

Resource Expo 2004

Premier Joe Handley

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Ladies and Gentlemen, it is a great pleasure to be with you this morning. I want to thank the organizers of this important conference for inviting me to speak.

The subject of aboriginal economic development is a very relevant one to the Northwest Territories. As I look around the room I see many people I know well and I recognize even more of you. It is very inspiring to me how far we, as a group, have come in a few short years. I have attended this and other meetings over the last few years and remember hearing about some of your projects, at the time in various stages of development from a simple idea to an actual business venture. Today, as I listen to your presentations there is so much exciting progress to report. We should not forget, in our busy days, to take a moment to celebrate our success and reflect on how far we have come.

I must say, I am particularly looking forward to the outcomes of this conference and to see how we might apply some of them in the Northwest Territories. But right now I want to share some of the Northwest Territories experiences with you.

I want to talk about some specific projects in the Northwest Territories and how we have worked to ensure these projects proceed while maximizing the business and employment opportunities for our residents, both Aboriginal and non-Aboriginal. The focus of Resource Expo is Aboriginal participation in the economy - in the Northwest Territories encouraging and supporting the participation of Aboriginal people in our economy is imbedded in everything we do. We, like you, do not have all the answers. I hope, however, to provide some concrete examples of where we think we got it right in encouraging the development of Aboriginal businesses and in building the capacity of Aboriginal residents to secure jobs, establish businesses and take advantage of the economic opportunities we have been blessed with.

Specifically then, I want to share with you:

- Our approach to large-scale resource development such as diamond mining and the Mackenzie Gas Project;
- Our efforts to work in partnership with Aboriginal governments on potential hydro-electric development; and,
- Our support for a major, community-driven project to build a bridge across the Mackenzie River.

Let me first provide a short overview of our current socio-economic situation to set the context.

The Northwest Territories is a vast, spectacular region of breathtaking beauty, an abundance of resources and a small population. It is the land of the midnight sun and eight months of wonderful but harsh winter.

It is home to 43,000 people living in 33 small communities - many of these communities are accessible only by air or, in winter, by snowmobile or ice road. Some fifty percent (50%) of our people are of Aboriginal descent - Dene, Metis and Inuvialuit, the original peoples of the far north.

Aboriginal people in the Northwest Territories have made tremendous strides in negotiating agreements that will provide a greater level of political autonomy. Land Claims agreements are settled in the northern regions of our territory and negotiations continue in all other regions. With the upcoming passage of the Tlicho Land Claims and Self-Government Settlement Act in the House of Commons, we will have established the very first Aboriginal self-government in the Northwest Territories.

However, political autonomy is only one step towards self-determination. True self-determination means economic self-sufficiency – the type of self-sufficiency that allows Aboriginal people to make their own decisions without depending on other levels of government for the financial means to do so. In my view, when politics and business are pursued on parallel but separate tracks, there is a greater potential for success in both.

These are times of immense change in the Northwest Territories. Exploration and development are booming. In five years, NWT diamond mines have made Canada the world's third largest supplier of rough diamonds by value. In the near future we expect an application to be filed to build the Mackenzie Valley pipeline ... the largest infrastructure project undertaken in the north since the construction of the Dempster Highway.

Aboriginal people in the Northwest Territories are actively working to take advantage of the opportunities coming from these developments. We believe it is our job as government to provide the programs and political support to ensure this occurs.

It was only in 1998 that BHP Billiton produced Canada's first diamonds, at the Ekati mine in the Northwest Territories. Last year, a second mine – Diavik – came on stream. A third Northwest Territories mine, the De Beers' Snap Lake project, recently passed the environmental review process and is anticipated to begin production in 2006. And I believe you will hear more about some of these specific projects later on today.

Combined, these three mines will contribute an estimated \$26 billion dollars to the Gross Domestic Product over their lifetimes, over \$7.5 billion dollars will go into government revenues and almost 126,000 person years of work will be created.

When these developments were beginning in the mid-1990's our economy was struggling– the existing mines in the territory were at the end of their economic life and there was much less interest in oil and gas development. We needed a new approach and set out to determine this time how best to ensure northerners maximized the benefit from the development of these new resources.

Our government sat down with the diamond mining companies, beginning with BHP, and negotiated socio-economic agreements that laid out our expectations with respect to the economic benefits these projects could bring us. This meant northern employment targets including jobs for Aboriginal and northern people as well as contracting and other opportunities for aboriginal and northern businesses.

It also meant the negotiation of agreements with mining companies to provide access to a certain portion of rough diamonds to northern manufacturers – this has resulted in the establishment of a small value-added industry to cut and polish diamonds in the Northwest Territories.

