

FINAL REPORT

Technical Assessment

of

Environmental Impact Report of the Mackenzie Gas Project in terms of its effect on Deh Cho Business

Submitted by:

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SECTION ONE - INTRODUCTION

This report was commissioned by the Deh Cho Business Development Centre in the winter of 2004/05. The report provides an assessment of the Environmental Impact Review Statement in terms of its predicted effects of The Mackenzie Gas Project (“The Project”) on the business community in the service area of the Deh Cho Business Development Centre. The service area of the Deh Cho Business Development Centre at the time of writing comprised the communities of Fort Simpson, Wrigley, Jean Marie River, Trout Lake and Nahanni Butte and Fort Liard.

The methodology chosen for this study was a combination of desktop review, analysis and summary of the Environmental Impact Statement as submitted by The Proponent, Imperial Oil, the production and distribution of an interim summary report to licensed business in the six communities and a subsequent survey of these same businesses to gauge their views on the report findings and general issues related to The Project.

This document is divided into five sections. Sections Two, Three, and Four were originally contained in an interim report in June 2005 and are the product of information that was current at that time.

The first section is an introduction section. In addition to an executive summary, it contains background information on the report and the Deh Cho Business Development Centre.

The second section contains extracts from the Joint Review Panel’s terms of reference for the Environmental Impact Statement. These extracts were deemed to be issues that broadly related to business.

The third section is a summary of what The Environmental Impact Statement states about The Project with specific reference to issues considered to be of general relevance to the business community in the Deh Cho communities of Fort Simpson, Jean Marie River,

Wrigley, Trout Lake, Nahanni Butte and Fort Liard. This section also draws from information provided through formal information requests and responses in the first and second round of the “Information Request Process”, as established by the Joint Review Panel.

The fourth section is an analysis section that discusses the contents of the EIS in the context of the effects of The Project on the economic and business environment in the study area as well as the adherence of the EIS to the terms of reference as outlined by the Joint Review Panel.

The fifth section, that completes the report by incorporating the results of a survey, was completed in December 2005. A survey of businesses in these communities and their views on the proposed pipeline project had hitherto not been conducted and it represents an interesting source of primary data. The survey group comprised Deh Cho Businesses in the communities of Fort Simpson, Jean Marie River, Wrigley, Trout Lake, Nahanni Butte and Fort Liard in September 2005. A list of one hundred and fifteen businesses in those communities was compiled by the Deh Cho Business Development Centre. This list was developed using current business license information provided by The Village of Fort Simpson, for businesses based within the municipality of Fort Simpson, and also by the GNWT Department of Municipal and Community Affairs who maintain the business license registry for those businesses operating outside of municipalities. In The Hamlet of Fort Liard, the business list was developed by examination of telephone listings and business directories. Each business on the list was sent a copy of the interim report, which contained sections two, three and four of this document, along with a survey containing thirty five questions. Business owners and managers were asked to read the interim report and then answer the questions. The questions addressed a variety of subject areas related to The Project and its possible effects on their business and the regional economy. In total 36.5% of businesses in the six communities, forty two businesses in total, responded to the survey, thirty five directly by mail and a further six as a result of follow-up phone calls from staff at the Deh Cho Business Development Centre. 77% of

those who responded to the survey had read the interim report and 70% of those who read the report found it to be either somewhat useful or extremely useful and informative.

Deh Cho Business Development Centre

The Deh Cho Business Development Centre is a federally incorporated non-profit corporation providing business counselling, loans, education and aftercare services to Deh Cho Businesses. The Centre's mandate is to enhance the economy and stimulate employment through business development in the Deh Cho Region. A board of volunteer directors chosen from the communities it serves governs the Deh Cho Business Development Centre. The services are provided to clients in the following six communities of the Deh Cho region: Nahanni Butte, Trout Lake, Fort Liard, Fort Simpson, Wrigley and Jean Marie River. The total population of these communities is approximately two thousand, two hundred.

Participation in the Environmental Impact Review of the proposed Mackenzie Valley Pipeline is highly significant to Deh Cho Businesses. The viewpoints and perspectives of business owners in the Deh Cho are often under-represented when it comes to considering the effects of major industrial projects on their socio-economic environment. In addition to providing goods and services, the small business sector will be an important provider of employment and training during the pipeline construction phase. Mostly small or medium size aboriginal owned and non- aboriginal owned businesses, members of the Deh Cho business community are typically long-standing residents of the region and will remain after the pipeline construction phase is over.

Executive Summary

Economic Development Planning

There is no identifiable reference in the EIS to linkages between the project and goals and objectives identified in territorial, regional and community economic development plans and strategies. Such an analysis would have better informed the development of significance criteria with respect to the project as they could be linked in a clear manner to the economic development goals of the stakeholders in the study area.

82 % of survey respondents think that the MGP should further review and integrate local and regional economic goals and objectives. Over 95% of respondents thought that the MGP should identify and take into account the particular needs of the local population and how The Project will impact them.

Procurement

The text of the EIS fails to provide sufficient detailed information in regard to the proponent's procurement policies and procedures that could provide a basis for predicting, with any degree of certainty, the effects of the project on Deh Cho business.

78% of businesses in the Dehcho consider that given the size of their business they should be able to supply goods and services to The Project. However while 43% of respondents believe that the procurement policies of the proponent give their business, at best, a moderate chance of obtaining work with The Project, 57% of respondents believe their chances of obtaining work are in fact, either poor or very poor.

The top four constraints identified by respondents that would reduce their ability to take advantage of opportunities were:

- 1. Lack of Notice*
- 2. Financing*
- 3. Competition*
- 4. Training*

Approximately a third of respondents indicated that The Project would result in them selling more of what they already sell; approximately a third believe that they will expand their offering of goods and services while approximately a third believe that there would be no change for their business. 17.6% of respondents indicated that they will joint venture in order to provide goods and services to The Project

Inflation

The proponent states in a response to an information request that inflation effects have not been assessed and that a meaningful assessment of project impacts on local prices is not possible.

75% of respondents believe that The Project will lead to either moderate inflation or very high inflation. 40% of respondents indicated that should there be an increase in the cost of northern goods, they would pass the costs onto consumers while 42% indicated that they would absorb the costs.

Regional Economy

There is no detail provided in the EIS with regard to the number, type or location of licensed businesses in the Deh Cho or of the specific services that are provided by these businesses. A listing of businesses by ethnicity or gender is also not provided. It would have been helpful for the proponent to have provided a more clearly defined analysis of

the Deh Cho economy in terms of existing business capacity with accompanying detail on those business sectors that it considers to have existing capacity and expertise to meet its requirements and those that do not.

The business community has consulted little with the MGP; neither has the MGP consulted much with the business community. 54% of those surveyed revealed that their business had never initiated contact with the MGP while 45% stated that the MGP had never consulted with them. 73% of respondents believe that the MGP has been poor in communicating its requirements to their business.

70% of respondents think it either very important or important that the MGP further review the number and type of licensed businesses in the Deh Cho. 79% of respondents believe that the MGP should develop a regional business database with details on company capabilities and willingness to supply The Project with goods and services. 85% of respondents either agreed or strongly agreed that their business should be given preference over southern or other northern business. While 44% of respondents think it very important or important that the MGP review and describe the number of Aboriginal businesses by ownership and gender, 56% were indifferent or found it unimportant.

Tourism

The proponent has not presented evidence that it has integrated its planning with regional tourism marketing plans, that it has adequately consulted with local or regional business agencies in regard to tourism development in the Deh Cho region, or that it has taken care to comprehensively analyse the effects of its project in terms of the ongoing sustainability of a small but growing wilderness tourism market in the Deh Cho.

75% of respondents think it either very important or important that the MGP should further review and describe opportunities for current and

future land based enterprises, and economic activities including those related to tourism, outfitting, commercial harvesting, recreation, renewable and non renewable resources

However, 73% of respondents indicated that they believe that The Project will result in either no effect or a moderate to large increase in tourism numbers during construction. This number rises to 94% of respondents for the effects of The Project after construction finishes.

