4.9	5.0
(% change)	0.0	0.0	10.0	-5.5	-11.5	-16.4	9.5	7.7	8.3	2.5
Optimistic										
Commercial Services*	5.0	5.0	5.5	5.2	4.6	4.0	4.4	4.7	5.0	5.1
(% change)	0.0	0.0	10.0	-5.5	-11.5	-13.8	10.2	6.7	6.7	2.1
Pessimistic										
Commercial Services*	5.0	5.0	5.5	5.2	4.6	3.8	4.0	4.2	4.7	4.9
(% change)	0.0	0.0	10.0	-5.5	-11.5	-17.0	4.9	5.6	11.7	3.9
Very pessimistic										
Commercial Services*	5.0	5.0	5.5	5.2	4.6	3.8	4.0	4.2	4.6	4.8
(% change)	0.0	0.0	10.0	-5.5	-11.5	-17.0	4.4	4.6	11.2	3.9

*includes professional services, administrative and waste management, accommodation and food, information and cultural, arts and recreation, and other commercial services

Source: The Conference Board of Canada; Statistics Canada

Northwest Territories Tourism

Spectacular Northwest Territories has 186 members that represent licensed tour operators and other organizations that participate in the tourism sector. Tourism spending by more than 110,000 visitors to the Northwest Territories topped \$200 million in 2017.¹³³

An early blow. The initial impact of the pandemic on tourism businesses was a drop in visits by the Chinese tourists who come to see the Northern Lights as much of China locked down early in the year. Then in March, the Northwest Territories government closed border to all non-residents except essential workers and truck drivers. By March, 94 per cent of tourism operators had already seen a decrease in bookings, and three quarters had temporarily closed with a third terminating or laying off workers.¹³⁴ By April, the Government of the Northwest Territories had conceded that “International tourism is definitely gone in the short term and will take a long time to recover” and that some businesses would fold.¹³⁵ By the end of May, hotels across the territory had laid off most of their staff. For instance, the Explorer Hotel in Yellowknife laid off 70 people.¹³⁶

By May, the tourism sector was reporting the biggest declines in revenue of all the sectors in Northwest Territories, down 76 per cent. Business operators thought they could survive, on average, about 5 months under the lockdown measures. Restaurant, food and beverage businesses felt most vulnerable. Almost half of business respondents had accessed government support programs with the CERB being the most common at 27 per cent.¹³⁷

Borders opened with quarantines. Late May, the Northwest Territories government opened limited exemptions for Canadian non-residents to visit if they stayed in one of four regional isolation centres only, in Yellowknife, Inuvik, Hay River or Fort Smith, for two weeks (not remote communities).¹³⁸ Nunavut and Northwest Territories opened inter-territorial travel bubble June 12 but declined to include Yukon because Yukon had included BC in their bubble.¹³⁹

By the beginning of August, the government had effectively pumped \$2.7 million into the accommodation sector by setting up government-approved isolation centres, mainly in hotels in Yellowknife, Fort Smith, Hay River and Inuvik, where returning residents with no

¹³³ CBC News, “Tourism Soars in N.W.T, Setting New Record for Visits and Spending.”

¹³⁴ Government of Northwest Territories, “Survey Results: Economic Impact of COVID-19 on Tourism and Business in the Northwest Territories.”

¹³⁵ Williams, “NWT Unveils ‘emerge Stronger’ Plan for Economic Recovery.”

¹³⁶ Minogue, “Hotels in Northern Canada Laid off Dozens as COVID-19 Shutdown Squashed Business Overnight – Eye on the Arctic.”

¹³⁷ Government of Northwest Territories, “Survey Results: Economic Impact of COVID-19 on Tourism and Business in the Northwest Territories.”

¹³⁸ Williams, “Health Minister Says NWT Stopped Turning Away Non-Residents on May 29.”

¹³⁹ Williams, “Here’s Why the NWT Isn’t Getting a ‘travel Bubble’ with Yukon.”

place to self-isolate could stay at government expense.¹⁴⁰ But other operators saw little business..

