



*Representing Northern Business Since 1973*

## **CREATING ECONOMIC STIMULUS IN THE NWT**

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*NWT Chamber of Commerce Recommendations to the Federal Government  
Regarding a National Economic Stimulus Package*

*December 15, 2008*

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## *NWT Chamber of Commerce Recommendations to the Federal Government Regarding a National Economic Stimulus Package*

With the global economy heading sharply lower, our Federal Government is now considering ways to stimulate the national economy. Any such plan must consider meeting existing jurisdictional needs if it is to be successful in the long run. To do otherwise would be short-sighted, resulting in approximately \$30 billion worth of short-term spending with no tangible long-term benefits.

Any specific initiatives related to such a package should be immediate in nature and resourced to a level that allows for their completion in approximately two to three years. As well they should be worth a minimum of \$10 million if they are to have any sort of meaningful impact on the territorial and federal economies.

While building the Mackenzie Valley Pipeline would be the ultimate stimulus, the fact it is facing significant delays due to the regulatory review process, the project isn't achievable within the desired timeframe and thus it has not been examined in great detail in this document.

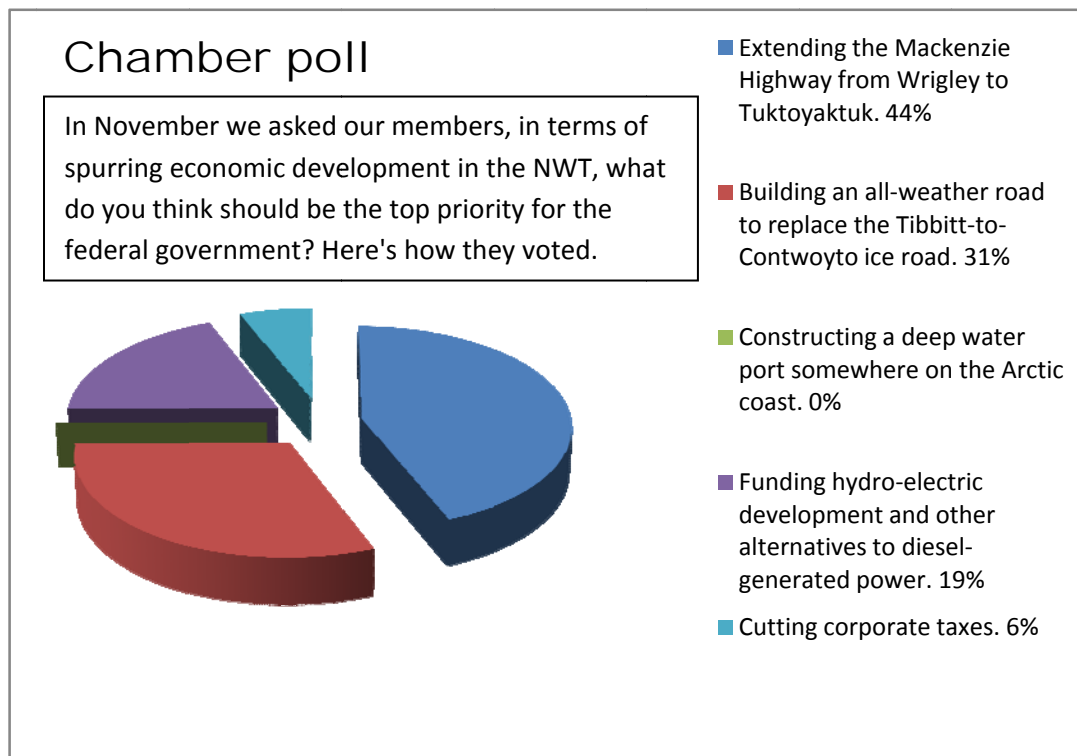
With these thoughts in mind, the NWT Chamber of Commerce recommends that any portion of this money earmarked for the Northwest Territories be used to help fill our infrastructure gap. Our territory's vast undeveloped resources could fuel the national economy for generations to come, but the high cost of doing business coupled with challenges related to the lack of year-round transportation links make it difficult for us to realize our untapped potential.

Representing more than 850 businesses operating around the North, the Northwest Territories Chamber of Commerce has been the voice of Northern business since October 15, 1973. Our associate members range from community chambers of commerce and airlines to publishers and pipeline operators.

In the later stages of November, the NWT Chamber polled its membership as to how the federal government might best target its efforts to spur economic development in the North. Over the course of 11 days, more than 500 individuals responded to our on-line poll and the message was clear.