Sustainability

It is unclear given the somewhat narrow approach adopted by the proponent, as to the extent to which the project will lend itself either to long-term sustainability or even short-term participation in the project by the Deh Cho business community.

The EIS does not provide an analysis of potential barriers to Deh Cho business participation (in the project) that could possibly be overcome with planning and preparation.

It can be argued that the presence of the Mackenzie Gas Pipeline and its consequent effects upon oil & gas exploration will perhaps be the most important legacy of the project. Yet there is little in the way of description or assessment in the EIS with respect to the Deh Cho.

In terms of long term importance to the regional economy and business the number one factor ascribed to The Project by respondents was the incentive that it would give to the building of the Mackenzie Valley Highway. This was followed by increased regional hydrocarbon exploration and capacity building for regional businesses. The least important aspects, according to respondents, were increased federal investment in the region and work experience for unemployed youth.

Labour Force

The proponent has acknowledged the potential issue with respect to competition for jobs and the effects on wage income. However there is insufficient detail with regard to the proponent's commitments on mitigation to allow for the use of the EIS as a predictive tool in respect of the effects of this project related impact on the business community.

38% of respondents indicated that higher regional wages would have a moderately adverse or extremely adverse effect on their ability to retain employees. However, 68% of respondents indicated that they believe a labour shortage in the region would result in either no effect or have a moderately beneficial effect on their business. 61% of respondents indicated that an increase in local employment and wages would increase their sales with 75% of respondents indicating that up to 40% of the increased wages would be spent in the region as a result of The Project.

38% of respondents believe that if The Project results in higher regional wages, this will have either a moderately adverse or an extremely adverse effect on their businesses. However, 62% of respondents believe that higher wages in the region will have either no effect or a beneficial effect on their business.

Recommendations

1. Regional Business Capacity & Procurement

Capacity building associated with The Project is considered an important issue for Deh Cho businesses in terms of long-term benefits associated with the pipeline. The Proponent should develop a business- capacity-building and pipeline readiness plan, in conjunction with the Deh Cho business community, governments and business financing & development agencies. This plan should be designed with the intent of maximizing regional business involvement in The Project by timely identification and reduction of potential barriers to the pipeline “market” by regional Deh Cho businesses. These barriers could include items such as access to financing, employee training, procurement policies etc. While recognizing that not all regional businesses will have products or services to sell to The Project, those that wish to expand their service offerings should be afforded meaningful capacity building assistance to achieve their goals and objectives.

The number of Deh Cho businesses is relatively small. A genuine and sincere attempt by The Proponent to fully engage and involve all members of the Deh Cho business community should not be overly burdensome to The Project.

A clear unambiguous procurement policy should be developed by The Proponent that evidences a sincere desire to help regional businesses gain access to The Project’s market for goods and services.

2. Tourism

The Proponent should re-evaluate the potential effects of The Project on the Deh Cho tourism industry and develop a mitigation plan in order to minimize negative effects and maximize positive effects.

3. Sustainability

The Proponent should undertake a thorough analysis of The Project in terms of its effects on the level of hydrocarbon exploration in the Deh Cho. This analysis should take into account the zoning implications of the Deh Cho Land Use Plan and The Protected Areas Initiative as well as geological factors.

4. Labour Force

There is insufficient information in the EIS with regard to the effects of The Project on the regional labour force to allow for its use as a reliable predictive tool. There needs to be further analysis conducted and a plan developed in conjunction with governments and the business community in order to adequately prepare for The Project.

5. Inflation

The Proponent should re-evaluate the effects of The Project on regional inflation and its effects on the economy. A mitigation plan should be developed, in conjunction with governments and in consultation with the business community, that address the issues identified.

SECTION TWO – THE TERMS OF REFERENCE

EIS Terms of Reference

The terms of reference (TOR) produced by the Joint Review Panel sets the framework for evaluation of the Environmental Impact Statement (EIS) as submitted by the project proponent. The following extracts either quote exactly or paraphrase those sections of the TOR that most directly relate to effects of the project upon business.

TOR 11.5.3 states that the proponent should provide a description of local and regional economies and their performance including a description of local and regional economic development goals and objectives as identified in public consultations, land claim agreements and community, regional and territorial economic development plans and strategies.

TOR 11.5.3 states that the proponent should provide a description of local and regional economies and their performance including current and projected land based enterprises and economic activities including those related to tourism, outfitting, commercial harvesting, recreation, renewable resources and non-renewable resources.

TOR 11.5.3 states that the proponent should provide a description of local and regional economies and their performance including the number of licensed businesses.

TOR 11.5.3 states that the proponent should provide a description of local and regional economies and their performance including the number of aboriginal businesses by ownership and gender.

TOR 12.6 requests that the proponent describe and document the basis for the determination of significance (thresholds, stakeholder input, etc)

TOR 15 of the terms of reference asks that the proponent identifies and takes into account the particular needs and interests of the local populations and consider how the project may affect each of them.

TOR 15.2 asks that the proponent describe and evaluate the potential impacts of the project (by project phase and year) on local, regional, territorial and provincial economies including consideration of:

- Competition for labour between the project and existing businesses...
- Local consumer prices, inflation and cost of living...
- Activities such as tourism...including foregone and precluded opportunities...
- Local and regional economic spin off activity related from wages and purchases related to the proposed project...
- Opportunities for local, regional, provincial and territorial businesses to supply goods and services both directly to the project and to meet the demand created by the expenditure of new income by employees of and suppliers to the project.
- Distribution of costs and benefits of project activities at the local, regional, provincial, territorial and national level.
- Opportunities to diversify the local, regional and territorial economic base to produce and to supply new goods and services
- Constraints that could affect economic benefits or opportunities
- Consistency with goals and objectives identified in territorial, regional and community economic development plans and strategies

TOR S 24 asks that the proponent describe any commitments, policies and arrangements directed at promoting beneficial, or mitigating adverse impacts to social or economic conditions...including those... related to contracting and procurement including those that promote local sourcing and participation of local businesses and how this will be accomplished.

SECTION THREE– WHAT THE PROPONENT SAYS

Project Overview

A summary of the project components gives a useful overview of the territorial scope of the project. V2 Table 1-7 gives an overview of the project components within the Pipeline Corridor.

Gas Pipeline

One natural gas pipeline in a 50m wide right of way shared with the NGL pipeline from the Inuvik areas facility to Norman Wells for about 475 km

One natural gas pipeline in a 40m wide right of way from Norman Wells to the NGTL interconnect facility for about 745 km

28 cathodic protection sites, including a site at the NGTL interconnect

NGL Pipeline

One NGL pipeline in a 50m wide right of way shared with the natural gas pipeline for about 475 km

One NGL pipeline in a 30m wide right of way from the Norman Wells compressor station to the Enbridge interconnect facility for about 1km

12 cathodic protection sites shared with the gas pipeline

Pipeline Facilities	One NGL meter station at Norman Wells Four compressor stations One heater station One pig receiver located adjacent to the NGTL interconnect 10 valve sites on the gas pipeline One valve site on the NGTL gas pipeline 28 valve sites on the NGL pipeline NGTL interconnect facility
Infrastructure	15 barge landing sites 22 stockpile sites 22 fuel storage sites 16 temporary camps and existing camps about 53 kilometers of all weather road About 48km of winter road Three new and two existing airstrips Commercial airport at Inuvik, Norman Wells, Wrigley, Fort Simpson, and Hay River. Use community airstrips at Ft Good Hope, Tulita and Trout Lake Five new Helipads Three communications centres Up to 161 water sources and about 175 kilometers of associated winter road
Borrow Sites	60 primary borrow sites and about 275 kilometers of associated winter road 40 secondary borrow sites and about 175 of associated winter road
NGTL Northwest Mainline	One natural gas pipeline constructed in Alberta.