A September survey of 94 tourism operators in territory found that 57 per cent had laid off employees (nearly 850 full- and part-time jobs), and three-quarters had seen revenues down by more than half in the first eight months of 2020, compared to 2019. Just over half had closed temporarily in response to the pandemic.¹⁴¹

Government relief. From May, Northwest Territories businesses, including tourism operators, could access low interest loans through the Business Development and Investment Corporation, and the May business survey found that already about 8 per cent had accessed this program, but numbers remained below 10 per cent by the September survey. Mid-August, Government of the Northwest Territories and CanNor made \$1,5 million available specifically for tourism related projects in new product development and innovation, marketing and promotion, and operations and maintenance, through the Growth and Recovery by Investing in Tourism (GRIT) Fund.¹⁴² The September survey of tourism operators found that more than a quarter had accessed NERF, and nearly 20 per cent had used the Canada Emergency Business Account (CEBA) and CEWS. Just under 15 per cent benefited from CERB.

“We had a strong tourism sector ... in the Arctic, but with COVID-19 , you’re optimistically looking at a there or four year recovery period,”¹⁴³ predicts Paul Gruner CEO of Det’on Cho Corporation, the economic development arm of the Yellowknives Dene First Nations.

¹⁴⁰ Barton, “Not a Vacation.”

¹⁴¹ Spectacular Northwest Territories, “2020 Survey Results: COVID-19 Tourism Industry Impacts and Relief Measures, August 21 - September 2020.”

¹⁴² CBC News, “N.W.T. Government Offers Tourism Related Businesses a New Financial Boost.”

¹⁴³ Wallis, “Indigenous Economy with Paul Gruner, CEO.”

Tourism forecast. For sectors related to tourism, all of our forecasts expect 2020 GDP to have dropped by about half of the 2019 level for the accommodation and food services sector. The optimistic forecast does not see a return to 2019 levels until 2023, while the very pessimistic puts that improvement off beyond 2024. Employment in commercial services has been in decline for the past five years, and none of scenarios see a return to 2019 levels during this forecast period.

Table 18: Northwest Territories accommodation and food sector GDP at basic prices (millions, chained \$ 2012)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total - All Industries	2,320	2,488	2,512	2,593	2,618	2,666	2,859	2,947	3,113	3,259
(% change)	-7.6	7.2	1.0	3.2	1.0	1.8	7.3	3.1	5.6	4.7
Baseline										
Accommodation and Food Services	93	94	93	95	100	49	65	79	102	105
(% change)	-6.3	1.5	-1.8	2.3	5.9	-51.2	32.6	21.0	29.6	2.6
Optimistic										
Accommodation and Food Services	93	94	93	95	100	52	72	81	101	104
(% change)	-6.3	1.5	-1.8	2.3	5.9	-48.2	38.2	13.2	24.4	2.4
Pessimistic										
Accommodation and Food Services	93	94	93	95	100	49	53	61	91	101
(% change)	-6.3	1.5	-1.8	2.3	5.9	-51.6	9.6	13.6	49.9	10.9
Very pessimistic										
Accommodation and Food Services	93	94	93	95	100	49	53	61	87	96
(% change)	-6.3	1.5	-1.8	2.3	5.9	-51.6	9.6	13.6	43.9	9.9

Source: The Conference Board of Canada; Statistics Canada

Table 19: Northwest Territories commercial services employment (annual averages, thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total - All Industries	19.4	20.2	21.2	21.3	21.5	20.9	21.9	22.4	23.5	24.1
(% change)	-2.0	4.1	5.0	0.5	0.9	-2.6	4.5	2.6	4.6	2.8
Baseline										
Commercial Services*	4.6	4.5	4.1	4.3	4.1	3.1	3.4	3.6	3.9	3.9
(% change)	-2.1	-2.2	-8.9	4.9	-4.7	-24.7	9.5	6.3	8.5	1.2
Optimistic										
Commercial Services*	4.6	4.5	4.1	4.3	4.1	3.1	3.5	3.6	3.9	4.0
(% change)	-2.1	-2.2	-8.9	4.9	-4.7	-23.3	10.5	4.9	7.3	1.0
Pessimistic										
Commercial Services*	4.6	4.5	4.1	4.3	4.1	3.1	3.2	3.3	3.7	3.9
(% change)	-2.1	-2.2	-8.9	4.9	-4.7	-25.0	4.1	4.2	12.4	3.6
Very pessimistic										
Commercial Services*	4.6	4.5	4.1	4.3	4.1	3.1	3.2	3.3	3.7	3.8
(% change)	-2.1	-2.2	-8.9	4.9	-4.7	-25.0	3.6	3.7	10.8	3.5