Not surprisingly, the business community's top priority is financial support for highways. Fully 75 per cent of respondents favoured federal funding for all-weather road links in the NWT. Some 44 per cent preferred extending the Mackenzie Valley Highway from Wrigley to Tuktoyaktuk. Another 31 per cent said it was time to look at replacing the Tibbitt-to-Contwoyto ice road, the seasonal connection between the Slave Geologic Province's three existing diamond mines and the territorial capital of Yellowknife, with a year-round route.

The second priority is the funding of hydro-electric development and other alternatives to diesel-generated power with 19 per cent of members favouring this option.



*Fully three-quarters of respondents favoured seeing the Federal Government invest Canadian tax dollars to build all-weather highways in the NWT.*

Our infrastructure needs extend well beyond the scope of the economic stimulus package under development. However, several targeted Northern investments could jumpstart the economy in the immediate future and facilitate sustainable development in the NWT for years to come.

The NWT Chamber of Commerce has identified four key priorities for inclusion in the economic stimulus package:

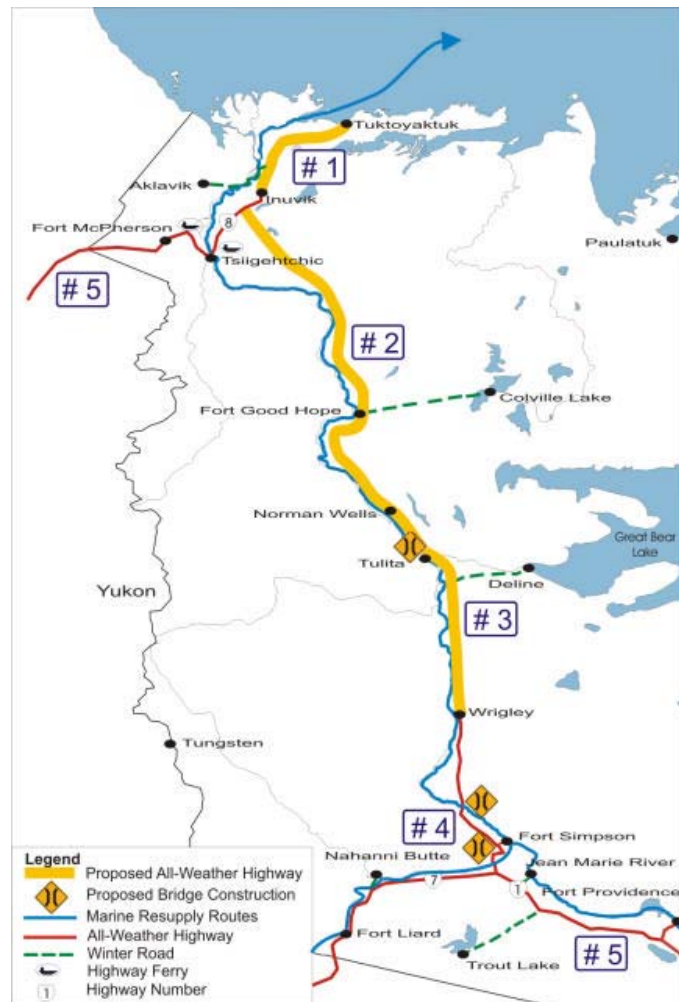
- 1) Invest in Completion of the Mackenzie Valley Highway
- 2) Fund Hydro-Electric Projects
- 3) Build Roads to Sustain Mining Development
- 4) Reduce Regulatory Barriers to Development

## Invest in Completion of the Mackenzie Valley Highway

First proposed in 1958 by then Prime Minister John G. Diefenbaker as part of his Roads to Resources blueprint, completing the Mackenzie Valley Highway from Wrigley to Tuktoyaktuk would open the NWT to mineral and petroleum resource development which would have a huge impact on the national economy.

According to the 2006 GNWT proposal Connecting Canada Coast to Coast to Coast, an extended all-weather Mackenzie Valley Highway would spur development in the petroleum industry that would generate the following impacts:

- A boost of up to \$58.9 billion to national GDP
- Creation of between 86,000 and 181,000 person-years of employment, with 71,118 to 159,719 of these outside the NWT, and
- Generate up to \$15 billion in government revenues, the majority of which would flow to the federal government.



The Sahtu region, often referred to as the Central Mackenzie Valley, is also a largely unexplored treasure trove of mineral resources known to host diamonds, base metals, precious metals, coal and uranium. A highway down the valley through this area, as well as through the Gwich'in and Inuvialuit lands further north, would fuel an exploration spending boom by both the petroleum industry and the mining sector as companies rush in to explore this largely virgin territory.