While we were negotiating socio-economic agreements that set the context for these projects to move forward, communities affected by these developments were negotiating Impact Benefit Agreements that laid out the specific obligations of the companies to these communities. These agreements have resulted in a fundamental change in the economic conditions in a number of our smaller communities – it has meant direct benefits to Aboriginal organizations, it has provided significant contracting opportunities resulting in the development of many new Aboriginal-owned businesses and a significant rise in employment rates.

As a matter of fact, the problem we now face is bringing more people into the workforce to fill the jobs available. Our reality is that many of our residents lack the skills needed for employment in the mining or oil and gas industries – and they lack the access to programs that would help them develop those skills. Without those skills, they will not be able to participate in the opportunities created by the proposed pipeline.

To better prepare northerners, particularly Aboriginal northerners, with the skills and training to take advantage of the employment opportunities offered by these projects we have partnered with the federal government, industry and Aboriginal organizations through the federal Aboriginal Skills Employment Program to invest \$40 million dollars in investment and in-kind contributions to enhance mine industrial skills development.

Earlier, I spoke about the aspirations for greater self-determination of the Tlicho people through the passage of the legislation currently before the House of Commons to ratify their land claim and self-government agreement.

I also want to highlight an area where the Tlicho have shown tremendous leadership. The Tlicho leadership made a deliberate decision several years ago to invest funds they received from Impact Benefit Agreements to support Tlicho residents who wanted to pursue post-secondary education. As a result of this initiative, in a few short years, the investment in their human resource potential has resulted in a growth of post-secondary students from less than 10 to over 130.

While the impact of diamond mining on the NWT economy has been amazing, if we do it right, the Mackenzie Valley Gas Pipeline project has the potential to trigger a level of economic growth unprecedented in the history of the Northwest Territories.

With construction activity scheduled to begin as early as 2007, natural gas could start to flow through the proposed Mackenzie Valley pipeline in 2008 or 2009. Based on the current estimated reserves of natural gas alone, NWT gas will supply southern markets until at least the year 2033.

The scope and magnitude of this project for the Northwest Territories and Canada is a little overwhelming. Investment for this project and the associated long-term development of the Beaufort Mackenzie Delta reserves is expected to be almost \$8 billion dollars, while total project revenues could be in excess of \$50 billion dollars and the project is expected to create some 157,000 person years of direct and indirect employment.

These are impressive numbers but we only have one chance to get it right if we are going to build a secure economic future for our people.

The wealth from this project provides important opportunities for NWT communities and residents to take control of their economic future. We are working in partnership to secure the maximum benefit from this project for both Aboriginal and Non-Aboriginal residents of the Northwest Territories. Our work is focussed on 4 themes:

- Ensuring maximum employment and business opportunities;
- Training of northerners;
- Equity participation; and,
- Sharing the resource revenues for investment in programs and services for all Northwest Territories residents.

Similar to the approach taken with diamond mining companies, we are working to maximize the employment and business opportunities from this project through the negotiation of several social-economic agreements with the project's proponents. These agreements will set out project-specific opportunities such as northern employment including the employment of Aboriginal people, contracting and procurement for northern businesses.

At the same time, the proponents of this project will be negotiating access and benefit agreements with Aboriginal organizations in each of the four regions affected by this development setting out specific terms for affected Aboriginal groups. These terms may include fees for access to land, specific contracting arrangements and specific requirements for the hiring of members from the affected Aboriginal community. In considering the issue of access and benefit agreements, it is important to recognize one size may not fit all. These agreements may vary by region because of different needs or the structure of existing land claims agreements.

The second area we are looking at for this project is to train our residents to get jobs in the oil and gas industry. As we have done in relation to the mining industry, we have partnered with the federal government, industry and Aboriginal organizations through the federal Aboriginal Skills Employment Program to invest over \$13 million dollars over the next five years to training programs.

The third, and perhaps most important, area of benefit is the initiative by Aboriginal people to take an equity position in the pipeline. A little over four years ago in Fort Liard, Aboriginal leaders representing all regions and communities in the Northwest Territories were invited to discuss how they could benefit from the pipeline.

It was at this meeting Aboriginal leaders said they would support the project if it created real economic opportunities for northerners – that means employment, investment and business opportunities. More importantly, Aboriginal leaders at that meeting demanded to have the opportunity to participate as equity partners.

Under the leadership of people such as Nellie Cournoyea and Fred Carmichael, the Aboriginal Pipeline Group has negotiated a precedent-setting agreement with the Mackenzie Delta Producers' Group, a consortium of large companies led by Imperial Oil. The importance of this agreement will transcend the construction of the pipeline.

In general terms, the Aboriginal Pipeline Group has negotiated and secured:

v a minimum one-third equity interest in the proposed Mackenzie Valley pipeline; v \$80 million in financing from TransCanada Pipelines to cover their costs during the project definition phase; and, v assistance from the Producers Group for any necessary funding to cover their share of the construction costs.