Introduction

Procurement and employment opportunities exist for qualified DCR businesses and labour force in the DCR. However given the nature of most of the capital investment in the DCR coupled with the limited scope and capacity of businesses and the economy in the region, significant project-related expenditures and associated employment for goods and services are expected to go to sources located outside the region and the NWT.

Vol 6a S3.1.8.1 states that most project construction will take place over the four year period from 2006-2007 to 2009-2010. About 45% of the gas pipeline and half of the compression facilities are located in the DCR. This represents \$1.6 billion or 25% of total project capital investment. Due to limitations of the local economy only \$48 million is projected to be spent on purchases of goods and services in the region. These expenditures in the region will be subject to further leakage because businesses in the DCR will buy inputs from outside the region.

V6a S 3.3.9.2 suggests that regional businesses could benefit from the long term purchasing and contracting opportunities generated by the project, particularly for maintaining the facilities and parts of the right of way located in the Deh Cho.

V6a S3.3.9.1 states that there will be considerable project induced business opportunities and employment in the Deh Cho, but on a far smaller scale than the Beaufort Delta

Pipeline Corridor Southern Mackenzie Valley

Figure 1 pipeline corridor south.

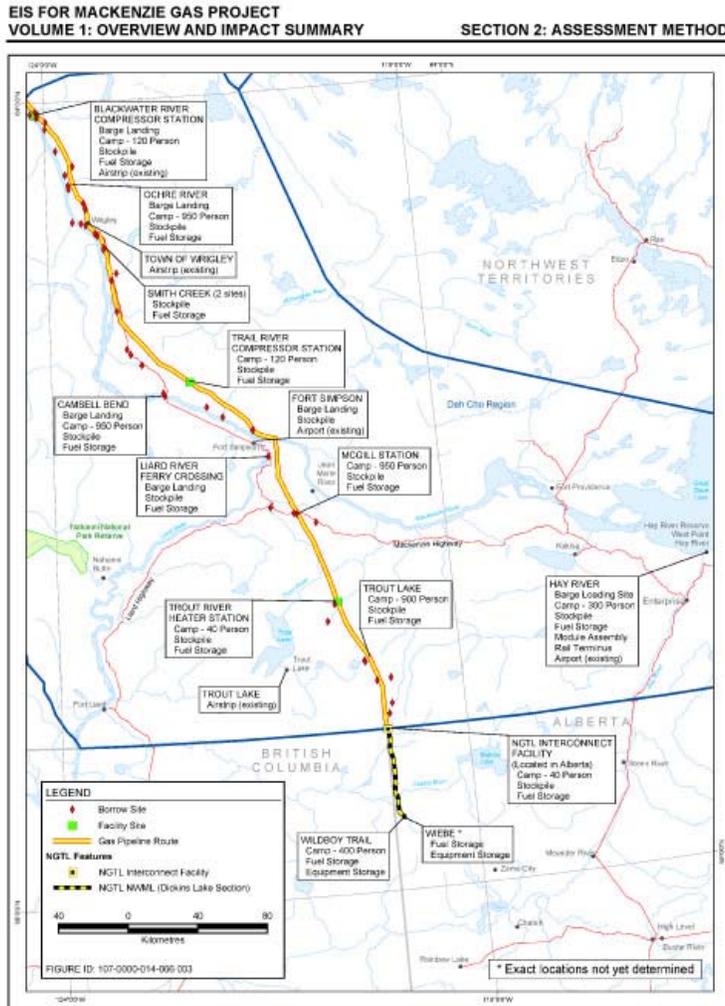


Figure 2-4: Pipeline Corridor – South

Effect Pathways

In general terms the EIS describes economic effects of the pipeline project in three ways:

1. Direct effects (effects associated with supplying major components and with construction contractors)
2. Indirect Effects (ripple effects as construction contractors purchase additional required inputs from other firms)
3. Induced effects (as these firms expand they hire more staff and pay out more wages which when spent has additional effects on the economy)

The EIS developed estimates of regional economic effects based upon Statistics Canada Inter Regional Input Output Model, supplemented by extra data provided by Ellis Consulting Services. The models were modified somewhat due to supply constraints in the NWT economy.

Significance

V6 Table 3.57 presents a report on the significance of the project construction phase combining procurement with employment and income and presents this data as follows:

Procurement, Employment, Income and Regional Economic Effects – Construction Effects Attributes Deh Cho Region

Effect Attributes

Region	Direction	Magnitude	Geographic Extent	Duration	Significant
DCR	positive	high	regional and beyond regional	short term	yes

Overview of Deh Cho Economy

V4 s2.9.2 states that the economic history of the study area has been marked by a series of booms and slumps.

V4 S2.5.4 states that in 2000 there were 12 tax paying companies in the DCR paying a total of \$42,000 in corporate income taxes.

Deh Cho Infrastructure

Vol 6a S3.1.8 states that capital expenditures made in the Deh Cho region will be linked to project components and activities located in the region. This includes:

- Two compressor stations near Blackwater and Trail River
- Part of gas pipeline spread B1, and all of spreads B2, A1 and A2
- One Heater station, located near Trout River
- Nine infrastructure sites that could include:
 - Camps
 - Fuel storage
 - Pipe and materials stockpiles
 - Equipment Storage
 - Barge Landings and in some cases Airstrips

