



House of Commons  
CANADA

# **Standing Committee on Aboriginal Affairs and Northern Development**

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AANO • NUMBER 020 • 3rd SESSION • 40th PARLIAMENT

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**EVIDENCE**

**Tuesday, June 1, 2010**

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**Chair**

**Mr. Bruce Stanton**



## Standing Committee on Aboriginal Affairs and Northern Development

Tuesday, June 1, 2010

• (1530)

[English]

**The Chair (Mr. Bruce Stanton (Simcoe North, CPC)):** Order.

I'd like to begin our 20th meeting of the Standing Committee on Aboriginal Affairs and Northern Development, pursuant to Standing Order 108(2), a study of northern territories and economic development, specifically the barriers and solutions for the same.

We're delighted today to welcome three witnesses, and I'll get to that in a moment.

Members will know that we have scheduled votes today in the House at 5:30 p.m., so the bells will sound at 5:15 p.m., assuming everything stays on schedule. We'll try to gear our schedule around that, with the likely adjournment of the meeting at or about 5:15 p.m.

Two of our guests today are joining us by video conference, and we're awaiting one of our other witnesses. I think we'll begin with our guest who is here with us in Ottawa, Mr. Robert Reid, the president of the Mackenzie Valley Aboriginal Pipeline LP. Of course, he's here on a topic that is extremely pertinent to our study and interest in economic development in the north, so let's open up.

Mr. Reid, we normally have a 10-minute presentation by each of the witnesses. For the benefit of Mr. Quin, who is joining us here as well, you have up to 10 minutes each for the opening presentation. We'll do each of those in sequence, after which we will proceed to questions from members.

Let's begin with Mr. Reid.

**Mr. Robert Reid (President, Mackenzie Valley Aboriginal Pipeline LP):** Thank you, Mr. Chairman, good afternoon, ladies and gentlemen, and *bonjour, mesdames et monsieurs*.

I appreciate the opportunity to appear before you this afternoon. The clerk has circulated a handout that I hope all of you have in your possession. I'm just going to go through that quickly; I'm not going to go through it in detail.

This afternoon I'll provide you with a high-level overview of the Mackenzie gas project, and then I'll focus on the Aboriginal Pipeline Group and the role we're playing in making this important project a reality.

The Mackenzie gas project accesses the closest frontier natural gas basin in North America. There are 6 trillion cubic feet of onshore natural gas reserves, and onshore these days is important. The project, as it stands, does not access offshore resources. It will have an initial capacity of 1.2 billion cubic feet per day, expandable to 1.8

billion cubic feet a day through the addition of compressor units. The total project cost is \$16.2 billion. The Aboriginal Pipeline Group is a partner in the natural gas pipeline portion of the project only, and that amounts to \$7.8 billion.

The original proposal to develop the Mackenzie Delta Basin dates back to the early 1970s. Public hearings were held under Justice Berger, and I understand he is going to be joining us this afternoon. The aboriginal groups at that time were unanimously opposed to the construction of the pipeline. The main reason behind this was that there were no land claims in place at that time.

In 1977 Justice Berger declared a 10-year moratorium on development. The aboriginal communities were simply not ready to capture the benefits that would have been available to them from a project of this magnitude. That decision was quite controversial at the time, but history has shown it to be a wise decision indeed.

During the 1980s and 1990s, three of the four aboriginal groups along the pipeline right-of-way settled their land claims. In January of 2000, before an application to build this pipeline had been filed, the aboriginal leaders of the Mackenzie Valley got together and reached agreement on a vision, and that was to maximize aboriginal ownership and benefits from a Mackenzie Valley pipeline. The Aboriginal Pipeline Group is the result of that vision. Today the project has strong aboriginal alignment and support all along its right-of-way. The Berger era is over.

APG is a unique alignment of the aboriginal groups in the Mackenzie Valley, not only to support the construction of the pipeline but to be a part of it. APG is a business deal negotiated by aboriginal people for aboriginal people. Our mandate is to maximize the long-term financial return to the aboriginal groups of the Northwest Territories through ownership in the pipeline. We've negotiated the right to secure a one-third interest in this pipeline. Our shareholders are the Gwich'in Tribal Council, the Inuvialuit Regional Corporation, and the Sahtu Pipeline Trust.

I'll introduce our board at the end of this presentation.

As for ownership of the Mackenzie gas project, Imperial Oil is the largest partner, at 34%; APG is the second largest partner, at one-third, or 33%; and then ConocoPhillips Canada, Shell Canada, and Exxon Mobil Canada make up the balance.

As a full partner, we have a seat on the board of the Mackenzie gas project. We participate in all committees and subcommittees, and in this way we have a direct voice in how this major project will be developed. We bring the concerns from the communities right to the board table.

The next slide in the package outlines the regulatory timeline. I won't go through it in detail, other than to say that the application was originally filed in October 2004. Public hearings commenced in January 2006. The NEB sat adjourned for three years, waiting for the joint review panel to produce their report, which they did last December. The NEB is moving toward a decision this fall. APG will continue to support the regulatory process through to the NEB decision. We're in the final stages of restructuring the project to make it a true basin-opening pipeline that will attract incremental shippers and have attractive tolls and tariffs. After that we'll begin detailed engineering, finalize the route alignment, and then there is the small matter of obtaining 7,000 local permits from the local land and water boards.

• (1535)

The next slide shows the timeline. All I'll say on that is if we get a decision this fall, construction will commence in the fall of 2016 and it will take place over three winter seasons. This pipeline will be built 100% in the wintertime, because the tundra cannot support heavy equipment during the summer months and you create less environmental impact during winter construction. We'll see the first gas flow in 2018.

There are very significant benefits to the Mackenzie Valley through the implementation of this project. First of all, there's a socio-economic impact fund of \$500 million that has been negotiated by the aboriginal groups with the federal government. There's \$1 billion in set-aside work for corridor groups. That's work under the access and benefits agreements that has been guaranteed to go to local contractors.

There are business and employment opportunities in the Northwest Territories for 7,000 jobs during construction and over 100,000 jobs across Canada, with approximately 150 permanent full-time positions. This project is not only good for the north, it's good for Canada as a whole.

This slide shows the gross domestic product benefits of over \$100 billion and tax and royalty revenue of over \$10 billion to the various governments.

The final slide shows our board of directors. I'm proud to report to a board of directors who are all aboriginal. They're a fantastic group of people to work for.

Thank you very much.

**The Chair:** Thank you, Mr. Reid. I appreciate that.

Now we'll move on, and I see that we have both of our next witnesses with us.

At this point I'd like to invite former Justice Thomas Berger to speak. Taking nothing away from our first presentation, in our case the Berger era has just begun.

Thomas Berger, it's good to have you with us this afternoon. Of course, you know the topic. We have up to 10 minutes for an opening presentation, and we'll be delighted to hear your insights on the issue of barriers and solutions as they pertain to economic development in the north.

Good afternoon, and please go ahead.

**Mr. Thomas Berger (As an Individual):** Thank you, Mr. Chairman.

I'm relieved by your introduction. When the previous speaker said the Berger era is over, I thought, well, it had a good run, 30 years or more.

I'm also relieved to know the topic is the general one of economic development in the north. For a moment there I thought it was a reprise of the whole Mackenzie Valley issue, which is now in other hands, and no doubt very competent hands.

