

BUILDING A STRONG ECONOMY

Resource Industry's Role in Partnership

- Presented by -

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- to -

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Abstract

Sustainable resource use and development of societal well-being have been two interwoven threads since the beginning of human activity in the North. Non-renewable resource development activities have intensified in the past decade and with this, increased opportunity for economic diversification and sustainability of Aboriginal communities over the longer term.

The growing importance of the resource industry role in the North is becoming increasingly evident. This sector accounts for the majority of direct risk capital investment in the North today. The diamond-mining sector alone is now contributing approximately one billion dollars per annum to the GDP of the North. The developments in the oil and gas sectors hold the promise of further contributions to the economic well being of the North.

None of this could have occurred without the active partnership of Aboriginal communities. Public government and NGO's also have a critical role to play in encouraging our sustainable economic development. This paper traces events since the Joint Aboriginal – Industry Resource Development Forum held in June 1998, compares these developments with the directions identified in the National Round Table on the Environment and the Economy state of the debate report entitled “Aboriginal Communities and Non-Renewable Resource Development” and offers an outlook for the role resource development will continue to play in the years ahead.

Introduction

The State of the Debate Report is very timely and touches on important policy and planning elements which need to be in place if we are to achieve our sustainable development goals in a way that is both beneficial to and fully supported by Aboriginal and other communities here in the North.

Many of us gathered here today will recall that leading Aboriginal groups together with mining industry representatives organized the Joint Aboriginal – Industry Resource Development Forum in Yellowknife in mid 1998. During that forum, delegates overwhelmingly embraced the notion that our economic future here in the North must look to resource development as a foundation for wealth generation.

The 1998 Forum identified that Industry and Aboriginal communities and businesses, working together in active partnership, could ensure investments in the Northwest Territories non-renewable sector could be optimized in such a way that Aboriginal communities would be able to benefit to the fullest possible extent. Since the 1998 forum Aboriginal communities and key Industry participants such as Diavik Diamond Mines Inc. have been putting to the test in a practical way many of the issues and recommendations that are contained in the State of the Debate report.

The growing partnership role between Industry and Aboriginal communities over the past two years reinforces the findings and recommendations in the State of the Debate report while, importantly, pointing to the need for increased commitment on the part of Government for capacity building here in the North.

Investment Climate for Non-Renewable Resource Development

The creation of a positive investment climate is always an important policy thrust of public government. This is particularly so here in the Northwest Territories where substantial capital investments need to be made if the non-renewable resource sector is to continue to contribute to the development of the North.

The acknowledged higher costs of doing business here in the North emphasize the need for public sector investment to be directed towards increasing the general capacity of the region. A companion trend is the increased reliance on Industry to participate in areas traditionally provided solely by government - particularly pre-employment workforce development and community well-being.

Two of the four recommendations put forward in the State of the Debate report are of high priority here in the Northwest Territories. Industry supports the need to ensure that new Regulatory and Resource Management Boards established under the Mackenzie Valley Resource Management Act have the necessary funding to fulfill their responsibilities in an effective, efficient and timely manner. We would also suggest that these Boards feature community-based representation to provide the consultative framework that Aboriginal Communities and Governments are seeking with respect to major development programs in their areas.

Drawing on DDMI's own recent experience, the Federal Minister of the Environment noted in his approval of the Diavik Project, that it was important the company conduct its future affairs in such a way that includes the continuous and meaningful participation of Aboriginal communities in project monitoring processes. The planned composition of the Diavik Environmental Advisory and Social-Economic Monitoring Boards is expected to embrace the

growing trends towards community-based involvement in monitoring resource development projects.

Industry also supports improvement of modern transportation infrastructures as a key to sustaining a favourable investment climate here in the North. It is suggested that the Government of Canada could make an important contribution in this area by strategically reinvesting a portion of federal benefits arising from non-renewable resource developments into critical areas of physical infrastructure and other areas of capacity building.

Industry has made significant capital investments here in the North over the past decade. Capital investment in the Diamond Industry sector alone will be approximately three billion dollars between 1995 and 2005. This represents an investment rate of about \$75,000 per capita over that period. A similar amount of capital investment is projected for potential oil and gas projects over the next decade.