Based on 2006 estimates, it would cost about \$1.2 billion, including financing charges, to make such a route a reality. While the NWT Chamber of Commerce would prefer to see a federal economic stimulus package include funding for the entire route, the beauty of this project is its ability to be completed in stages. Even building the \$60 million Bear River Bridge at Tulita or the \$210 million Inuvik to Tuktoyaktuk all-weather highway would create jobs and help set the stage for future work.

As illustrated by the graphic above, these stages could include:

- 1) Construction of an all-weather road to Inuvik

- 2) Extension of the existing winter road from Fort Good Hope to the Dempster Highway south of Inuvik
- 3) Construction of an all-weather highway between Wrigley and the Dempster
- 4) Construction of permanent bridges across the Mackenzie, Liard and Bear rivers
- 5) Upgrades to the existing Mackenzie and Dempster Highways

The project would create thousands of construction jobs. The 1999 GNWT analysis of an extension between Wrigley and Fort Good Hope projected the creation of up to 2,360 person-years of construction-related employment and as many as 55 ongoing jobs related to annual maintenance.

At the same time, an all-weather extension to the Mackenzie Highway would dramatically reduce the cost-of-living for residents of Tulita, Deline, Norman Wells, Fort Good Hope, Colville Lake and Tuktoyaktuk. In some of these communities it is not uncommon to pay in excess of \$18 for a four-litre jug of milk where s in Yellowknife, which enjoys the benefit of largely year-round transportation links, residents pay \$5-\$6 for the same product. The reduced cost of living would not only stretch the purchasing power of current residents but would enhance the business community's ability to attract and retain new employees.

Other benefits realized as a result of this infrastructure project include:

- Ensuring Canada's Sovereignty in the Arctic
- Improving our ability to respond to emergencies in the North, and
- Enabling the North to better adapt to climate change both in terms of transportation and the ability to develop hydro-electric energy sources.

Every year that goes by without an extension to the Mackenzie Highway from Wrigley to Tuktoyaktuk is another missed opportunity to make vast portions of the North more attractive to business, investors and residents.

## **Fund Hydro-Electric Projects**

One of the most effective ways to stimulate the NWT economy would be the development of its hydro-electric generation potential, which is estimated at more than 11,000 megawatts. Hydro development actually delivers four levels of benefits during construction and once complete.

- 1) The jobs and purchase orders they directly create during construction;
- 2) The reduced power costs they eventually deliver to businesses and residents;
- 3) Lower emission levels through the reduction of diesel power generation, and;
- 4) Creation of new revenue streams through the sale of excess power.

The NWT has the potential to surpass areas like James Bay and Churchill Falls in terms of hydro-electric generation using modern, run-of-the-river technology that eliminates the need for large dams and massive flooding.

The Dezé Energy Corporation, a joint-venture involving two aboriginal-owned companies and a subsidiary of the Northwest Territories Power Corporation, is currently planning an expansion of the Taltson Hydro Project at the Twin Gorges Facility that would result in a 74-megawatt capacity up from the current 18 megawatts. The project also calls for the construction of a 700-km transmission line to the Slave Geologic Province, illustrated at right, with existing and future mines expected to be the primary buyers of this power.

This approximately \$350 million project would result in benefits for both the NWT and the entire country:

- Creation of 400 jobs during the 30-month construction period, most of which would require skilled workers from southern Canada;
- Construction materials, such as steel, concrete and transmission lines, would need to be purchased from suppliers in southern Canada.
- Diesel usage in the NWT would decrease by about 120 million litres;
- 320-kilotonne reduction in greenhouse gas emissions, and;
- The removal of 2,300 fuel hauling B-train trucks from the ice road serving the diamond mines.



Most NWT communities currently rely exclusively on diesel-generated power and are subject to volatile fuel prices and global economic and security issues. Federal assistance in advancing hydro-electric expansion projects, or developing a new generation facility at the St. Charles rapids on the Bear River between Tulita and Deline, would allow the North to minimize its dependence on fossil fuels while spurring economic development in several otherwise challenged areas of the North.