Maybe I could just tell you that I did spend three years in the Mackenzie Valley, in the western Arctic, back in the late seventies, and I think I learned something about the north and economic development. I did emphasize in my report the importance of maintaining the traditional economy of hunting, fishing, and trapping, which was then, and I believe is today, an important component of northern culture and putting food on the table. That tends to be overlooked in the enthusiasm for industrial projects. Part of the reason I emphasized it 30 years ago was to ensure that the measures were taken in land claims agreements to secure those hunting, fishing, and trapping rights. That was a precondition to industrial development.

I was in Nunavut in 2005 and 2006 as conciliator between Canada, Nunavut, and the ITC, the Inuit corporation that represents the beneficiaries. Could I just leave you with a few thoughts that I expressed in my report in March 1, 2006, about development in the north, with particular attention to Nunavut so that nobody will think I'm giving any firm opinions about the Mackenzie Valley or development there?

In Nunavut I was of course dealing with the Nunavut Land Claims Agreement of 1993, which established the Government of Nunavut in 1999. The concern was, now you've got the land claims settled, you've got your own government, what about the next steps? Of course, my concern was that there should be measures taken to ensure that the Inuit, in that case—but the principle would apply generally throughout the north to the aboriginal peoples—inhabited their own government, so to speak, and that they had opportunities for employment on development as it occurred in the north. Of course, in Nunavut you're faced with the overlying issue, so to speak, of global warming and the melting of the ice, and the greater access this offers, I think, to industry in Nunavut. It makes mines and minerals and oil and gas that much more accessible. The question is this. How do the Inuit people become participants? How do they become miners, how do they become biologists, and how do they become members of all the trained occupations and professions that are essential if they are to occupy 50% of the jobs in their own government that they don't possess now because they don't have the qualifications? The same will be reproduced in the private sector as it moves into the north and onto the Arctic islands, as they begin searching for minerals and oil and gas under the seabed.

● (1540)

That means that education and employment have to be the concerns that are uppermost in the north for aboriginal people. People who are non-aboriginal will be coming in to fill many of these jobs, and they are already qualified. What concerns me is the qualification of aboriginal people. I made recommendations that had mainly to do with education in Nunavut, because with 75% of Inuit children dropping out of school before they complete high school... The figures are better in the western Arctic, but they are still figures that should make us distinctly uneasy. We want to make sure that Inuit will be able to get those jobs. Even working for their own corporations, even working in oil or gas, in mining partnerships that their land claims agreements have now made possible for them, how are they to get the jobs for which you need to be qualified?

I don't want to make too much of this, and I'm sure you're aware of that concern. I made the point in my report, which I have here, that you need a true system of bilingual education in Nunavut. Right now they educate in Inuktitut until about grade 4 or 5, and then they switch to English. It means that their education is in two segments, if you will, and they emerge not really literate in either their own language, which is a written language, or in English, which is the primary language of most people—other than Inuktitut.

I urged that the federal government subsidize that program, because it would be expensive. We'd have to train more teachers, mainly Inuit teachers. We would have to have the programs that have worked in other jurisdictions for children to learn their own language after school from older people. This is because 75% of the people of Nunavut still speak Inuktitut as their first language. These kids ought to have the opportunity to become literate in the language that is spoken in their homes and is the aboriginal language in Canada that is spoken by the largest body of aboriginal people. It's not going to go away. If you consider that, and I hope you do, bilingual education.... I urged at the time, in 2006, that we could graduate the first classes in 2020, and those people would be equipped to go on to vocational training. They would be equipped to go on to college or university, and they would be able to take their place in their own

government—as people in charge of the wildlife of this vast area, as people who would be able to enter the private sector as geologists or engineers. That has to be our goal, because otherwise, the industrial development of these northern territories may once again occur with aboriginal people being, in many cases, bystanders, or working in the catering division or as janitors and so on. We don't want to see that.

● (1545)

They've had 30 years to consider how to integrate aboriginal people into the Mackenzie gas project. The same possibilities don't currently exist to integrate the Inuit people into projects that are already on the drawing board for Nunavut, and they won't exist unless we establish an appropriate system of education that equips them for the training they will need in the Arctic in the years to come.

I'm grateful to you for giving me 10 minutes, and I'm afraid that's all I've got to say.

**The Chair:** Thank you, Your Honour. I'm sure there will be some excellent questions.

At this point we're going to go to our third presentation.

Now we welcome Mr. Stephen Quin, who is there with you, sir. Stephen is the president of Capstone Mining Corporation. I think a profile and background paper in that regard were also circulated to members earlier today.

Mr. Quin, you have the floor for up to 10 minutes, after which we'll go to questions from members. Go ahead.

● (1550)

**Mr. Stephen Quin (President, Capstone Mining Corp.):** Thank you, Mr. Chairman, and thank you, members, for the opportunity to talk to you about this issue. I did circulate a presentation, as the chair mentioned, that has been sent around to you, I believe. What I thought I'd do is touch on the major points that were in that summary.

First, my background is that I've been working on major mining projects in the Canadian north since 1993. I've worked on major projects in Nunavut, Northwest Territories, and Yukon, so perhaps I'm somewhat unique from that perspective. I've worked in all three territories on major mining projects and have had quite a bit of exposure to the regulatory environment, economic development there, both successfully and unsuccessfully, over those years.

To set the scene, the economic potential of the north is tremendous. There is a huge amount of natural resource opportunity, which is well-known from the past, but new discoveries have been made, such as diamond mines. And 20 or 25 years ago people would have laughed to hear of diamonds in Canada. Now they're some of the largest mines in the world. There are gold projects, such as I was involved in at Hope Bay, which is one of Canada's largest resources anywhere. Only last year, a discovery was made by a company called Underworld, in the Yukon.

All of these are new things that are coming out. So it's not only what is known, like the gas in Mackenzie Valley, but there are new discoveries that have been made over the last 20 years that are really simply demonstrating the barely tapped potential of the north.

The big question is, why is so little happening up there? Why have there been so few mines developed in the Canadian north, given what is known in natural resources, and also the obvious potential, to go and find world-class deposits with relatively short timeframes to development? Essentially, I would argue that it's the regulatory regime that is extremely complex and burdensome, extremely expensive, and very, very uncertain. When mining companies and other resource companies look around the world, they look at where they can get things done, how long it will take, and how much it will cost. The bottom line is that they'll go somewhere else when it's too challenging, so the money flows to other locations.

I mentioned the Fraser Institute survey on regulatory competitiveness that goes out annually. As I said in the letter, some people might not like the Fraser Institute politically, but the bottom line is that the survey is simply a survey of over 300 senior mining executives. It compiles their feelings in a survey ranking all different aspects of regulatory competitiveness. Yukon came 11th, Nunavut came 43rd, and Northwest Territories came 50th out of 72 jurisdictions surveyed around the world, which is a pretty dismal showing, apart from Yukon—not quite in the top ten, just one below that. Essentially, I would agree with that. Having worked there, I wouldn't argue with those rankings. Relatively or absolutely, those are appropriate.

So what's the problem? It's essentially the regulatory environment that is a huge disincentive to spending the time to go and find deposits, and then seeing the challenges of trying to develop a mine and advance it to production, to the point where companies say if it is going to take three, four, five times as long, they might as well go do it somewhere else because they can get it done more readily. That doesn't mean standards are lower anywhere else—they're just as tough, just as strict on standards—it's simply the process to get through that is such a challenge.