Figure 2 pipeline construction spreads

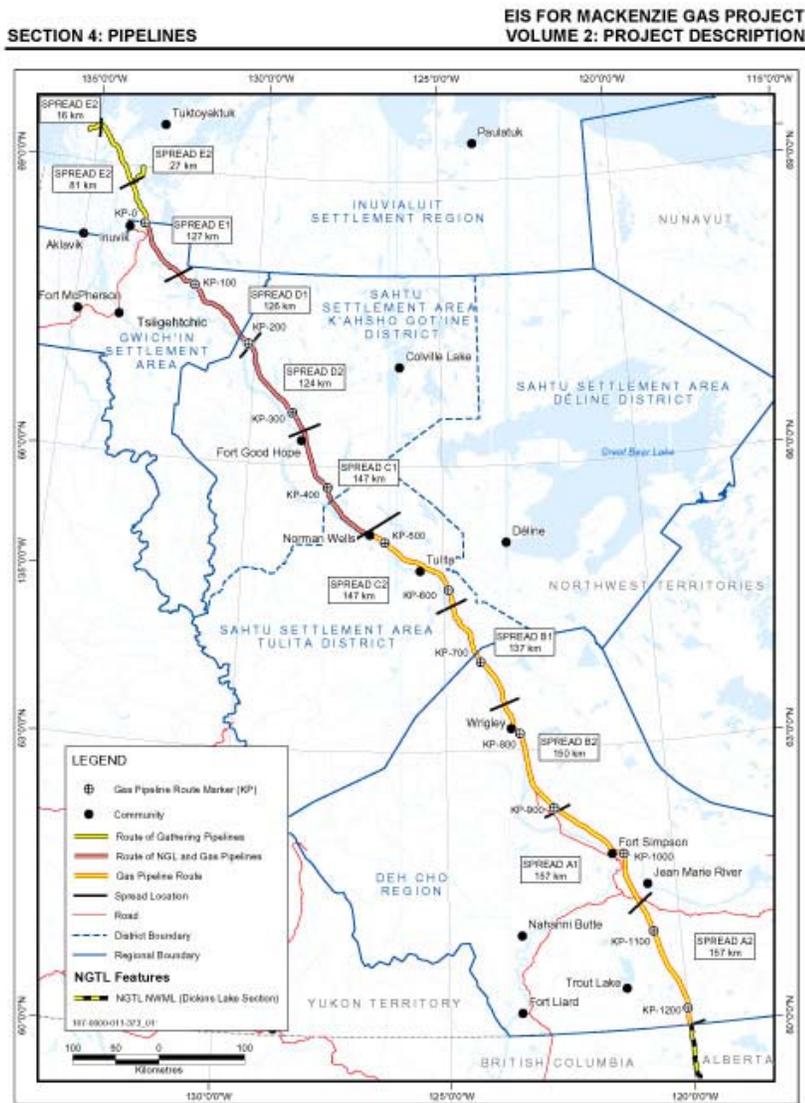


Figure 4-7: Pipeline Construction Spreads

Figure 3 Infrastructure Sites Mackenzie Valley South

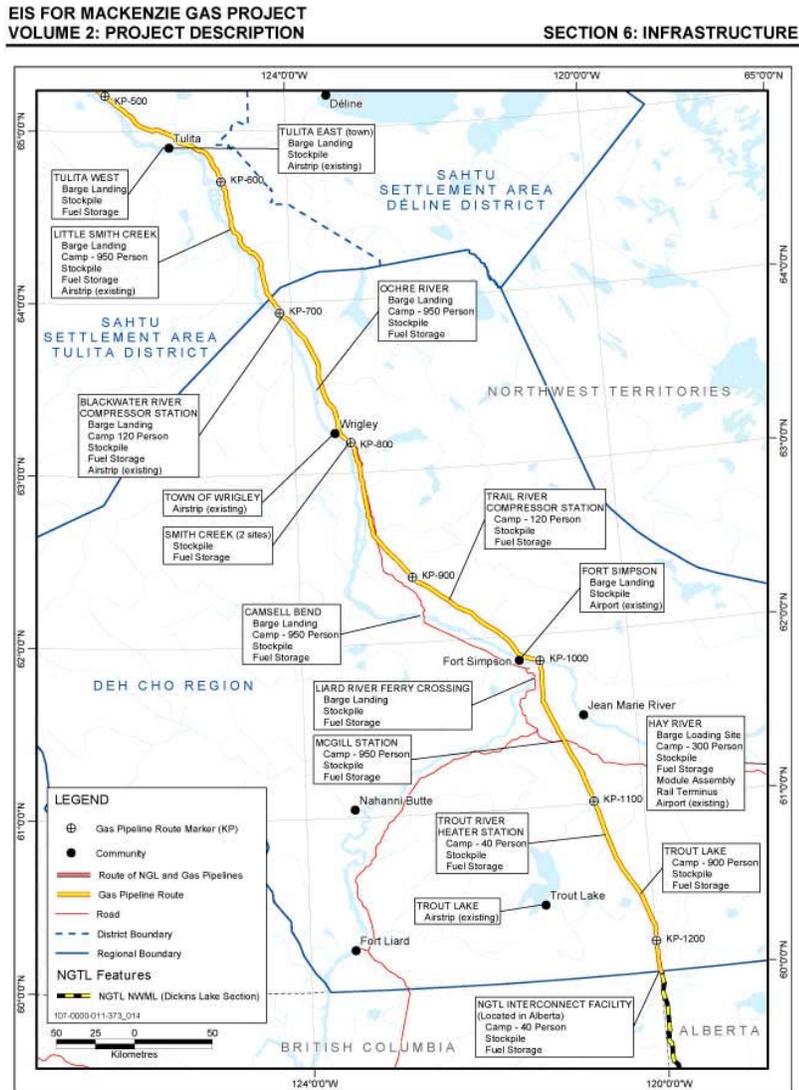


Figure 6-2: Infrastructure Sites in Mackenzie Valley South

Transportation

S6a V4.1.3 states that over two years about 84,000 tonnes of pipe will arrive at Hay River from Alberta on about 6000 railcars and loaded onto about 2400 trucks for delivery to the southern section of the pipeline in the DCR (accessible by all-weather and winter roads)

About 40,000 tonnes of pipeline construction machinery will be transported to Fort Simpson via the Mackenzie Highway via truck where it will be loaded onto barges.

About 350 truckloads of construction machinery will continue on from Fort Simpson to the southern section of the pipeline in the DCR.

22 million litres of fuel will be loaded onto about 460 trucks for distribution to the southern section of the pipeline in the DCR.

About 620 truck loads of camp units and materials will be transported directly to six locations along the southern section of the pipeline in the DCR that are accessible by all weather or winter road.

V6a S4.1.7.1 states that focal transportation functions in the DCR are divided between Fort Simpson and Hay River. Fort Simpson will serve as a transportation hub for moving construction machinery and crews to and from several project locations in the southern part of the Mackenzie Valley.

The Mackenzie Highway will be the primary road link to the southern section of the pipeline for fuel, pipe, camps, modules and food. It will provide road access into the Sahtu via a winter road that runs north of Wrigley.

In the DCR the project will create a noticeable increase in the demand on air, marine and road transport, infrastructure and services. Fort Simpson's central location ensures that it

will be the air transport hub for construction staff living in most of the DCR communities and there might be increased numbers of flights to and from the smaller communities of Wrigley and Trout Lake. V6a S 4.1.8.1 states that most construction personnel for the project will come from the south on chartered or scheduled Boeing 737s and will fly directly to hub communities of Inuvik, Norman Wells and Fort Simpson.

The proponent in its response to IR question 1.57 (GNWT) states that a transportation peak is expected over a two week period in January and March 2008 and 2009 with two Boeing 737 jets landing twice a day at Fort Simpson Airport. Each chartered aircraft will remain on the ground for about one or two hours before departing. No overnight parking will be required. In its response to IR question 1.30 (DAS) the proponent estimates a total of 2500 passengers arriving at Fort Simpson Airport during a four month winter period.

V4 S 3.5.1 states that the Deh Cho communities in the west and north DCR use Fort Simpson as a transportation hub.

Some project materials will be hauled seasonally from Hay River on the Mackenzie Highway as far as Wrigley. Except for perishable foods most construction and camp supplies and materials in the DCR will be trucked to where they are needed via the Mackenzie Highway. As a result the project will create a substantial increase in traffic on the Mackenzie Highway and the winter road that runs north of Wrigley.

The project related traffic on the Mackenzie Highway will damage the road surface and foundation and substantially increase repair and maintenance work. V6a S4.1.8.1 states that its planners are considering early delivery and stockpiling of fuel, pipe and camp modules to reduce potential effects on existing transportation services and infrastructure in the affected regions.

V6a S4.1.7.1 states that in the DCR the project will create a noticeable increase in the demand on air, marine and road transport, infrastructure and services. Fort Simpson's central location ensures that it will be the air transport hub for construction staff living in

most of the DCR communities and there might be increased numbers of flights to and from the smaller communities of Wrigley and Trout Lake.

V6a S4.1.3 states that Cooper Barging Services at Fort Simpson will transport the heavy construction equipment. Coopers will increase the tug and barge fleets to accommodate the extra requirements. Consideration is being given to early stockpiling of fuel, pipe and camp modules. V6a S4.1.8.1 of the EIS states that Cooper Barge Services are already involved in preliminary discussions concerning the loads and delivery schedules required for construction of the pipeline and associated project component.

In its response to IR question 1.30 (DAS) the proponent estimates a total of 102 additional barge departures from Fort Simpson, peaking at 66 in 2007. In total, residents of Fort Simpson will see an additional 1324 barges travelling north over a four year period.

V2 S 6.2 .1 states that of the fifteen existing barge landing sites that have been identified in the NWT, two are in Fort Simpson. It labels the two in Fort Simpson as already “existing”. Both sites are listed as storage for stockpiling, fuel storage and camps (day trailer). V2 6.2.1 Table 6-1 states that total area of new footprint at the Liard River ferry crossing is 2.6 hectares. The Liard River ferry site will include a spud barge landing site consisting of one or more 600 series barges will be grounded and anchored in the river bed and used as a temporary dock, crane platform and access ramp.

Tourism

V4 s6.6.7 notes the fact that there are several tourism based businesses operating in the area that might be traversed by the pipeline corridor.

V6 S 7.2.1.3 states that increased noise could affect tourism and recreation.

V 6 Section 7.2.1.1 states that the appearance of the natural landscape will change because of the project.