*includes professional services, administrative and waste management, accommodation and food, information and cultural, arts and recreation, and other commercial services

Source: The Conference Board of Canada; Statistics Canada

Nunavut Tourism

Travel Nunavut has about 140 member tourism operators, three quarters of which are headquartered in Nunavut and 66 of which are Inuit-owned.¹⁴⁴ Prior to the onset of the pandemic, the Nunavut travel and tourism sector was worth \$300 million a year and more than 50,000 travellers from outside the territory provided income for 3,000 people in 2019.¹⁴⁵ Business travellers make up about half of visitors to the territory, most coming in from the rest Canada, with 7,800 international visitors making up only 6 per cent of all visits.¹⁴⁶ However, more than 4,000 cruise tourists visited the territory in 2019 and cruise operators spent almost a million dollars in communities they visited.¹⁴⁷

Territorial restrictions. In mid-March Nunavut implemented the most stringent travel ban in Canada, requiring people to isolate for 14 days in a Government of Nunavut designated isolation facility in either Ottawa, Winnipeg, Edmonton or Yellowknife before boarding a plane to the territory. (Limited hotel capacity precluded isolation centres in Nunavut.) In March, the Nunavut government actively discouraged travellers from coming to Nunavut.¹⁴⁸

Federal closures. Due to concerns about the vulnerability of the health system in Nunavut communities, in March Transport Canada cancelled Arctic travel for cruise ships of all sizes for the summer of 2020. Communities like Pond Inlet suffered the loss of service fees which had been about \$250,000 in 2018 and were expected to exceed that in 2020.¹⁴⁹ From mid-March, all Parks Canada sites were closed and will not be open again until Jan 2021 at the earliest.¹⁵⁰

By the end of March, nearly a quarter of tourism operators reported a decline of more than 50 per cent in sales revenue in Q1. More than 40 per cent had laid off staff.¹⁵¹ For example, Frobisher Inn in Iqaluit laid off 75 people.¹⁵² There were no bankruptcies by September, but financial failures seem possible in the next months.

In mid-June a common travel area was opened with the Northwest Territories, and in July a similar area was opened with Churchill, MB, where quarantine restrictions did not apply.¹⁵³ By the end of the summer, many local hotels had occupancy rates averaging 10 per cent

¹⁴⁴ Kelly, "COVID-19 Travel Nunavut Member Survey."

¹⁴⁵ Neary, "COVID-19 Batters Nunavut's Travel Industry; 75 per cent of Tourism Businesses May Close in Second Quarter."

¹⁴⁶ Department of Economic Development and Tourism, "Annual Tourism Report 2018-2019."

¹⁴⁷ Quinn, "Scrapped 2020 Cruise Season Will Cost Communities in Nunavut, Canada Almost \$1 Million – Eye on the Arctic."

¹⁴⁸ Murray, "'Don't Travel Here Unless Absolutely Necessary,' Says City of Iqaluit | CBC News."

¹⁴⁹ Neary, "Transport Canada Shuts down Cruise Ships in the Arctic for This Summer."

¹⁵⁰ Neary, "Parks Canada Closures in Nunavut Extended until End of January."

¹⁵¹ Kelly, "COVID-19 Travel Nunavut Member Survey."

¹⁵² Minogue, "Hotels in Northern Canada Laid off Dozens as COVID-19 Shutdown Squashed Business Overnight – Eye on the Arctic."

¹⁵³ Department of Health, "COVID-19 (Novel Coronavirus) | Government of Nunavut."
2020/10/30

with only occasionally getting up to 70 to 80 per cent for a night or two at most. This is compared with a normal occupancy rates of 90 to 100 per cent.¹⁵⁴

Government relief. The Government of Nunavut had allocated up to \$24,6 million in grants to subsidize Canadian North and Calm Air from April to June. The Federal government provided \$5 million to subsidize Nunavut airlines to ensure the delivery of essential goods but keeping them afloat will benefit the tourism sector in the long run too.¹⁵⁵ Small Inuit tourism operators have been challenged to access government support programs. Application forms tend to be complex for ESL speakers, and requirements for formal financial statements are beyond many micro and small businesses.

¹⁵⁴ personal communication, Kevin Kelly, CEO Travel Nunavut.