The experience in the Northwest Territories and Nunavut...I gave a couple of examples in my presentation, but the simple one is we were trying to permit a tiny mine, what would have been Canada's smallest mine, 600 tonnes a day. It would have cost \$70 million and it would have lasted for two years. We spent over six years—I think it was six and a half years—and \$20 million trying to get that mine permitted. It was a hugely burdensome process that goes to demonstrate the impracticality and unreasonableness of that process and why companies give up and go somewhere else. That was in Nunavut.

• (1555)

In the Northwest Territories I gave the example of our Con Mine. We bought it in 1993, about six years after a draft closure plan was completed. It took another 13 years for that plan to be approved. It was a 20-year process to get a closure plan approved for an operating mine. You know, it's just an absolutely ridiculous amount of time to get through those kinds of processes. Of course, the challenge for a company is that you don't know what your liabilities are until that process is completed, because you don't know what standards or requirements you're going to be held to. So you just look at it and say the uncertainty is too great and I'm not going to bother; I'll go somewhere else.

What are the major things that need fixing? A significant issue that applies to the Northwest Territories and Nunavut is the fact that a lot of approvals during the process have to go to the minister of INAC for sign-off, and that process often ends up in delays of three, six, or nine months. I've seen delays as long as two or three years, simply waiting for the minister to sign off on a process that has already been completed and recommended by his own ministry. Obviously, it gets to the bottom of the pile and it's not a priority, so it doesn't happen. That extends the regulatory process for substantial amounts of time.

On the duplicative processes, for example, DIAND or INAC runs a process in Nunavut in our Hope Bay project, but it runs a parallel process in Ottawa for the minister to be able to sign off. So you have one ministry running two processes, let alone all the other ministries and governments running their processes. It's just a huge waste of time, money, and process for everybody.

Response times, particularly by federal regulators, are extremely slow. They will always ask for more extensions on timelines. Then usually—and I've had this experience personally on several occasions—they'll show up with 70 pages of comments the night before a meeting that's been set up months in advance, and the process the next day is just pointless because you can't answer the 70 pages of questions. They've had months to provide those questions in advance to give the company an opportunity to deal with them. What you often have, for example, in those 70-page questions and comments is a request for a huge amount of information that wasn't originally contemplated in the applications. You provide that information, which can often take months or even years to generate, and that just leads to more and more questions. So you end up in this never-ending loop of information requests that can take a simple document.... For example, our water management plan for the Hope Bay project went from about 100 pages to I think 2,000 pages by the time it was completed, in multiple iterations of aspects from regulators.

I don't think it really added anything to the equation in the end, but it ties into another component, which is the consultants that everybody hires. We go through a regulatory process. We have our consultants. The federal regulators have their consultants, usually one each. The first nations will have their consultants. You can end up with six, seven, or eight different sets of consultants in the room, and everybody's just asking each other questions and arguing about who's the better expert on whatever aspect it's going to be. The net result is there's no incentive for the consultants to see the process completed, because the more questions they ask, the more they get information provided, which gives them more time to review and more billings for everybody. So it just ends up an extremely inefficient process that drags on and on, and it takes huge amounts of time to add virtually no value to the whole equation.

A similar aspect is the morphing of review processes into regulatory processes. Each territory has an environmental assessment process, such as NIRB in Nunavut, Mackenzie Valley in the Northwest Territories, and YESAA in the Yukon. Those processes have essentially morphed into where they're essentially doing the regulator's job, but then they get to the end and they provide their recommendations to the regulator. The regulator is the one that has the legal responsibility plus the expertise to actually regulate whatever process it happens to be: discharging water, building tailings dams, whatever it happens to be. The net result is that often the review process is in conflict with the regulator's own opinion, but the regulator is now hamstrung, because if he disagrees with the review process it has to go right back to the beginning and start all over again.

• (1600)

So you end up with an overlap that creates this box. It has just happened to a project in Yukon, for example. A project is now trapped between a review process that has been deemed adequate and complete and a regulatory process that disagrees. The net result is that unless it's resolved, it will be kicked back to the beginning.

My last point is really on—

**The Chair:** Excuse me just for a second. We are at the 10-minute point.

I see, Mr. Quin, that you have summarized some of your key recommendations. Perhaps in the course of questions you can speak to some of them, and I'm sure you'll have the opportunity to do that. Even if you don't, we have them here in print.

We're up against a vote timeline today at about 5:15, so at this point I would like to move to questions from members. We'll give you sufficient time to comment on those recommendations.

[Translation]

Mr. Reid, there will be questions in French.

[English]

So you'll need your audio piece in and working.

For our witnesses, Mr. Quin and former Justice Berger, I think the translation will come over the audio.

[Translation]

Mr. Bagnell, you have the floor for seven minutes.

[English]

**Hon. Larry Bagnell (Yukon, Lib.):** *Merci, monsieur le président.*

Mr. Reid, you mentioned the amount of proven resources of gas. If the pipeline were to open tomorrow, filled with the amount you mentioned, how long would that last?

**Mr. Robert Reid:** At the contracted rate, which is 1.2 bcf a day, it would last approximately 25 years.

**Hon. Larry Bagnell:** One of the problems with the delay, of course, is that the price of steel, labour, and everything has gone up. What discussions have you had with the government on ways they could help to sort of kickstart...? I know you have to wait for the

NEB, but I'm sure they're going to approve it. So what would you need to kickstart the project?

**Mr. Robert Reid:** For the last two or three years we've been working on restructuring the project to comply with some principles that Minister Prentice set forth two or three years ago. Generally, those principles were that it had to be in the public interest and it had to be properly approved by the regulatory agencies. But in addition it needed to have toll and tariff structures that would attract new customers. That meant lower tolls at a time when costs were going up and what I'll refer to as a user-friendly tariff that was capable of attracting new customers.

We have been working on that process for some time. The details of those discussions are confidential, as agreed on by the federal government and the partners. We have not been able to reach agreement at this point. Discussions broke off last spring, and they're in the pause mode right now. Mr. Prentice's office has advised that we will resume those discussions after receipt of a certificate this fall.

**Hon. Larry Bagnell:** My understanding is that the approval will ensure that a lateral pipe east and west will be able to put gas in, that it won't be filled with just nearby Mackenzie Delta gas.

**Mr. Robert Reid:** In part that's correct. There are other volumes down the valley. For example, Colville Lake has some reserves, and they're about 100 kilometres from the pipeline.

**Hon. Larry Bagnell:** And there's Eagle Plains.

**Mr. Robert Reid:** That's correct.

**Hon. Larry Bagnell:** So there'll be room for them to put in?

• (1605)

**Mr. Robert Reid:** Exactly.

**Hon. Larry Bagnell:** Mr. Berger, I'm wondering what the federal government has done to implement your report and what still needs to be done to implement it, especially the parallel language recommendation, etc., in the schools.

**Mr. Thomas Berger:** I was appointed by the Liberal government and I handed my report in to the new Conservative government. Mr. Prentice was the Minister of Indian Affairs and Northern Development, I think. I'm sure they looked at it. I think they are opposed to the principal recommendation, which is that there should be federal subsidies to teaching in Inuktitut as well as in English and French. The federal policy has been for many years that Canada will subsidize English and French as languages of education.