V4 7.2.1.2 states that tourism participants could feel a perceived decrease in the quality of their experience because of the presence of the project.

Section 7.2.2.8 suggests that most tourism activities will take place near established communities. It also suggests that most tourism activities will take place during the summer months and most construction activities will take place during the winter months. The same section suggests that increased access afforded by the project will have a positive effect on recreational users by allowing them access to areas previously difficult to reach. This section also states that the tourism industry could benefit from pipeline workers purchasing tourism products in their free time and that this would have a beneficial affect on the tourism industry.

Procurement

TOR S 24 asks that the proponent describe any commitments, policies and arrangements directed at promoting beneficial, or mitigating adverse impacts to social or economic conditions...including those... related to contracting and procurement including those that promote local sourcing and participation of local businesses and how this will be accomplished.

The EIS states that procurement and employment opportunities exist for qualified DCR businesses and labour force in the DCR. However given the nature of most of the capital

investment in the DCR coupled with the limited scope and capacity of businesses and the economy in the region, significant project-related expenditures and associated employment for goods and services are expected to go to sources located outside the region and the NWT.

In V6a S3.1.4.1, the EIS states that the project proponents are committed to using Aboriginal, other northern and other Canadian suppliers of goods and services if they are:

- Able to meet or exceed specified safety, environmental, technical and quality standards, and project timing requirements
- Internationally cost competitive at the place and time where the goods or services are required

The EIS goes on to state that the project proponents will give preference to qualified, competitive Aboriginal or other northern business for certain goods and services. In some instances Aboriginal or other northern businesses might be invited to bid first.

In its response to FSV IR2.16 about the nature of its preference policies for northern businesses, the proponent states that there is no provision for a monetary bid adjustment.

In its response to FSV IR 2.16 the proponent states that *“preference means that if the proponents, or their contractors or sub contractors, determine that two or more proposals are equivalent, based on safety, quality, cost and ability to provide the goods and services on a timely basis, they will award the contract on a preferential basis to Aboriginal and other northern businesses.”*

In its response to FSV IR 2.16 the proponent states that the list of “certain goods and services” which will be eligible for preference is being developed. (i.e. this is not yet complete).

In its response to FSV IR 2.15 the proponent states that *“the proponents will require their contractors and subcontractors to include an Aboriginal and local content plan as part of their proposal. This plan will describe the planned use of local business...”*

In its response to FSV IR 2.13 the proponent states that it will use *“the list of Aboriginal businesses provided by the Inuvialuit, Gwich’in Sahtu and Deh Cho”* to determine whether or not a business is an Aboriginal business. As for other businesses in the north, *“a definition of other northern business is under development”*. (i.e. this is not complete) *“This definition will include such factors as ownership of business, ownership of business assets, place of business and persons employed to help evaluate the local content of a business”* FSV IR 2.13 also asks the proponent to what extent ethnicity will play a role in its procurement strategy but the proponent does not respond.

Procurement Principles

The EIS itemizes the following procurement principles

- Provide full and fair opportunity for Aboriginal and other northern businesses to participate in business opportunities
- Comply with relevant land claim settlements, and benefits and access agreements
- Ensure that project procurement policies are consistent with the Indian and Northern Affairs Northern Benefits Statement of Principles where applicable
- Foster development of Aboriginal and northern business and human capacity that provides long term benefits to the project proponents, such as meeting long-term sustained demand for goods and services

- Ensure that suppliers of goods and services meet the project proponents commitments to use Aboriginal and northern businesses.

Procurement Strategy

The EIS presents the following as a procurement strategy:

- Assess northern market supply capacities, including the potential to grow to meet specific needs
- Provide lead time for Aboriginal and other northern businesses to develop the ability to qualify and effectively compete for the work
- Pre-qualify Aboriginal and other northern businesses and offer feedback and assistance in understanding how to fill gaps in their qualifications
- Hold workshops on bidding procedures, safety management and fitness for duty, including alcohol and drug policies, to help Aboriginal and other northern businesses effectively pursue business opportunities
- Facilitate northern sourcing by structuring work packages and sub packages, where appropriate, to better align with the capacities of qualified northern business
- Require bidders on major contracts to specify how they will optimize participation of Aboriginal and other northern businesses in executing their work
- Give particular emphasis to local content plans when evaluating bids and subsequently awarding work and supply packages for the project

- Continue open communications with Aboriginal and other northern businesses about project requirements, including timing and specifications of goods and services required by the project
- Supply information about Aboriginal and other northern businesses to potential contractors in support of local content plans
- Offer to communicate with unsuccessful bidders to help them bid more effectively in the future
- Support transferring technology and knowledge to Aboriginal and northern businesses
- Monitor implementation of local content plans to ensure that procurement contractor commitments are met and adhere to terms in the benefits and access agreements

Business Opportunities

Vol 6a S3.1.8.1 states that most project construction will take place over the four year period from 2006-2007 to 2009-2010. About 45% of the gas pipeline and half of the compression facilities are located in the DCR. This represents \$1.6 billion or 25% of total project capital investment. Due to limitations of the local economy only \$48 million is projected to be spent on purchases of goods and services in the region. These expenditures in the region will be subject to further leakage because businesses in the DCR will buy inputs from outside the region. In its response to FSV IR 2.2 the proponent states that the figure of \$48 million was the sum total of several different expenditure categories including:

- engineering & management
- pipe
- other piping materials
- camp & catering
- labour travel
- fuel
- construction equipment rentals
- logistics
- installation labour
- NWT payroll taxes

V6 S 3.1.2 of the EIS cites Chamber of Commerce Websites as one source of information on existing business capacity in the Deh Cho region. Internet websites accessed included the NWT Chamber of Commerce website, the Fort Simpson Chamber of Commerce website as well as the Aboriginal Business Directory and “various community websites”. The EIS uses this information to illustrate the nature and type of existing businesses. It acknowledges that the lists are not exhaustive but rather representative in nature. The EIS then links the categories of these representative businesses to the categories of procurement opportunities listed in Vol 6a table 3-3.

In its response to FSV IR 2.19 the proponent states that project planning has not progressed far enough to provide a breakdown of business opportunities by type and amount, that will result from the project, within 180 kilometers of Fort Simpson. It goes on to state that project activities in the Deh Cho that could involve northern business include:

- Developing barge landing sites
- Preparing pads for material laydown areas
- Developing camps and catering and related services

The proponent adds that it does not intend to develop a database detailing local business capacity and aspirations in any community in the NWT. The proponents intend to use existing sources of documentation provided by land claimant groups and chambers of commerce.

V6a Table 3-3 provides the following information about project procurement opportunities

Business Opportunity	Typical Goods and Services Required
Communication	voice:telephone, cellular, satellite, VHF or UHF radios data:internet, internal company systems satellite and cable television
Community Accomodation	Apartments, hotels and motels Restaurants Taxi, laundry and dry cleaning services
Construction	Drilling Oilfield services Facilities (concrete, crushed rock, sand, gravel and ready mix products Pipelines (timber for skids and survey laths - welding services and supplies) Construction services Surveying Welding & Inspection services Building trades (electrical, mechanical, instrumentation, insulating, pipefitting) Building materials and supplies (wire, fittings and pipe) Civil Construction services Crane Services Heating Ventilation and air conditioning supply, installation and maintenance Environmental monitoring services On -site safety professional services
Equipment	Heavy equipment supply and services drilling equipment and services small engine and equipment supply and service industrial supplies, steam and high pressure water industrial rental services
Fuel and Fuel Storage	Propane, diesel, aircraft fuels, gasoline, grease, lubricant oil, anti freeze and chemicals Propane and fuel storage tanks, storage, inventory management and fuel delivery Oil spill response services and equipment Supercargo services
Logistics	Safety equipment, supplies and training materials management, expediting, freight transport, flight planning hot shot services air transport, aircraft charters and maintenance vehicle sales, rentals, repairs and service charter boats and barges procurement, including customs brokers
Office	Janitorial services Office Space, supplies, furniture, computers and other equipment Administrative services, secretarial, clerical, accounting, bookkeeping and payroll Travel reservation services Banking services
Remote site services	Camps, camp catering, camp supplies retail and wholesale grocery supply water delivery, sewage treatment, snow removal and garbage disposal security services
Safety and Medical	Emergency medical facilities, staff, supplies, air and ground ambulance, dentistry, optometry and prescription drug Occupational Health services

Employment, Wages & Staff Retention

V6a S 3.1.3.7 suggests that there will be very noticeable effects on some northern employers and wages that will result from:

- The size of the project and procurement demands.
- High wage earning potential over a brief but concentrated construction and drilling schedule
- Benefits agreements between the project, Aboriginal organizations and the GNWT
- National media coverage

Table 3-12 projects total NWT wage income resultant from the project of \$300 million.