## Build Roads to Sustain Mining Development

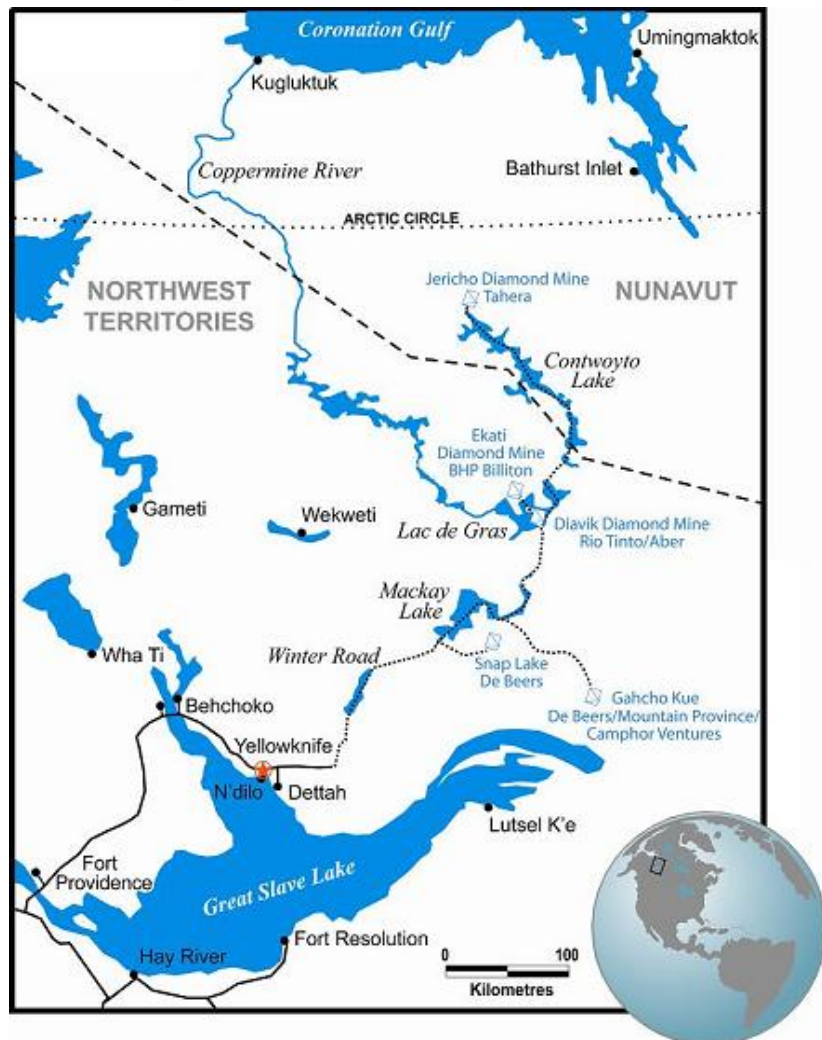
Mining has always formed the cornerstone of the NWT economy. Given our vast reserves of mineral resources and the low likelihood of developing other industries such as manufacturing or agriculture on a large scale, this reality will exist for decades to come.

The three producing diamond mines together plucked more than \$1.4 billion worth of rough gems from the barrens in 2007 and directly employed approximately 2,300 workers. Today, the mines are aging; Ekati for example, may have as few as 10 years left before its reserves are exhausted.

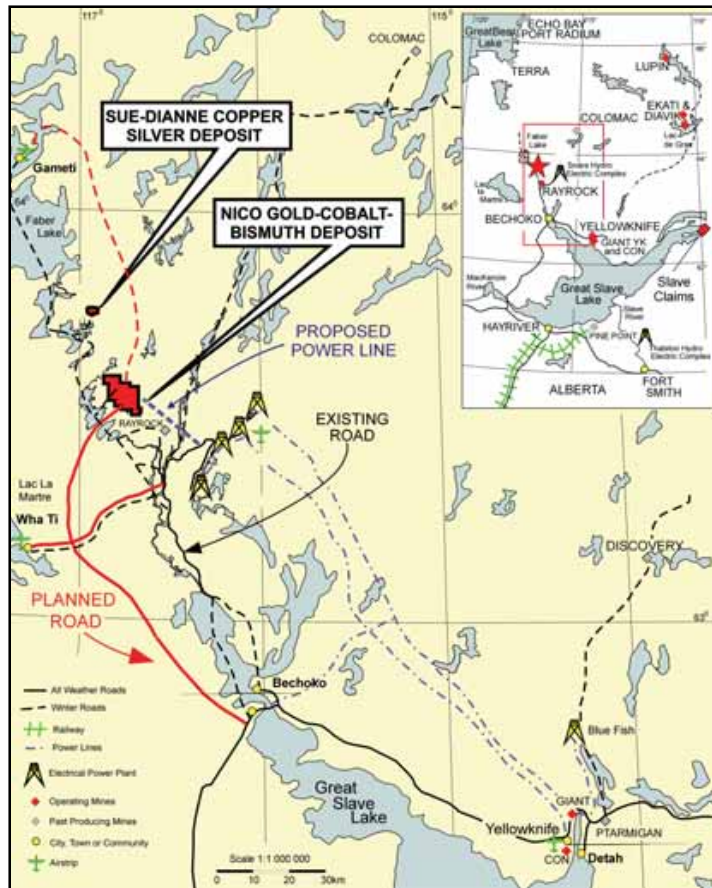
Investing in year-round infrastructure to the Slave Geologic Province will not only reduce operating costs for existing mines – thereby extending their operational life – it will boost exploration efforts and reduce obstacles to future mine development and production.