I made the point—and I would like to make it here, if I could—that back in the 1960s we had a royal commission on bilingualism and biculturalism that discovered that in the federal government, about 3% of the employees were francophone; the rest were English-speaking. They said that was a crisis and they should do something about it. It led to a whole stream of reforms, the measures to make Canada a truly bilingual and bicultural nation. And because we subsidized the training of people to learn both languages, by—I don't know—1995 we had reached the point where francophones constituted about one-third of the workforce in the federal government.

My point is that we agreed when we set up Nunavut that they would have 85% of the jobs in their own government. That was a promise made in 1993. Everybody wanted to fulfill it. We didn't realize what would be needed: a new bilingual system of education. They have their own government, and it has 3,200 or 3,300 employees. Only about half are Inuit, and they are by and large in the lower-paid categories.

So to fulfill that promise, that's what I thought we ought to do. I said not to worry about subsidizing Inuktitut as an official language because this is the only jurisdiction in Canada where the great majority are neither English-speaking nor French-speaking. It's a one-off. You don't have to trouble yourselves that this is going to be a ghastly precedent.

**Hon. Larry Bagnell:** Sorry, Thomas. My time is up.

**Mr. Thomas Berger:** I'm sorry. I went on for too long.

**Hon. Larry Bagnell:** No, that's good. It's just that I have limited time.

Stephen, it was great being at the opening of your mine in Yukon. I have just one quick question, because that's all the time I have.

Bill C-25 is coming to us shortly, hopefully in the next week or two. The Nunavut Planning and Project Assessment Act implements what's in the land claim. I think it's already somewhat operational. Will that help give more certainty so there's not the uncertainty you talked about in your opening remarks, and do you have any problems with that act?

**Mr. Stephen Quin:** No, I think the act is long overdue, because for a long time Nunavut has been acting as though it's been in place. But I don't think it resolves the issue of what is essentially the continual loop back to Ottawa for approvals along the way. A Yukon-type system would be miles ahead of what is currently in place in Northwest Territories or Nunavut.

[*Translation*]

**The Chair:** Thank you, Mr. Bagnell.

It is now over to the Bloc Québécois member. Will Mr. Lemay or Mr. Lévesque be speaking?

Mr. Lemay, you have the floor.

**Mr. Marc Lemay (Abitibi—Témiscamingue, BQ):** I listened carefully to what Justice Berger said about languages, and I think he is right. It is important that Inuktitut be taught in communities. Should they teach English, French and Inuktitut? That is a political decision, but I think that, in certain places, Inuktitut should be taught in schools first and foremost. Then another language should be

taught, one that is chosen by the people in question, in the areas in question. In northern Quebec, French, English and Inuktitut are taught, but it could be different elsewhere.

I agree with you that education should be available in Inuktitut and that we should make it a priority if we want the people to be involved in the development. I think our recommendations will touch on that.

Furthermore, I am worried. I read Mr. Quin's brief, which was translated into French, carefully. I took notes. I really like recommendation 7, but could you tell me why we cannot remove Ottawa from the process? In fact, that could be one of our recommendations, but it appears that the federal government has decided to embed itself in the north to assert Canada's sovereignty in the Arctic. That creates a problem in terms of your recommendation. So you should resign yourself to that fact. I am not sure what your take on that is, but Ottawa does not appear to want to remove itself from all the projects, quite the opposite.

In addition, the government has established CanNor. I am not sure if you are aware, but CanNor is the agency that is going to manage all that. So what is your take on that, as an expert in mine development?

• (1610)

[*English*]

**Mr. Stephen Quin:** I think the process has been established in the Yukon. I'm not saying the Yukon is perfect, but the Yukon has a workable process that is devolved to the territory, and it is much more functional and practical and reasonable and timely than that of either of the two northern territories. So the model is there. It doesn't mean the federal government is out of the process. DFO still gets to comment, and Natural Resources Canada, and so on. They're still part of the process but they don't drive the process, and you don't get the hang-up of things having to go back to Ottawa for approval on a regular basis.

I see the system in the north, in the other two territories, as quite paternalistic. It's "We don't believe you have the capability to manage it, so yes, we'll let you make the decision, but hey, we get a second shot at every decision." I think that's proven in the Northwest Territories—Nunavut doesn't work—and it's been proven the opposite does work in the Yukon.

So I think there's a model there to go forward on, and I think it should be acceptable to the government to devolve that responsibility to the people who own the land and live there.

[*Translation*]

**Mr. Marc Lemay:** My question is as much for Mr. Quin as Mr. Reid.

Would you go as far as to suggest that, if there are environmental assessments, an agency should be set up in the north? An agency that would be much more attuned to the needs of the people living there, instead of going back and forth with Ottawa, the Yukon and the other territories?



[English]

**Mr. Stephen Quin:** That, essentially, is what happens now. Yes, the Yukon runs the entire process, and NIRB and Mackenzie Valley run the processes locally. The challenge is not that. The challenge is where decisions have to go back to Ottawa for approval at every step of the way—which type of process, moving onto the next stage, the recommendation, the decision documents. They go back to Ottawa at every stage. And because the minister is at risk for his decision, Ottawa ends up having to run a second, parallel process before the minister feels comfortable signing off on his decision, even though it's his department that made the decision up in the north anyway. It's that parallelism and loop-back to Ottawa for decisions all the time.

So step back and do it like the Yukon does.

**The Chair:** Mr. Reid.

**Mr. Robert Reid:** I would agree with Mr. Quin in part. In the Mackenzie Valley the review process by both the joint review panel and by the National Energy Board was done very much on a local basis to accommodate local input. The decisions were actually made in the north. The problem in the case of the Mackenzie Valley was that the joint review panel didn't have the capability or the administrative controls to get the job done in a timely manner.

[Translation]

**Mr. Marc Lemay:** Do you see the creation of CanNor as a solution to some of the problems in your day-to-day operations?

• (1615)

[English]

**Mr. Robert Reid:** I would say I'm optimistic. The Northern Projects Management Office has been set up under CanNor to help to streamline the regulatory process and industry's understanding of that process to achieve timely results.

[Translation]

**Mr. Marc Lemay:** What do you think, Mr. Quin?

[English]

**Mr. Stephen Quin:** I remain skeptical. I saw the introduction of the major projects management office and it has helped a bit. But the solution to a problem is to set up more bodies to create more bureaucracy, rather than stepping back and looking at what is the underlying cause of the problem. I keep saying it, but go to the Yukon model. It's a complete devolution of the process, and therefore you don't need CanNor or major project management. They have no jurisdiction in Yukon because they have a devolved process, so you don't need all of that additional bureaucracy.

[Translation]

**The Chair:** Thank you, Mr. Lemay. And thank you to our witnesses. It is now over to Mr. Bevington for seven minutes.

Mr. Bevington, you have the floor.

[English]

**Mr. Dennis Bevington (Western Arctic, NDP):** Thanks, Mr. Chair.

My thanks to Mr. Reid, and of course to Mr. Berger, who is an icon in northern climes. Mr. Quin, I'm pleased to see you here as well.

The pipeline has been delayed a bit in decision-making. Right now in the Northwest Territories, in the Mackenzie Valley, the expectations are not being met for development opportunities. We're looking at other infrastructure development to fill the gap in the next few years. The Mackenzie Valley Highway is front and centre with most people.

How do you see the Mackenzie Valley Highway? If it was constructed prior to a pipeline, would that assist you in reducing the pipeline's \$16 billion cost?