The text suggests that it is probable that some qualified northern residents will leave existing jobs to fill some of the positions created by the project, despite the fact that it is unemployed people who will be targeted for jobs. This could leave a shortage of critical skills in:

- Management
- Administration
- Maintenance trades & Equipment operators
- Hospitality sector workers

Vol 6a S 3.1.4.4 states that the proponent, local communities, chambers of commerce and HRSD will require information sharing and joint planning where practical to determine effective mitigation for the potential loss of qualified northern employees and the increase in wages that is a result of this effect. The text states that discussions between the proponent and Chambers of Commerce, local communities and Aboriginal

organizations will “continue” regarding ...a strategy to reduce adverse implications for northern governments, communities, and employers.

The EIS projects a regional “Deh Cho” demand for jobs of 227 (Direct 132, Indirect 64, Induced 30) after taking supply restraints into account. It suggests that there would be a surplus of labour in the region which could lead to out-migration. Table 3-55 estimates an average increase in wages in the total DCR as an average \$11 million (\$6 Direct, \$4 Indirect, \$1 induced). (a division of \$6 million by 132 equals \$45,454 average wages per person employed directly, \$62,500 for those employed indirectly, and \$33,333 for induced wages) . (This is an average figure. Peak Construction wage levels amount to \$18 million.)

In its response to IR question 1.85 (GNWT) the proponent modifies these numbers slightly. In table 1-85-1 Project Employment Demand it states that 133 direct jobs, 64 indirect jobs and 30 induced jobs will be created.

In its response to IR question 1.79 (GNWT) the proponent states that the in-migration to communities such as Fort Simpson will lead to a rise in the size of the labour pool and also that the expectations associated with the project will lead to more people entering the labour force. It also states that the construction period is only 12-14 weeks and that this will limit the amount of workers leaving permanent jobs to seek project related work.

The “project” recommends that local Chambers of Commerce and public and community service providers develop a unified strategy on employee retention and recruitment.

Inflation

In its response to FSV IR 2.17 regarding the effects of increased costs for local businesses on the inflation rate in Fort Simpson, the proponent states that these effects have not been assessed and that a meaningful assessment of project impacts on prices is not possible.

Sustainability

TOR 5.1 states that “a projects contribution to sustainability can be evaluated ... on the extent to which a project makes a positive overall contribution towards environmental, social, cultural and economic sustainability”

In its response to INAC IR 0114S the proponent details three ways in which the project will contribute to sustainability:

1. building business capacity
2. future hydrocarbon exploration and development
3. skills learned by labour could be transferable to other sectors

V6a S 3.2.15 states that the project will help to contribute to diversification by giving northern businesses the opportunity to build business capacity by joint venturing and creating alliances with distributors as well as expanding existing businesses. It also suggests that the skills learned will be transferable to other areas of the economy

V6b S 9.1.1 states that *“the Mackenzie Gas Project might encourage other development, particularly gas exploration and production in the Northwest Territories. However information to adequately assess potential cumulative effects on contributions from such developments is not yet available”*.

Two maps are presented in volume 5 and volume 7 that may affect such exploration and development: one showing existing hydrocarbon leases in the NWT, and one showing traditional land and resource use in the Deh Cho. No synoptic map is shown that combines all relevant data detailing potential effects on exploration and development in the Deh Cho. In the EIS the proponent states that further hydrocarbon exploration is one way in which the project will contribute to sustainability.

Figure 4 Overview of Hydrocarbon Leases NWT

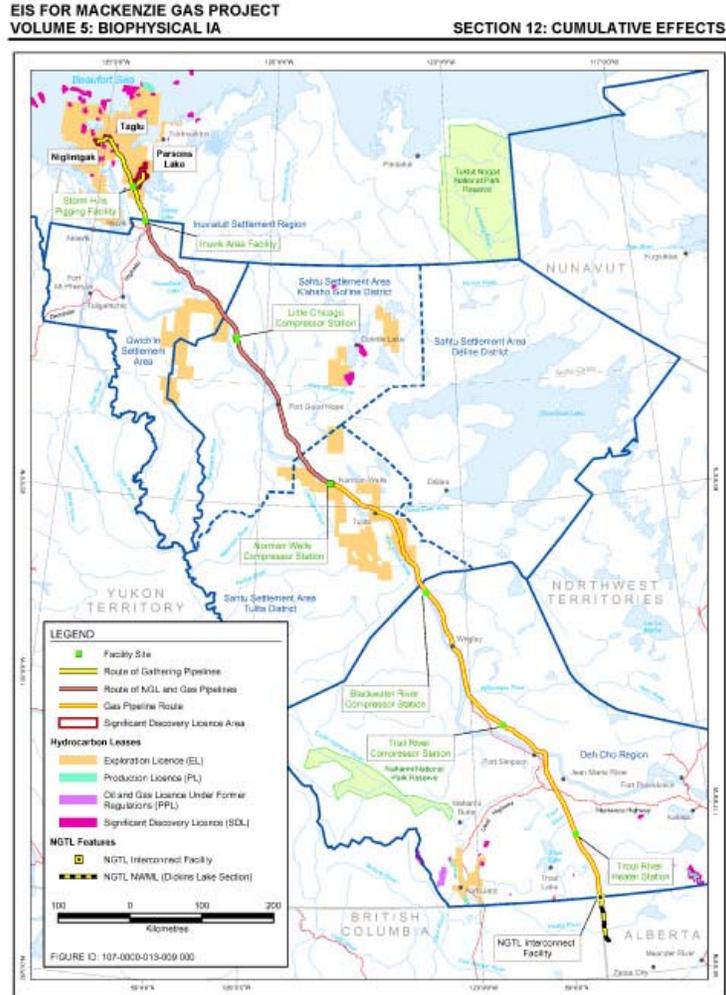
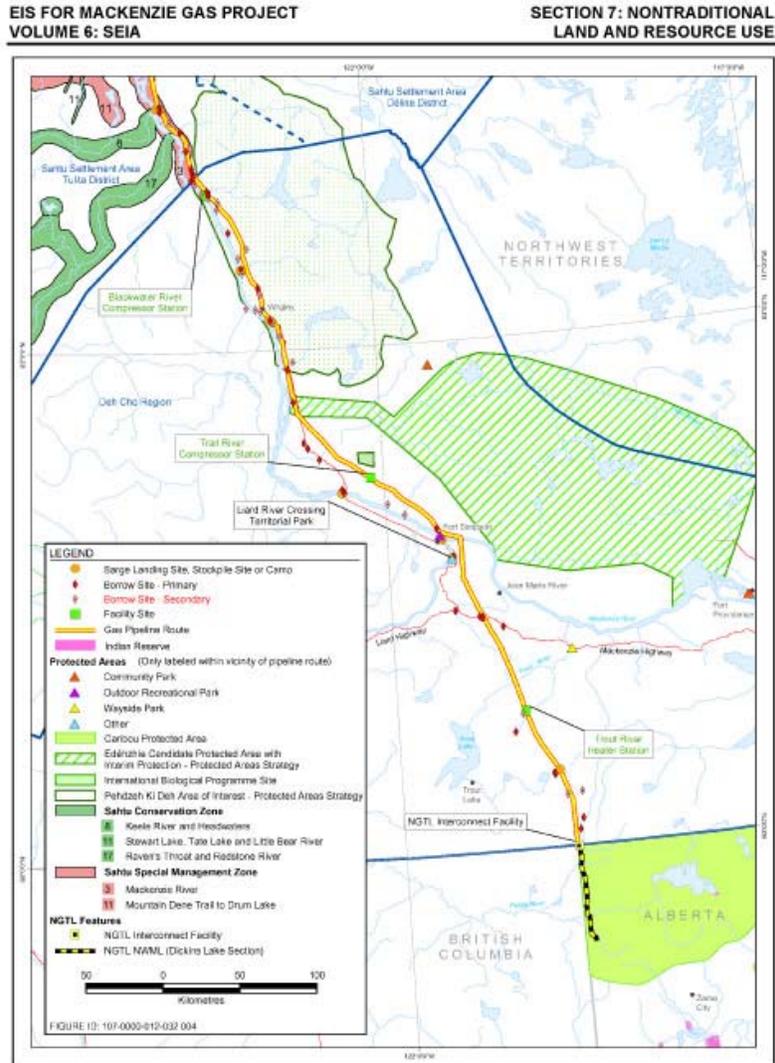


