



November 30, 2004

MacKenzie Valley Environmental Impact Review Board

Attention: Mr. Alan Ehrlich
P.O. Box 938, 200 Scotia Centre 5102 50th Avenue
Yellowknife, NT X1A 2N7

Dear Board Members:

Re: Deh Cho Geotechnical Investigation Proposed by the MacKenzie Gas Project. EA-03-009

To supplement the environmental, social, cultural and spiritual impacts of the proposed work, our community-owned business corporation appreciates the opportunity to also highlight the significant public *economic* concerns. Unfortunately, there seems no other forum to address the multitude of very material economic issues associated with this project and the conduct of the proponents. Our Company and many others involved in the proponent's procurement processes over the past three years, have concluded that no one is pleased with the outcomes yet the same approaches continue to be employed despite direct feedback and growing frustration. Local governments and communities have consistently brought up concerns about their preferred access to the contracts and employment in consultations, without the concerns being addressed.

The key economic issues giving rise to public concerns are:

1. Uncertain Benefits and Sharing - There is no means to provide certainty of equitable benefits (economic or otherwise) to land owners, communities and individuals *impacted* by the proposed work. The nature and quantum of the benefits are unknown and how they will be shared has yet to be determined. This should not be left of a competitive bid process!
2. Alignment of Expectations and Outcomes - The project proponents and the Northerners, especially the impacted corridor communities, have differing views and expectations regarding Northern Benefits and Economic Development. There is no requirement for the parties to come to some agreement and make compromises where required.
3. No Listening to Dehcho Specific Needs - The project proponents have consistently employed procurement approaches that are not supportive of economic development in the Dehcho, given its stage of economic development and land claim status.
4. No Effective Consultation on Economic Matters - To-date, consultation has been ineffective in addressing economic issues. There is no forum to discuss, listen and resolve economic issues pertaining to this project with full information and dispute resolution capabilities. Interested parties are held at arms length as "bidders" rather than local partners with important relationship potential. Bidders are not asked for input into the project or approach.



5. Engaging Existing Capacity and Local Aspirations – The procurement process employed by the proponents (pre-qualification and competitive bidding) makes it difficult for local impacted communities, businesses and entrepreneurs to participate. The process is intimidating, time consuming, expensive and with uncertain outcomes.

Conclusions and Recommendations

We believe, in large part, the reason we are here today is the inability of the proponents and communities of the Dehcho to find equitable ways for economic participation in this initial winter work program and to secure prospects for similar sharing as the subsequent phases if the project proceeds. If the regulatory process does provide some leadership to this important dimension, the path ahead will be fraught with continued delays, frustration and unnecessary costs to the proponents and suppliers.

We offer the following recommendations for your consideration:

1. Effective Economic Consultation Resulting in Impact Benefit Agreements - For any project over a certain dollar limit (say \$2,000,000) or with significant potential unmitigated impacts, that an impact/benefit agreement (IBA) be required with each directly impacted community or local government. For an application to be considered complete, a signed acknowledgement should be provided by each community or local government. The IBA offers accountability of one party to the other. Specific terms of participation must be agreed with sufficient lead time to allow preparation for full participation. This principle is well established in other resource and industrial sectors of our Northern economy and throughout the world.
2. Engage Local Capacity First and Work Through Locals - By direct contracting with community designated organizations or by specifications in bidding and awards to any others, project proponents should be required to first engage local capacity (employees, equipment, contactors and suppliers) to the extent of their capabilities or planned capacities at normal commercial terms and conditions typical of our economy. Where deficiencies exist in local offerings that can reasonably be remedied, the project proponents should work with supplier and the applicable government agencies. (eg. Safety systems, quality systems or equipment upgrades) to rectify the identified deficiency. Wherever possible, regional cooperation should be encouraged. Equipment and other specification should take into account and be tailored to involve local capacity wherever possible. Applications should identify how the "local capacity first" principle has been addressed. This approach is a best practice employed by many other resource developers and industrial concerns.

Where local capacity cannot meet the project demands, adjacent communities and Dehcho businesses should be offered the work. If the Dehcho cannot meet the demand then other Northerners should be invited to complete the work, before seeking capacity outside the North.



Each of the above recommendations tries to establish the framework that will see sustainable businesses and true economic development achieved in the region. If each of the parties work in good faith, these principles are not onerous. Working together, great relationships can emerge that server longer term projects.

If the project proponents and the communities are unable to agree on impact/benefit agreements within a reasonable time, then after hearing any interested parties, conditions could be established in the permit to ensure economic concerns are addressed and reasonable economic development objectives can be served consistent with the principles above and sound economic practice.

Respectfully submitted,

Káa Dúle United Corporation

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Chief Keyna Norwegian
Vice- Chairman and Director

A handwritten signature in black ink, appearing to be "E. Browning", written over a horizontal line.

Earl Browning
Operations Manager

cc. Partner Companies
MacKenzie Gas Producers

Dehcho First Nations
Sambaa K'e First Nation
Fort Simpson Metis Nation
N'ah Adehe First Nation
Jean Marie River First Nation
Liidlíi Kue First Nation