**Mr. Robert Reid:** Logistics in the north are difficult. There is no highway or transportation corridor anywhere near the pipeline right-of-way, other than the Mackenzie River. So the Mackenzie River effectively becomes the highway. This makes logistics difficult. Material is shipped to Hay River by rail, moved to barges, and then transported by barge down the Mackenzie River during the summer months to staging areas. During the winter months, material is picked up from those staging areas and moved to the right-of-way. All of this increases costs. If there were a Mackenzie Valley Highway in place prior to the pipeline, the costs would be lower.

**Mr. Dennis Bevington:** Are there any studies that could show us how much difference that would make?

**Mr. Robert Reid:** At this point, there are conflicting studies, Mr. Bevington, and that's part of the problem.

**Mr. Dennis Bevington:** Okay, we'll leave that for now.

You said the pipeline is on tundra. What percentage? A big part of what you're saying is that you have to build only in the winter. What percentage of the pipeline route is actually on tundra?

**Mr. Robert Reid:** I don't have a statistic handy, but in general, I can tell you that even in northern Ontario or northern Alberta, pipelines are constructed during the winter months; your water courses are frozen, your ground is frozen, and your environmental impact is far lower in the winter. I don't have a precise figure for how much is on tundra.

**Mr. Dennis Bevington:** In conversations I've had with TransCanada Pipelines, they indicated to me that one of the new pipeline scenarios they are looking at is building 12 months of the year. You build the pipeline where you can build it in the summer and then build the pieces that you have to build in the winter, in the winter. You have smaller crews and a lower impact on a lot of different things by having a year-round pipeline development process. That's for northern B.C. How far from that would we be in the Mackenzie Valley?

**Mr. Robert Reid:** That's linked to your previous question, actually, on the highway.

The Alaska Highway pipeline, for example, has a highway paralleling the pipeline for the entire length. You can do exactly what you've said, and that is build the summer construction segments in the summer and the winter construction segments in the winter—construction for 12 months of the year. The problem with Mackenzie is that you can't access those sections that might be constructed in the summertime. You can't access them during the summer. That's the issue. A highway would resolve that issue.

•(1620)

**Mr. Dennis Bevington:** You talked about the \$10 billion in tax revenues to federal, provincial, and territorial governments over the six trillion cubic feet of natural gas that's now proven. What percentage of that \$10 billion actually accrues to the territorial government under the existing equalization formula, under the existing share of royalties for the Northwest Territories government?

**Mr. Robert Reid:** I don't have that number at my fingertips, but it's one I can certainly get for you. It's not a large number.

**Mr. Dennis Bevington:** It's less than a billion dollars over the lifetime of the pipeline, isn't it?

**Mr. Robert Reid:** It's not a large number, that's right.

**Mr. Dennis Bevington:** When you go into development in a territory like ours, the Northwest Territories, there are many costs accrued that need to be covered by increased royalties to governments in order to pay for roads, schools, hospitals, and airstrips. There's a whole gamut of what's required when you add value to your GDP. Is that not the case?

**Mr. Robert Reid:** Yes, that's correct.

**Mr. Dennis Bevington:** So we have a situation right now, with this pipeline, where most of the benefits are going to accrue to the federal government and the costs are going to remain, over the lifetime of the pipeline, with the Government of the Northwest Territories. Is that correct?

**Mr. Robert Reid:** Under the current regime, that's correct.

**Mr. Dennis Bevington:** How do you sell this to the Government of the Northwest Territories?

**Mr. Robert Reid:** There are benefits, as I indicated in my presentation, to the Mackenzie Valley and to the people of the Mackenzie Valley, perhaps not to the GNWT. But the Government of the Northwest Territories has been very supportive of this project, because of the benefits it brings to the people of the north.

**Mr. Dennis Bevington:** Okay.

With this \$500 million socio-economic fund, where we can mitigate the socio-economic impacts of this major development, as the government has it set up now, the money is in a trust and won't be given to the people until there's a firm commitment to build the pipeline or until the pipeline construction starts. Yet many of the projects these people want to work on are multi-year projects, in order to prepare them for the impacts of a pipeline. The pipeline development season is two or three years. Are we in danger of having a pipeline mitigation fund that will come in too late to actually do the proper work to ensure that people are prepared in those communities for the development of a pipeline?

**Mr. Robert Reid:** I don't think so. Remember, construction doesn't start in earnest until 2016.

The government and the aboriginal groups negotiated that socio-economic fund with very specific benchmarks, specific points in time by which certain events would be accomplished and then certain dollars would flow. Both sides agreed to the deal, and I think it will allow the dollars to flow at the appropriate times.

**The Chair:** Thank you, Mr. Bevington, Mr. Reid, and others.

We'll go to Mr. Duncan for the last question of the first round. That will be followed by our second round of five minutes. I have Ms. Neville, Mr. Rickford, Monsieur Lévesque, and Mr. Payne on the list.

Let's go with Mr. Duncan for seven minutes. Go ahead.

**Mr. John Duncan (Vancouver Island North, CPC):** Thank you very much. And thank you for the written submissions.

To Mr. Berger, I did read the *The Nunavut Project* report, which was published in 2006, in March, I believe.

I have a question related to something you said, which was that the government, in your opinion, was opposed to the financing of education in Inuktitut. I'm sorry, but I'm going to take issue with you on that, because I think we're talking about a jurisdictional issue here on K to 12.

Your recommendations suggested that an investment of about \$20 million annually would accomplish the objectives. We have certainly increased transfers to the Nunavut government by a much greater number than that since 2006. They have choices to make. We have never indicated that, to my knowledge, and they've had every opportunity to make an appropriate choice.

I didn't want to leave that sort of hanging out there. I don't know if you have anything to add to that.

•(1625)

**Mr. Thomas Berger:** Well, I'm sure you're right, sir. My point was that it has been the policy of the federal government under Liberals and Conservatives, and Liberals and Conservatives again, not to subsidize education in any language except English and French. That's what I was saying.

I'm grateful to you for reading the report. I did say this would cost \$20 million a year, and I thought the money should come from the federal government.

It is no doubt true that the government has increased the subvention to Nunavut by \$20 million, or perhaps more. My point I think remains that we should be concerned about the situation in Nunavut, because I think you'll find that the dropout rate is worse there than anywhere else. You'll find that the indicia of socio-pathology are more worrisome there than anywhere else in Canada. The leaders of the Government of Nunavut know it.

**Mr. John Duncan:** I can tell you that this committee and the federal government are well aware that this is an area of major concern. I appreciate your report, because I think you've said all of the things that are appropriate in getting out the facts. Those facts are now well entrenched with people, and there has been some progress, but a lot more is required.

I did have some questions for the other two witnesses. I don't know if I'll have time, though.

To Steven Quin of Capstone, thank you for your written report. There is a statement on page 5 of your brief, where you're talking about a copper project that "got through the YESAA process, only to have the regulator reject the decisions". Because we're a federal committee, one might assume you're talking about a federal regulator, but in this case, you're really talking about a territorial regulator. Am I not correct?

**Mr. Stephen Quin:** Yes, that's correct, because the entire process in the Yukon is local. It was the Yukon Water Board that rejected the YESAA recommendations, specifically, the government decision document that came from the YESAA recommendations.