Figure 12-3: Overview of Hydrocarbon Leases in the Northwest Territories

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Figure 5 Non Traditional Land & Resource Use – Protected Areas in the Deh Cho and Northern Alberta



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SECTION FOUR - ANALYSIS

Tourism

The terms of reference asks the proponent to describe and evaluate the impacts of the project on local, regional and territorial economies including consideration of activities such as tourism... including foregone or precluded opportunities that are lost or deferred as a result of the Project.

V4 6.6.7 reports that “*within the DCR, there are several tourism businesses that operate in the area that might be traversed by the Pipeline*”. V6b S 7.1.2.8 states that project construction and operations have the potential to affect the nature and level of eco-tourism, guided outfitting, river tours and cultural tours. However, the EIS limits its descriptions of these effects on tourism to the potential experiences of tourists participating in tourism after having arrived in the area. V4 7.2.1.2 states that tourism participants could feel a perceived decrease in the quality of their experience because of the presence of the project. V6, section 7.2.1.3 references an effect on tourism in terms of noise levels. Section 7.2.2.8 suggests that most tourism activities will take place near established communities. It also suggests that most tourism activities will take place during the summer months and most construction activities will take place during the winter months. This section also suggests that the tourism industry could benefit from pipeline workers purchasing tourism products in their free time and that this would have a beneficial affect on the tourism industry.

The attraction of the Mackenzie Valley and the Deh Cho as a tourism destination is largely that of a pristine, wilderness destination. It could be argued that perceptions of the Mackenzie Valley & the Deh Cho as a major industrial zone for the four years of construction could adversely affect the ability of tourism marketing agencies to attract tourists to the region both on a short term and a long term basis. Although V6b S7.1.2 presents Tourism-and-Recreation as a Valued Component, no analysis of this issue has been presented in the EIS area by the proponent. Furthermore these types of linkages are

not clearly indicated in the effect pathways matrix in V6, table 7.2.1. No estimates are provided of a potential decrease in tourism in the Deh Cho because these types of perception resulting in less bookings. V 6 Section 7.2.1.1 states that the appearance of the natural landscape will change because of the project but does not link this in a concrete manner to the short term, medium term, and long-term development and marketing of the Deh Cho tourism sector.

Section 11.5.3 of the TOR requests that the proponent provide a description of local and regional economic development goals and objectives as defined in public consultations, land claim agreements and community, regional and territorial economic development plans and strategies. However, the tourism marketing plans of local, regional or NWT tourism marketing agencies are not referenced in the EIS. The appendix to V4 indicates the sources for baseline data used by the proponent. The only reference to NWT Arctic Tourism is that of the 2003 NWT Explorer Guide. There is also a reference to an 1995 article by D. Hinch called “*Aboriginal People in the Tourism Economy of Canada’s Northwest Territories*”. The 2002 GNWT *sport fishing guide* and the 2002 GNWT *Northwest Territories Parks* available on the internet was also accessed on November 2002. There was also a telephone conversation with the regional manager of GNWT Parks and Tourism in Inuvik on December 2, 2002.

Unlike the central and northern Mackenzie Valley, the majority of Deh Cho communities are linked by all-weather roads to Alberta and British Columbia. The Deh Cho region is part of the “Deh Cho Connection” travel route – a cooperatively marketed road touring route that links Alberta, British Columbia and the Deh Cho. The potential affect of the project on the rubber tire tourism industry in the Deh Cho has not been mentioned in the EIS. The increased use by industrial traffic of the Deh Cho road system which includes Highway 7 linking to the Alaska Highway and Highway 1 linking to Alberta will have an impact on the quality of the road surface as well as the attractiveness of the route to tourists seeking a road-based, wilderness touring experience. What the impact of this will be is not analyzed in the EIS.

The EIS does not comply with the Terms of Reference in terms of analyzing potential foregone or precluded opportunities that could be lost or deferred as a result of the project as it relates to the Deh Cho tourism industry.

The proponent has not presented evidence that it has integrated its planning with regional tourism marketing plans, that it has adequately consulted with local or regional business agencies in regard to tourism development in the Deh Cho region or that it has taken care to comprehensively analyze the effects of its project in terms of the ongoing sustainability of a small but growing wilderness tourism market in the Deh Cho.

Economic Development Planning

TOR 15.2 asks the proponent to describe and evaluate the impacts of the project on local, regional and territorial economies including consideration of consistency with goals and objectives identified in territorial, regional and community economic development plans and strategies.

There is no identifiable reference in the EIS as to linkages between the project and goals and objectives identified in territorial, regional and community economic development plans and strategies. The TOR asks that the proponent identify communities, agencies, boards and regulators that would be involved during the preparation of the programs and any opportunities for partnerships, coordination and participation. As noted in a previous section, such detail was lacking in the analysis on the Tourism sector and it appears that similar detail is lacking this area as well. There is no listing or evidence in the EIS of effective consultation with local or regional economic and business development agencies. Such consultation and examination of economic development plans would have allowed for a more compelling determination of significance levels for the project.

The list of sources cited in the appendix of V4 does not provide evidence of a thorough and systematic baseline gathering system in regard to this requirement of the TOR.

The appendix to V4 - Socio Economic Baseline - cites one email exchange with Paul Kraft – the Deh Cho regional superintendent of GNWT Resources, Wildlife and Economic Development. It is not stipulated what the content or nature of this email was.

In V6, the main volume of the EIS concerned with employment, economy, infrastructure and services, a computer search for the phrase “economic development” yields one result in V6 S3.2.1.5

Procurement

The TOR asks the proponent to describe and evaluate the potential impacts of the project on local, regional and territorial economies including consideration of opportunities for local, regional, provincial and territorial businesses to supply goods and services to the project...

The EIS addresses this requirement by detailing its procurement strategies and listing project business opportunities. Although the proponent does not specifically address Deh Cho business opportunities it matches potential business opportunities to businesses by assembling a representative list, by category, of NWT businesses from, among others, the websites of the Fort Simpson Chamber of Commerce, Hay River Chamber of Commerce, NWT Chamber of Commerce and the Aboriginal Business Directory and then linking them to a table of similarly categorized project related business opportunities. However the table V6 3-3 listing the business opportunities does not break down the available business opportunities by region or community or by potential dollar amount. It also does not describe and analyse the effects of the procurement methodology employed by the proponent and the subsequent effect that this would have on patterns of local business involvement in the project. For example, if one examines the business opportunity labelled “ retail and wholesale grocery supply” which is listed under the general category of "remote site services" in table 3-3 it implies that this is a business opportunity open to NWT and presumably Deh Cho businesses. What it does not indicate however is how such a business opportunity would apply to a local Deh Cho business interested in supply local camps with such goods if the proponent has contracted with a large southern

camp and catering services company which in turn has pre-established supply relationships with southern vendors. In short the proponent tries to establish commercial linkages between the project and the local Deh Cho economy by suggesting that because existing businesses can be broadly categorized into the same categories as a broad cross section of NWT businesses then it follows that NWT businesses have access to these same business opportunities. However it can be argued that this is not an accurate way of describing project related business opportunities for Deh Cho businesses.