The existing Tibbitt-to-Contwoyto ice road, seen above, is facing ever-increasing challenges as a result of climate change. In 2006, unseasonably warm temperatures forced its closure after just 42 days of operation – in most years the route is open for 55 to 72 shipping days. This shortened period required mining and exploration companies to spend an estimated \$130 million to fly in fuel and supplies that would have otherwise been delivered by truck. It has been widely suggested that should similar problems arise again, the mines would likely close temporarily and lay-off most of their workforce rather than incur additional transportation costs.

While the cost of constructing a year-round road to Contwoyto Lake depends largely on the final routing, the 1999 GNWT study estimated the final price at about \$384 million or roughly \$538,000 per



kilometre. As a first step, funding the realignment of the southern portion of the winter road would permit a longer re-supply season until a year-round solution is possible.



The other road that's urgently needed for the NWT mining industry to continue to fuel the national economy is an all-weather replacement for the Tlicho Winter Road, which serves the communities of Whati, Gameti and Wekweti as well as the Snare Lakes Hydro Project and London, Ontario-based Fortune Mineral's proposed NICO mine, which is located roughly 80 km north of Behchoko. NICO is projected as a 15-year cobalt-gold-bismuth mine that would employ about 200 workers after completion of a \$215 million capital expenditure phase. Its development largely hinges on development of this all-weather land link to Highway 3 to facilitate ore trucking operations. It is expected workers will drive to the mine from their home communities rather than adopting the current Northern standard of two-weeks-two-weeks-out shift rotations, which often result in negative impacts on their families.

According to 2008 updates to the proposed mine's feasibility study, the development is expected to generate annual revenues of about \$123.5 million versus yearly operating expenditures of \$57 million, most of which would be spent in the NWT. Additionally, the construction of this route would make the eventual development of Fortune's Sue-Dianne copper-silver deposit 25 km further north far more economic. It contains about 24.5 million tonnes of near surface resources grading at 0.56 per cent copper and 2.2 grams per tonne silver.

According to the GNWT's Department of Industry, Tourism and Investment, the total cost of this road would be \$200 million. The first step would be the realignment of the existing winter road to an overland route away from lakes, rivers and wetlands as illustrated above. The new route would extend the trucking season from the current two months to up to four months. The realignment of the Tlicho Winter Road is expected to take two years to complete at a cost of about \$12 million. Community consultations have already been carried out and this project could advance almost immediately if funding is made available.

## Reduce Regulatory Barriers to Development

As suggested by Neil McCrank's recent report to Indian and Northern Affairs Canada, the NWT is missing countless opportunities due to over-regulation and unclear mandates among the many review boards operating in the Territories. Although the NWT Chamber of Commerce does not support all of Mr. McCrank's recommendations, we believe it is absolutely critical that a streamlined, timely and efficient process be developed which is clear to industry and provides for meaningful participation and oversight by First Nations groups and boards.

The territorial Department of Industry, Tourism and Investment projects the potential for more than \$19 billion of major industrial development over the next five years, providing unrealistic and cumbersome regulatory hurdles don't cause them to wither at the planning stage.

These potential mega-projects include:

- \$16.2 billion for the development of the Mackenzie Valley Pipeline and related gas fields;
- \$1.2 billion committed to be spent by BP in exploration in the Beaufort Sea;
- \$960 million for the DeBeers Gahcho Kue diamond mine project;
- \$350 million for the Taltson Hydro expansion;
- \$243 million in mineral, oil and gas exploration by various companies;
- \$215 million for Fortune's NICO project;
- \$200 million for Snare Lakes Hydro expansion;
- \$160 million for the Dehcho Bridge;
- \$100 million for the Prairie Creek Mine, and;
- \$100 million for the Tyhee Yellowknife Gold Project.

## In Summary

The fate of Canada's economic and political future will largely be tied to the economic stimulus package developed over the coming weeks. For it to be effective in spurring economic development and job creation, it must focus largely on infrastructure development.

If such a package is to deliver long-term benefits to Canadians, it should be targeted to address long-standing issues within each jurisdiction. Within the Northwest Territories, members of the NWT Chamber of Commerce believe this package should include investment towards the completion of the Mackenzie Valley Highway; building roads to sustain mining development; funding for hydro-electric projects, and; reducing regulatory barriers to development.

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