**Mr. John Duncan:** Correct.

On the NUPPAA legislation, the new legislation for Nunavut that's been tabled in this place, do you concur with the endorsement of the legislation by the NWT and Nunavut Chamber of Mines?

**Mr. Stephen Quin:** Yes, I think the enabling legislation is long overdue and absolutely necessary, but I don't think it gets to the core of the issue.

**Mr. John Duncan:** The legislation does include timelines, for example, and where there's capacity, it allows for local decision-making, and where there isn't capacity, it allows for federal review.

Are those not major moves forward?

**Mr. Stephen Quin:** They're progress, but timelines are timelines. There is no process anywhere that has a fixed timeline. There are always opportunities for extensions in time. That's driven by regulators coming back and saying, we need more time. You can't force the issue; the company or the promoter or the project has no ability to force that timeline. Every single process I've ever been involved in has never happened in the timelines that were set out, either in legislation or by policy, because the regulators will come back and ask for more information on a repeated basis.

• (1630)

**Mr. John Duncan:** I'll just follow up quickly with Mr. Reid. One question that a lot of people have in relation to the APG is whether or not the Deh Cho are aware of the economic development prospects built into the agreement, which would benefit them, should they be signatories.

**Mr. Robert Reid:** Yes, we've spent a great deal of time with the Deh Cho. They're the only right-of-way group that is not currently a member of the Aboriginal Pipeline Group. We visited the communities. We've certainly indicated the benefits that would be provided to them through membership or ownership in APG. The Deh Cho, to this point, have indicated that the land claim and land use plans are priorities for them. They want to at least conclude the land use plan, and perhaps the land settlement, prior to committing to APG. In effect, they're using the pipeline as a lever in those negotiations.

**The Chair:** You weren't even a little bit over, Mr. Duncan. Thank you very much.

Now we'll start our second round. This is five minutes now to our witnesses for both questions and answers. We're going to begin with Ms. Neville and she'll be followed by Mr. Rickford.

Go ahead, Ms. Neville.

**Hon. Anita Neville (Winnipeg South Centre, Lib.):** Thank you very much, Mr. Chair.

And thank you to all of the witnesses for appearing here today.

My questions are directed to Justice Berger. It goes back to education and your report of 2006, which I did read at the time but have not looked at since, I must confess.

This morning I had in my office, as I expect a number of us did, representatives from the prospectors and development group. The overriding message they gave to me was certainly the importance of education.

I'm wondering if you have been following what in fact has or has not been happening in Nunavut. Most of the recommendations that I'm aware of in your report, as it relates to education, have not been implemented. Where do you see it going and what do you see is the potential for economic development activity without at least some of your report being implemented?

**Mr. Thomas Berger:** Thank you.

I think the potential for economic development is there and the impetus for economic development will make itself felt. I think there will be economic development. My concern is that the progress of the aboriginal people, their capacity to participate in that development, should be given as much importance as anything else.

Let me say that the people in the education department in Nunavut have been, for some years now, developing a written curriculum of materials in Inuktitut. Their people have always, and certainly in recent years, been eager to carry out the recommendations I made, which were by and large a reflection of the thinking in Nunavut anyway.

I don't know what the figures are at the moment, but I think 90% of Nunavut's budget comes from Ottawa. The problem is, they have many needs. There is the need to take a good look at their system of education, which isn't working well—we have to concede that. But to implement the type of system that they themselves want can only be done with wholehearted federal support. I'm not blaming the government. I mean, this insistence on subsidizing only English and French has been a policy of the federal government for a long time now.

I just don't want to see us go ahead and extract those resources and provide some very good jobs for very good people who, to a great extent, will come from metropolitan Canada and who will probably not stay for longer than the job lasts in these northern communities. I think we should make sure those jobs are jobs the Inuit are able to do themselves.

I'm afraid that's what I said in 2006, and I'm taking the liberty of repeating it now because you folks were good enough to invite me along today.

• (1635)

**Hon. Anita Neville:** Thank you.

That's fine.

**The Chair:** Thank you, Ms. Neville and Your Honour.

Let's go to Mr. Rickford for five minutes.

**Mr. Greg Rickford (Kenora, CPC):** Thank you, Mr. Chair, and thank you to the witnesses.

I suspect, in fairness, what's on the minds of PDAC as much as any issue right now is their desire to see Bill C-300 voted against to keep the mining industry alive, and I'm sure Capstone Mining Corp., like other mining companies, would have something to say about that. I work very closely with them because of the mining sector's importance in the Kenora riding, and that's obviously not the purpose of today's discussion.

I want to ask you a couple of questions first, Mr. Reid. I had a chance to review your notes, and I was just going through some of the highlights and summaries from Canada's economic action plan. I noticed significantly that there was a firm commitment to the aboriginal pipeline group to continue operations as a partner in the proposed Mackenzie gas project. It seems that not only is this a substantial investment, but it is significant for that group to participate in the community economic opportunities program. I believe that's called CEOP.

I was wondering if you could comment very briefly, in a minute or two perhaps, on what you understand as the importance of that investment and what it's going to do in relation to the work with the Mackenzie Valley gas pipeline.

**Mr. Robert Reid:** The funds you're referring to are part of a federal grant that provides for our operating expenses. Initially, we had an arrangement, and it was actually finalized by Robert Nault, who was, I believe, from the Kenora riding a number of years ago. That was a six-year arrangement. It was intended at the time to fund us through to the commencement of a pipeline operation. That ran short, of course, because the pipeline was delayed.

There's a federal government grant and a GNWT grant as well that come together and provide our operating expenses, and those are essentially salaries, travel expenses, legal fees, and that kind of thing on an annual basis. In addition to that, we, of course, have a loan agreement with TransCanada Pipelines, and TransCanada provides our cash calls to the project, the investment in the project itself.

**Mr. Greg Rickford:** So you see these as very positive investments and support from the federal government. They're essential for the aboriginal community.

**Mr. Robert Reid:** I believe it's very positive and essential for us to participate in the project, and the leverage is huge. The point I was going to make is that for the small contribution from the governments towards our operating expenses...the loan with TransCanada is now in excess of \$140 million. That's our share. So it's hugely important.

**Mr. Greg Rickford:** Thank you, Mr. Reid. It sounds like quite an action plan. I'm sorry, we have time constraints.

I just want to move to you, Mr. Berger. In your report, I noticed that starting on page 39 you talk about certainly “[n]either in 1993 [n]or in 1999...adequate attention [being] given to estimating, and then meeting, the real costs [of bilingualism]”, something you commented on in your speech today.

You highlighted a couple of issues then, following on page 40, and you made a suggestion “that the Governments of Canada and Nunavut should develop bilateral agreements for design and

implementation of this program” *inter alia*. There were other things like curriculum development and specific training for teachers.

Again I'm compelled to turn to Canada's economic action plan. I know you must have been very pleased in April of 2009 that our government entered into an Inuit education accord. Its founding principles were as follows: capacity building, parent and partner mobilization, and Inuit-centred bilingualism. This is a massive accord that brings in more than 13 parties from this vast region.

Secondly, because we're dealing in the here and now—that's the future component—further investments were made in college programs specifically for Inuit youth.

I'm wondering if you might comment on whether you see this government policy as a positive and favourable development towards meeting some of the objectives that you highlighted on page 40 of your report.

Thank you.

• (1640)

**Mr. Thomas Berger:** Yes, I do. I would just add that some of these recommendations were worked out not only with the people in Nunavut but with the people in Indian Affairs and Northern Development. I think the program, which you indicated the government adopted in 2009, of course was a positive step.