¹⁵⁵ Brown, "Nunavut Government Issues Nearly \$49M in Unbudgeted Money for COVID-19 ." 2020/10/30

Tourism forecast. For sectors related to tourism, Nunavut GDP for the accommodation and food services sector is down by more than half in 2020 in all of our scenarios. In our optimistic scenario, GDP from this sector will return to 2019 levels by 2023, while in our very pessimistic scenario, it only just exceeds 2015 levels in 2024. Employment in commercial services is forecast to pick up a bit sooner, with the number of workers back at 2019 levels by 2022 in the very pessimistic scenario and increasing from 2021 in the optimistic scenario. However, even in the optimistic scenario commercial services employment remains below the levels seen in recent years.

Table 20: Nunavut accommodation and food sector GDP at basic prices (millions, chained \$ 2012)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total - All Industries	2,353	2,479	2,765	2,974	3,156	3,247	3,623	3,754	3,939	3,976
(% change)	-0.4	5.4	11.5	7.6	6.1	2.9	11.6	3.6	4.9	0.9
Baseline										
Accommodation and Food Services	27	29	31	32	32	14	17	21	32	34
(% change)	10.0	9.8	5.8	2.9	1.3	-57.9	29.0	20.6	53.4	4.9
Optimistic										
Accommodation and Food Services	27	29	31	32	32	16	22	24	34	35
(% change)	10.0	9.8	5.8	2.9	1.3	-51.2	37.4	11.2	41.6	1.9
Pessimistic										
Accommodation and Food Services	27	29	31	32	32	14	16	18	28	32
(% change)	10.0	9.8	5.8	2.9	1.3	-55.0	8.9	14.0	58.1	13.7
Very pessimistic										
Accommodation and Food Services	27	29	31	32	32	14	16	17	26	28
(% change)	10.0	9.8	5.8	2.9	1.3	-55.0	8.3	11.1	51.2	5.1

Source: The Conference Board of Canada; Statistics Canada

Table 21: Nunavut commercial services employment (annual averages, thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total - All Industries	12.7	13.5	13.4	13.5	13.9	13.3	13.9	14.1	14.5	14.7
(% change)	3.3	6.3	-0.7	0.7	3.0	-4.4	4.7	1.2	3.0	1.3
Baseline										
Commercial Services*	2.1	2.4	2.1	2.2	1.6	1.6	1.7	1.8	1.9	1.9
(% change)	10.5	14.3	-12.5	4.8	-27.3	-2.1	6.6	5.0	8.5	2.4
Optimistic										
Commercial Services*	2.1	2.4	2.1	2.2	1.6	1.6	1.7	1.8	1.9	2.0
(% change)	10.5	14.3	-12.5	4.8	-27.3	0.0	7.5	4.2	7.4	1.8
Pessimistic										
Commercial Services*	2.1	2.4	2.1	2.2	1.6	1.6	1.6	1.7	1.8	1.9
(% change)	10.5	14.3	-12.5	4.8	-27.3	-2.0	3.3	3.8	9.4	4.0
Very pessimistic										
Commercial Services*	2.1	2.4	2.1	2.2	1.6	1.6	1.6	1.7	1.8	1.8
(% change)	10.5	14.3	-12.5	4.8	-27.3	-2.0	3.1	2.8	7.7	2.6

The Impact of COVID-19 on Canada's Territorial Economies

*includes professional services, administrative and waste management, accommodation and food, information and cultural, arts and recreation, and other commercial services
Source: The Conference Board of Canada; Statistics Canada

Recommendations

Industry representatives in all three sectors said their members much prefer to survive this crisis by continuing their work, rather than taking on loans or grants. The support they want from government should include flexible and creative solutions to help them safely restart and/or continue their business operations. There are several ways government might respond to these concerns.

Short-term investments

Financial support for local businesses. First and foremost, policymakers in the North must have a plan in place to support local businesses when the CEWS ends, slated for summer 2021. This is particularly important if the territorial borders remain restricted well into next year—which we anticipate in even our most optimistic economic scenario—because tourism activity in the territories would still be muted. With businesses in the accommodations and food sector already on life support, a sudden end to their wage subsidies would encourage companies to close shop altogether as demand in that sector will not return to 2019 levels next year. Additional financial support, such as a gradual reduction in the CEWS, will be needed to help sustain tourism-dependent industries over the next few years.