The GNWT is a strong supporter of the APG, both financially and politically, because we believe it is this type of economic partnership between industry and Aboriginal people that will result in significant Aboriginal participation and economic benefits - benefits only dreamed about in past large-scale resource development projects in the Northwest Territories.

Finally, we are pursuing the negotiation of an equitable division of resource revenues among the federal government and northern governments, both the GNWT and Aboriginal governments. As a northern jurisdiction we have limited ability to raise our own revenues. We have yet to complete negotiations for management and control over our own natural resources, and the huge resource revenues from our diamonds and oil and gas still go to the federal government. At the same time, we are facing unprecedented challenges. The pressures from development in all regions of the Northwest Territories are great. The changes created by the proposed Mackenzie Valley Pipeline and other developments have the potential to overwhelm our communities and challenge their ability to cope. Meeting this challenge will require investments currently beyond the means of our government and certainly beyond the means of new, emerging Aboriginal self-governments. The revenues that could come from such an agreement will provide much-needed funding to deal with these pressures and will offer our communities help in building capacity.

Tangible and immediate returns from the development of resources from our own lands just make common sense in building the trust, confidence and optimism necessary for the important partnerships we are forging in building for the future of the Northwest Territories.

The negotiation of an equitable agreement to share these revenues is a critical missing link in the development of a Mackenzie Valley Pipeline.

In the Northwest Territories, we are also considering large-scale hydro-electric developments on the Taltson and Bear Rivers. We believe such projects are important, not just for the economic benefits they could bring, but because they are a source of cheaper and cleaner energy sources

for our communities – energy sources that will reduce our reliance on diesel generation.

The Northwest Territories has the potential to generate as much power as the James Bay project, but without having to create huge reservoirs. This is because we anticipate using the latest “run of the river” technology.

These projects will have little impact on traditional lands and ways of life, and will offer stable, long-term sources of revenue. And for those reasons, northern Aboriginal governments are very interested in participating in these projects.

The Northwest Territories Power Corporation, a wholly-owned Crown Corporation of our government, is working with the Deline Land Corporation and the Tulita Yamouria Secretariat on a hydro proposal to supply power for the Mackenzie Valley Pipeline project. A run-of-river dam on the Great Bear River could provide up to half of the eventual power requirements for the pipeline, enabling the Producers Group to sell their gas to potentially lucrative southern markets rather than burning it for power in the NWT.

The NWT Power Corporation is also working with the Akaitcho Regional Investment Corporation and the South Slave Metis Economic Corporation to investigate the development of the Taltson River to supply hydro-electric power to diamond mines in the Northwest Territories, as well as potential export markets. Another interesting partnership occurring in the Northwest Territories concerns a proposal to build a bridge across the Mackenzie River ensuring year-round road transportation to Yellowknife and other northern communities on our limited main highway system. This is an initiative of the Fort Providence Combined Council Alliance, a partnership between local municipal and First Nation governments, and Metis organization.

The proposal is for a public-private partnership between the Government of the Northwest Territories and the Alliance. The Alliance would design, construct, finance and operate the bridge and transfer it to the GNWT at the end of a certain period of time. The bridge would be paid for through tolls on commercial vehicles.

The GNWT contributed both in direct contributions of \$200,000 and loan guarantees up to \$2.5 million to assist the Alliance. We have passed the Deh Cho Bridge Act authorizing the government to enter into agreements for the project concession and to charge tolls. The Alliance is presently engaged in securing the required regulatory approvals. The current construction schedule anticipates the opening of the Deh Cho Bridge to traffic in late 2006.

This is an exciting project – one that has the potential to develop an important piece of transportation infrastructure for our territory and to provide an important economic benefit to the community of Fort Providence.

These three initiatives speak to the different types of partnerships occurring in the Northwest Territories that allow all northern residents to take advantage of the tremendous economic opportunities at our doorstep.

In summary, we work to pursue our political and economic objectives separately, to work with companies to set out our expectations on benefits to the north from specific projects, to develop partnerships with industry and other levels of government, to put in place programs to train our people to take the jobs available, to encourage the development of value-added industries and equity participation by northerners wherever possible, and to encourage the development of strong, lasting and mutually beneficial partnerships between Aboriginal and non-Aboriginal companies.

We are excited about the potential they hold for our people and for building a prosperous and sustainable future for our territory. This progress is a direct result of strong Aboriginal leaders in the Northwest Territories.

I hope hearing about some of our experiences will be useful to you in the development of your own initiatives and opportunities.

Once again, I would like to thank you for inviting me to speak today and I look forward to having the opportunity to talk to some of you individually as the day unfolds.

Mahsi.