I'm reminding everybody that it's a long-term project. Some of the industrial development projects are going to take a while. Mr. Reid said construction on the Mackenzie Valley pipeline won't start until 2016. There is lead time to do the things the government has indicated it intends to do, and that's all to the good.

**The Chair:** Thank you very much, Your Honour.

Thank you, Mr. Rickford.

[*Translation*]

Mr. Lévesque, you have five minutes.

**Mr. Yvon Lévesque (Abitibi—Baie-James—Nunavik—Eeyou, BQ):** Thank you, Mr. Chair. I will start with Justice Berger.

You have a unique name, Mr. Justice. We sometimes hear the expression, “once a judge, always a judge”. Your name, Thomas, can be pronounced *Thomas*, just as Berger can be pronounced *Berger*; in that respect, I think it would be hard to figure out which of our two founding nations you are from.

I may not share your ideas on education. My riding includes the region of Nunavik. The committee has also been to Nunavut, and whenever we talk about making education available in the language and culture of the various nations, we hit a brick wall. The communities do not have any housing for teachers who would come and teach local people educational theory. Then those people could give classes on respecting their culture.

There is a university out west. A first nations university pavilion was established in Val d'Or, in eastern Canada. I got a visit from my friend, Pita Aatami, and he told me that he refused to be recognized as a member of the first nations. He said that if he could not be recognized as an Inuk, he wanted to be considered an Eskimo. In recognition of that reality, the Université du Québec changed the name of the pavilion from "First Nations Pavilion" to "First Peoples Pavilion" in order to reach members of the various communities. The university is willing to offer courses online instead of building residences for teachers to learn on site. That would probably cost the government less than building residences for teachers, when local residents are already complaining about seeing white people housed on their land when they themselves do not have housing. What is your opinion on that, as a judge?

[*English*]

**Mr. Thomas Berger:** In my report about Nunavut, I urged that the training of Inuit people as teachers had to be enhanced, because in the nature of things it's very likely only Inuktitut-speaking people who will be able to give instruction in Inuktitut. That presents a difficulty. The difficulties we face in Nunavut are very serious, and the problem is that Mr. Quin can offer you a concrete proposition, as Mr. Reid can: here's a pipeline; here's a mine. That's our definition of industrial progress, and these things are going to come in the north.

The question is how to ensure that the aboriginal people, who were there before these developments came and will be there after these developments are completed, are able to participate. Mr. Reid indicated the measures that have been taken in the Mackenzie Valley, and they are significant.

In Nunavut we are just, in a sense, getting started and we have a public government. This isn't an aboriginal government. The Government of Nunavut is a government of all the people, aboriginal and non-aboriginal. They can all vote; they can all run for office. And there we have promised that 85% of the jobs will go to the Inuit, because they are 85% of the population. We made that promise 18 years ago, in 1993, and we have to do a great deal more to fulfill it.

Could I just add one thing, sir? When we signed that land claims agreement with the Inuit in 1993, they surrendered their aboriginal title to Nunavut to Canada, and that has made possible our claim to complete and exclusive sovereignty over Arctic waters and the Arctic islands. It completed our case for Arctic sovereignty. That was part of the agreement we made 18 years ago. That's why—forgive me—I take the liberty of simply asking that you folks, because you have the ear of Parliament and of the government, should ask them to bear that in mind.

Just returning to my point about subsidizing education in English and French, in Iqaluit, the capital of Nunavut, there is a not insignificant population of francophones, and the federal government has established a school in Iqaluit for French immersion, teaching of all subjects in French. That's fine, but they are not willing to do the same for teaching in Inuktitut. That's my point, and I think that if—

• (1645)

**The Chair:** Thank you, Your Honour; that's great. We are a little over time there.

[*Translation*]

Thank you, Mr. Lévesque.

[*English*]

Now we'll go to Mr. Payne for five minutes. He will be followed by Mr. Bevington and Mr. Duncan.

Mr. Payne, go ahead.

**Mr. LaVar Payne (Medicine Hat, CPC):** Thank you, Mr. Chair.

I'd like to thank the witnesses for their attendance today. This is a very interesting subject, northern economic development, and one that is working well for our committee.

I have a couple of questions that I want to ask. I'll start off, through the chair, with one to Mr. Reid.

The pipeline construction is scheduled for 2016, the cost being \$16.2 billion. What I'm thinking about right now is that there is lots of new shale gas coming on across the country, and as I understand, there are huge supplies of gas. I'm wondering, with the costs and tariffs that will be on the pipeline, whether they will be able to compete with the other gas that's currently being found throughout the country.

**Mr. Robert Reid:** That's a very good question, and one we've been keeping a very close eye on. There are shale gas developments not just in Canada—in particular, northeast B.C.—but also in the United States, and right down in the heart of the market. We've had Ziff Energy, an energy consulting firm that looks at upstream resources very closely, do a study for us. The results of that study indicate, cutting right to the bottom line, that we're going to need both shale gas and both Alaska and Mackenzie pipelines to meet the forecast demand for natural gas. The main reason for that is the high decline rates of the existing wells. Typically, decline rates are now in the range of 20% per year, and production out of the western Canadian basin is on the order of 15 bcf a day.

We have to replace, each and every year, 3 bcf a day in capacity just to make up for the decline of the conventional resource. The Mackenzie is only 1.2 bcf a day. The conclusion is that we need both northern pipelines and all the shale gas we can get to meet forecast demands.

• (1650)

**Mr. LaVar Payne:** Is that a recent study?

**Mr. Robert Reid:** It is a study that was done for us last July, and we're just getting it updated.

**Mr. LaVar Payne:** Thank you for that.

I'm trying to get a handle, Mr. Quin, on the terms of the regulatory process you're talking about and the difficulties of obtaining permits. Is this strictly around environmental issues, or are there some other issues impacting the regulations through which you get your permits in and projects under way?

**Mr. Stephen Quin:** I'd say it's the whole process. It's the environmental, socio-economic review, and then leading into the regulatory process. Most of the permits you require, the more significant ones, are environment-related.

I would come back to one of the comments Mr. Reid made. There is the sideline, which I mention in my letter, about the first nations being excluded from the benefits or projects, both on a first nations basis but also in the same way as one of the members of your panels said about the territorial participation. Yukon, for example, is capped at \$3 million net gain from natural resources in its territory. Anything beyond \$3 million gets taken back by the federal government. It creates a huge disincentive to the territorial government to see that process go forward. Similarly, the first nations are capped at \$3 million cumulative for all first nations in the Yukon territory.

One mine—our mine in the Yukon, for example—passes the cap for both first nations and the territorial government on its own; therefore, any other mine being developed in that territory provides no net benefit to either the territory or the first nations. Therefore, it's not an incentive. They look to get their leverage another way, which is to say, we can't get it directly through the existing fiscal framework, so we want the pipeline or the company or the mine to pay on top of the fiscal regime for additional money. That often leads to delays in projects while those negotiations are worked out. They can obviously be a significant burden to the company.

**The Chair:** Thank you, Mr. Payne.

Now we go to Mr. Bevington, who will be followed by Mr. Duncan.