To put these numbers into perspective, this capital investment rate is nearly three times higher than the national average in Canada as a whole.

This rate of capital expenditure in the non-renewable resource sectors will generate some two billion dollars in the form of direct and indirect tax revenues from the capital spend on these projects. This amount would not only cover the costs of public sector capital expenditures for the next decade but also cover the costs of the proposed public sector investment in much needed infrastructure as set out in the GNWT report “*Towards a Better Tomorrow*”.

A general policy of public sector reinvestment of tax revenues derived from private sector capital investment projects would greatly assist the North to sustain a positive investment climate.

Capacity Building

The foregoing leads onto the second major issue identified in the State of the Debate Report - that relating to capacity building.

We can see very positive developments in education achievement over the past three to five years. The number of young people who are now pursuing post secondary education has increased dramatically over the period and this has been supported in some way by contributions from the mining sector in terms of scholarship funding. Equally important is the opportunity for Aboriginal graduates to fill the increasing number of professional and management level positions that will open up as a result of the growth in non-renewable resource activities.

With regards to basic skills training and apprenticeships, very interesting developments have taken place over the past year on the Diavik project. Here we have seen the evolution of community based training programs under the leadership of our Aboriginal community partners. This has come about through partnership involvement of Aboriginal community resources, the company, Aurora College and the Governments of the Northwest Territories and Canada.

The next stage in these programs calls for the establishment of a Learning Centre at the project site. This Centre will again feature a partnering arrangement between Aurora College, Arctic College, DDMI and public government agencies. Opportunities for further company-specific training programs, including apprenticeships, directed towards preparation for full time employment during the operations phase of the project will form part of this program.

An important spin-off from the growth in the diamond sector has been the creation of new business opportunities here in the North. More than 70% of the goods and services purchased for the Diavik project are expected to be supplied by Northern businesses. Aboriginal-owned or controlled corporations are increasingly investing in these business ventures. This is a very promising trend in terms of long term benefit and sustainability for Aboriginal communities here in the North.

Northern Aboriginal businesses are participating in diamond manufacturing business ventures. This is a growing industry sector here; the Deton'Cho group of companies and the Dogribs have entered into joint venture arrangements in this sector. DDMI, through its association with its sister company Argyle in Australia, has been able to provide both community and public government representatives first hand exposure to current diamond mining and secondary diamond processing and manufacturing operations. Through this association, Aboriginal companies have increased their capacity to evaluate the business potential of the diamond manufacturing sector.

Conclusions

The current investment environment here in the Northwest Territories is attracting substantial capital investment, particularly in the non-renewable resource sector. Secondary capital investments are being made as a result of the opportunities for northern business to supply goods and services to non-renewable resource projects. Reinvestment of fiscal benefits flowing from these capital investments into public infrastructure, training and community development is seen as key to sustaining a favourable investment climate well into the future. Finalization of land claims and devolution issues is also seen as key to supporting a favourable investment climate.

While capital investment is a wealth generator for the North, it can also place tremendous strain on society's capacity to deal with these high levels of economic growth.

Whether it's the financial capacity to participate in the business aspects of these investment programs, the human resource capacity to provide the skilled labour to fully participate or the regulatory capacity to deal with these very large capital projects, these are all areas that need to be addressed and supported by public government in consultation with Aboriginal communities and Industry. The Northwest Territories has accomplished a great deal over the past ten years to attract inward capital investment and this is a testimony to the way Government and Aboriginal communities are working together with Industry to achieve an improving social and economic climate here in the North.

Industry is playing an increasing role in fostering capacity building in the North and, in particular, Aboriginal communities. While the partnership contribution that industry is making today may differ

in detail from that envisioned at the Joint Aboriginal Industry Forum in 1998, the trends are in the right direction. Consultation, participation and financial support between and by Aboriginal communities, Government and Industry for targeted programs have been key to these developments.

Looking to the future, the essential ingredients are in place to achieve our sustainable development goals in a way that is beneficial to Aboriginal and other communities here in the North. Each of public government, Aboriginal communities and Industry has a role to play in support of those goals. Leading companies in the non-renewable resource sector are now active partners in the social and economic development of the North and can be expected to continue to do so in the supportive and positive investment environment the North is striving to achieve.