Monitoring and supporting recovery in labour markets. In addition to extending financial support to businesses, policymakers need to carefully monitor the recovery of territorial labour markets. The CERB has ended, and many individuals who are still unemployed due to the pandemic have transitioned to Employment Insurance. But many parts of Canada are experiencing the “second wave” of COVID-19 cases, and it is uncertain how consumers and businesses will feel about the crisis over the short term.

Our latest national forecast calls for economic growth to slow in the fourth quarter of 2020, as it is likely that household spending will be hurt by the surge in COVID-19 cases, even without widespread business shutdowns across the country. That will likely weigh on employment across most regions, including the territories. The lack of a skilled northern labour force to meet mining sector demands (one of the few industries where job opportunities will still be present during the “second wave”) implies that job prospects may continue to be limited for many residents in the North. As such, there may be additional funding needed to support those out of work, even compared to other parts of Canada, such as a return of something similar to the CERB over the next few months.

Ensure infrastructure continues to develop. Governing institutions need to ensure that planned infrastructure projects—whether public or private—continue to go ahead unscathed, as those projects are vital for the development of northern communities.

Telecommunications, and broadband in particular, will be a key driver of growth in the territorial economies over the short and long term. The pandemic has accelerated the shift

to remote work in many sectors, which presents an opportunity for residents in the North to work for firms located elsewhere in Canada while still living in the territories. It has also opened up huge opportunities for online learning. However, access to broadband Internet is very limited in remote northern communities. There needs to be a subsidy, or some other policy mechanism in place to encourage investment in reliable and scalable next-generation telecommunications infrastructure to ensure northern communities get the broadband they need to capitalize on these opportunities.

Financial management training. The difficulties small Indigenous businesses have experienced when applying for COVID-19 support programs have revealed a pressing need for more accessible and appropriate financial management training for small businesses in the North.

Longer-term investments

Support alternatives for diversification. The tourism sector has been promoted as a viable alternative to the resource sectors for diversifying the territorial economies. However, in the COVID-19 era, the vulnerability of tourism has become evident. Investments in other sectors, such as clean energy and the broader conservation economy could help expand and strengthen opportunities for economic diversification.

Skills development to replace FIFO workers. The weakness—if not the danger—of depending on out-of-territory FIFO workers across multiple sectors has been highlighted by the pandemic. More than ever, there is an urgent need to train territorial workers to fill these positions. Investments in innovative skills development initiatives that target the occupations most often filled by FIFO workers would have long term benefits. Creative initiatives that address the complexities of delivering the apprenticeship model for the skilled trades in small economies and remote communities would be particularly valuable. In addition, more programs to attract skilled immigrants and inter-provincial migrants in those occupations to move permanently to the territories would likewise reduce the need to bring in out-of-territory FIFO workers while increasing the local tax base, etc.

Streamline permitting. The ability to invest quickly in territorial infrastructure projects that support immediate employment and lay the groundwork for future private sector investment is often constrained by permitting processes. Initiatives that help streamline permitting processes, while not compromising on Indigenous rights or environmental standards, could support faster economic recovery.

Appendix A

CanNor Statistics

Table 22: Combined Total NBRF-RRRF Grants, April 20 to October 15, 2020

Totals	YUKON	NWT	NUNAVUT	TOTAL
# Applications Approved	233	235	46	514
Total grants	\$ 11,843,533	\$ 9,953,890	\$ 2,777,270	\$ 24,574,693
Average grant	\$ 50,831	\$ 42,357	\$ 60,375	\$ 47,811
Number of jobs maintained	601	807	216	1624
Grant \$ per job	\$ 19,706	\$ 12,334	\$ 12,858	\$ 15,132
Labour force (2019)	21,100	23,100	16,400	60,600
Per cent of workers helped	3%	3%	1%	3%

Source: The Conference Board of Canada; CanNor

Table 23: NBRF-RRRF Grants, April 20 to October 15, 2020, by ownership

	Women*	Indigenous*	Tourism
	Business is majority owned or managed by Women	Business is majority owned or managed by Indigenous Peoples	Arts, entertainment and recreation/ Tourism/ Accommodations and food services/ Transportation
# Applications Approved	201	101	285
Number of jobs maintained	683	401	841
Total grants	\$ 7,416,409	\$ 4,188,518	\$ 17,449,972
Average grant	\$ 36,898	\$ 41,470	\$ 61,228

*An application may identify more than one Applicant Type

Source: The Conference Board of Canada; CanNor

Appendix B

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