**Mr. Dennis Bevington:** Thanks, Mr. Chair.

Thanks for that last statement, Mr. Quin. I've enjoyed some of the things you've said here today. They've rung very true. Ottawa being removed from the process is something that I think northerners have waited for decades with bated breath to see happen. All we've really seen, perhaps, is an increased amount of regulation by Ottawa.

When you talk about removing Ottawa from the process, you're suggesting that the Northwest Territories, the Yukon, and Nunavut should take over the process, much as a provincial government would, thereby increasing the ability of those territories to gain from resource development, even without a royalty structure. A province would look at a development like the Mackenzie gas pipeline, if it had the authority over it, and decide how that development would fit into their strategy for that region. What we see in the situation we're in now is that there is no strategy for the region because the decisions about strategy are made here in Ottawa.

There are two sides to getting Ottawa out of the process. One of them would be to provide quicker decision-making, because territorial governments would be able to run those decisions. The other side of it is that they'd be making the rules, so they'd have an opportunity to improve the rules for the gain of the people in that region. Is that not what you would see as well?

• (1655)

**Mr. Stephen Quin:** To some extent, but one clarification I would make is that going down the provincial route is not correct. For example, British Columbia has a joint federal-provincial process that is a problem. So I wouldn't hold the provinces up as an example of

what we should be aiming for. I would hold Yukon up as the example, where there is only one process; there is no federal direction of the process.

Secondly, I would also caution that Ottawa sets the rules. YESAA is a federal act. The concern that people often have with devolution is that standards are going to get relaxed, they're not going to follow the processes, and they're going to take shortcuts. Well, Yukon can't do that. Ottawa has set the rules under YESAA on how this works, and Yukon cannot change YESAA. So it's all about implementation. Ottawa sets the framework, and then it's up to the territory to go and deliver it. The territory gets on and does it, because it's in their best interests. I think that's kind of the solution to the Gordian knot; Ottawa sets the rules and you have to meet the standards.

So let the territory go and do it and deliver the product. Yukon is showing it can do it.

**Mr. Dennis Bevington:** Okay.

Mr. Berger, if you look at the processes going on now in the Northwest Territories, the process by which we have achieved a decision on a pipeline, how would you view that process? The timeline has been very long, but have you had a chance to examine that process and see whether it has done a fair job? Have you had a chance to review the decisions of the joint review panel?

**Mr. Thomas Berger:** Well, sir, my answer is that I've been asked that question about once a month for three or four years and I've always declined to offer any comment. I wrote a report in 1977 that was well received, and to a great extent it has been carried out. I think I'd be pressing my luck if I started giving out opinions about the current process, about which I don't pretend to know a great deal, except what I read in the papers.

There's no point in my sharing that with you. You're aware of that already. I'm simply minding my own business.

**The Chair:** Thank you, Mr. Bevington.

I don't have any other speakers on the list, so if anyone still wishes to add something, we have some time for a few more questions if you wish.

Let's go to Mr. Duncan.

**Mr. John Duncan:** Thank you, Mr. Chair. I guess that means I have 15 minutes.

**The Chair:** Not really. We'll see how we do.

Go ahead.

**Mr. John Duncan:** I'm okay with five minutes.

Going back to Stephen Quin's document, on page 3 he says:

What became apparent was the Nunavut Impact Review Board (NIRB) process only allowed for a "yes" or "no" and so some relatively minor deficiencies forced a no....

I looked at what the new legislation would do in a case like that. It would allow NIRB to pause the assessment to obtain information they might need to continue the assessment. I think this is a positive change. In other words, they could stop the clock and get new information. If the information changed the application in a very substantive way, there might be a need to go back to square one. But all of the assessment that had been done could be used in the next review, and they should very quickly be able to make the review.

Do you have any comment on that? I think that's a vast improvement.

• (1700)

**Mr. Stephen Quin:** I think it's definitely a very positive step in the right direction. I think our project was the trigger that led to that change in the legislation. It became apparent to everyone—the territorial and federal governments, as well as us as proponents—that we were in a position that nobody was happy with. Nobody wanted to go back to restart the entire process and redo the 95% of the work that everybody was signed off on. So I think that's definitely a significant step in the right direction.

The bigger issue is the parallelism of the federal process with the local process. In the current setting the minister has a legal liability and responsibility. I'm not saying he shouldn't do what he's doing. Under the current system he has to. But I think that is a significant area that could be simplified and eliminated, as it has been in Yukon. The federal ministers do not sign off on territorial permits in Yukon.

**Mr. John Duncan:** For clarification, which project are you referring to in that example?

**Mr. Stephen Quin:** It's the Hope Bay project. We got to the end of the process after three years and it got a “no”. We had to go back and restart it.

**Mr. John Duncan:** Okay. Thank you.

On page 3 you talk about the proposed all-season road connecting the diamond mines to the Arctic coast. I don't think our committee is well-versed on this at all. I'm not sure when that was proposed or if the money was actually there. Could you maybe elaborate a little on that statement?

**Mr. Stephen Quin:** Sure. There's been a long-term proposal to develop an all-season road southwest from Bathurst Inlet. It would end up, coincidentally, going fairly close to the diamond mines. The end of the line would be the Izok Lake deposit, which is a very large copper/zinc deposit just west of the diamond mines.

This has been very actively supported by Nunavut. I got involved peripherally when we got involved in the Hope Bay project in 1999. I was complaining to them about the timelines we were getting. They just laughed and said we were racing along compared to them.

It's one of those chicken-and-egg situations. If that road were there, all the diamond mines and potentially other projects would use it. But no individual project has the capacity to carry that ball on its

own. So Nunavut was essentially trying to push that project, as a government, through a coalition, to try to get that project put forward. But what happens is coalition members just give up and go away because it takes so many years.

**Mr. John Duncan:** But the financing was never in place. Is that not correct?

**Mr. Stephen Quin:** That's correct. The companies that were potentially beneficiaries of it were very strong supporters, but nobody gave a guarantee at that point, because who knew whether they would still be in production by the time the road was built.

**The Chair:** Thank you, Mr. Duncan.

Mr. Quin, you made some reference to other jurisdictions where mining operations were looking at project and regulatory approvals. Does Capstone have other mining operations in other parts of the world?

• (1705)

**Mr. Stephen Quin:** We have a mine in Mexico, and I'm on the board of a company that has a mine in the United States. I've been involved in projects in other jurisdictions as well.

**The Chair:** When you compare the kinds of regulatory standards that are applied in the north in this case, but generally in Canada, relative to those in other jurisdictions, how do Canadian mining companies, in their practices and protocols for environmental and labour standards, rank with other countries' mining operations in other parts of the world?

**Mr. Stephen Quin:** I would say they're very comparable. The standards really don't differ for Canadian companies, whether you're operating overseas or at home. That's much more set by your company policies. Even in the total absence of standards or regulations, companies will impose on themselves the same standards they have elsewhere.

Certainly if you go to anything that's bank financed, the World Bank standards and things like that kick in. The equator principles are very tough and are equivalent to anything in Canada.

So I don't see the standards as being the issue; it's the process that's the issue.

**The Chair:** Okay. That's very helpful.

I don't see any other questions from members, so I'll take this time to thank each of our witnesses today for taking the time to help inform this study. We have a couple of weeks to go before we'll be prepared to enter a proper report to Parliament on this important topic.

There being no other business, I thank members for their attendance. I remind you that we have bells going off for votes in about seven minutes. We'll see you in the House then.

Thank you very much. The meeting is adjourned.







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