Vol 6a 3.1.8.1 of the EIS does acknowledge that due to limitations of the local economy only \$48 million is projected to be spent on purchases of goods and services in the region over a four year period. It goes on to state that these expenditures in the region will be subject to further leakage because businesses in the DCR will buy inputs from outside the region. Given that the proponent has developed this estimate of \$48 million in project business expenditures related to Deh Cho businesses it seems reasonable to assume that the proponent has broken down by type and dollar value the business opportunities that it expects to be serviced by Deh Cho business. However this data is not supplied in the EIS. In its response to FSV IR 2-2 the proponent does not provide a convincing breakdown on how it arrived at a figure of \$48 million dollars in regional Deh Cho expenditures, including expenditure categories such as pipe. It is not clear from the text to what extent a Deh Cho business would involve itself in the provision of pipe.

In V6a S3.1.4.1, the EIS states that the project proponents will give preference to qualified, competitive Aboriginal or other northern business for certain goods and services. In some instances Aboriginal or other northern businesses might be invited to bid first. However the EIS does not state what the word “*preference*” means in terms of monetary price adjustment, advance notice of contracts or other types of targets, although in its response FSV IR 2.16 the proponent states that “*preference means that if the proponents, or their contractors or sub contractors, determine that two or more proposals are equivalent, based on safety, quality, cost and ability to provide the goods and services on a timely basis, they will award the contract on a preferential basis to Aboriginal and other northern businesses.*” The proponent responds to FSV IR 2-2 by stating that there is no provision for a monetary bid adjustment in its preference policies.

The EIS does not state a definition of an “*Aboriginal business*” or “*other northern businesses*”, although in its response to FSV IR 2.13 the proponent states that it will use “*the list of Aboriginal businesses provided by the Inuvialuit, Gwich’in Sahtu and Deh Cho*” to determine whether or not a business is an Aboriginal business. As for other businesses in the north, “*a definition of other northern business is under development*”. (i.e. this is not complete) “*This definition will include such factors as ownership of business, ownership of business assets, place of business and persons employed to help evaluate the local content of a business*”

In its stated Procurement Strategy the proponent states that it will “*give particular emphasis to local content plans when evaluating bids and subsequently awarding work and supply packages for the project*”. However once again it fails to provide specifics or details on how it intends to do this. It also fails to specify what the phrase “*particular emphasis*” means.

In fact in its statement of procurement strategy the proponent states that it intends only to:

*“foster development of Aboriginal and northern business and human capacity that **provides long term benefits to the project proponents**, such as meeting **long-term sustained demand for goods and services**”*

This statement would tend to imply, by virtue of exclusion, that the proponent does not intend to foster development of Aboriginal and business capacity for the short term construction phase of the project. However, for the purposes of the Deh Cho business community the project is essentially short-term in nature.

In short, the text of the EIS fails to provide sufficient information in regard to the proponent’s procurement policies and procedures that could provide a basis for predicting, with any degree of certainty, the effects of the project on Deh Cho business.

Inflation

Section 15.2 of the TOR asks the proponent to describe and evaluate the potential impacts of the project on local, regional and territorial economies including consideration of local consumer prices, inflation and costs of living particularly with regard to food, shelter, utilities and transportation.

V4 S 2.5.5 reports that the cost of living in DCR communities ranged from 30% -50% above Edmonton levels in the year 2000. V4. S2.9.5 reports that “*the cost of living in northern communities is a function of distance from southern sources of supply*”

In its response to FSV IR 2.17 regarding the effects of increased costs for local businesses on the inflation rate in Fort Simpson, the proponent states that these effects have not been assessed and that a meaningful assessment of project impacts on prices is not possible.

It is possible that project induced inflation in the Deh Cho during and after the project construction phase will result in impacts upon the Deh Cho Economy, which in turn will affect local businesses in their capacity as consumers of goods, services and labour. Although it is reasonable to suggest that the current differential between Edmonton and the Deh Cho in terms of the “cost of living” can be broadly described as a function of distance from southern sources of supply it is also reasonable to suggest that local, regional and territorial inflation rates in the NWT can be affected by sudden, rapid changes in the supply and demand characteristics of these economies. What these effects could be are not discussed in the EIS with the exception of direct effects upon labour.

Regional Economy

Section 11.5.3 of the TOR requests that the proponent provide a description of the local and regional economies including the number of licensed businesses as well as the number of licensed businesses by Aboriginal ownership and gender.

There is no detail provided in the EIS with regard to the number, type or location of licensed businesses in the Deh Cho or of the specific services that are provided by these businesses. A listing of businesses by ethnicity or gender is also not provided. V6 S 3.1.2 of the EIS cites Chamber of Commerce Websites as one source of information on existing business capacity in the Deh Cho region. Internet websites accessed included the NWT Chamber of Commerce website, the Fort Simpson Chamber of Commerce website as well as the Aboriginal Business Directory and “various community websites”.

However not all businesses are listed on local or territorial chambers of commerce and likewise with Aboriginal business directories. Remarkably the EIS does not reference business license lists maintained by municipalities or the territorial government. These lists are likely to be more up to date and more inclusive than those lists provided on business directories by other agencies.

TOR 15.2 asks the proponent to describe the distribution of costs and benefits of project activities at the local, regional, provincial, territorial and national level. It would have been helpful for the proponent to have provided a more clearly defined analysis of the Deh Cho economy in terms of existing business capacity with accompanying detail on those business sectors that it considers to have existing capacity and expertise to meet its requirements and those that do not. However, in its response to FSV IR 2.19 the proponent states that it does not intend to develop a database detailing local business capacity and aspirations in any community in the NWT.

Sustainability

Among other indicators, section 5.1 of the TOR states that a project's contribution to sustainability can be evaluated on the basis of:

- How the planning and design of a project have considered how it affects achieving sustainable development
- The extent to which a project makes a positive overall contribution towards environmental, social, cultural and economic sustainability.
- The views of stakeholders and participants in the EIR process

It is reasonable to suggest that any examination of the effects on economic sustainability of any particular project would involve examination of regional economic development plans as developed by local, regional or territorial governments or agencies. Such an analysis would inform the development of significance criteria with respect to the project as they could now be linked in a clear manner to the economic development goals of the stakeholders in the study area. Indeed TOR 12.6 requests that the proponent describe and document the basis for the determination of significance (thresholds, stakeholder input, etc) However as noted in a previous section, there is no identifiable reference in the EIS as to linkages between the project and goals and objectives identified in territorial, regional and community economic development plans and strategies.

TOR 15.2 asks the proponent to describe and evaluate the potential impacts of the project on the regional economy including... constraints that could affect economic benefits or opportunities. Although V6 S 3.2.1.5 states that the project will help contribute to diversification in the economy by giving businesses the opportunity to establish joint venture and alliances with distributors throughout the construction and operations phase of the project, the EIS does not provide an analysis of potential barriers to Deh Cho

business participation in the project that could possibly be overcome with planning and preparation such as:

- Access to timely and sufficient debt financing
- Lack of experience in making commercial agreements with larger firms
- Lack of sufficient equity to take advantage of opportunities
- Skills upgrading for employees
- Payment schedules of proponent

There is no evidence in the text that an examination of sources of commercial financing available to Deh Cho businesses has been undertaken or that surveys have been conducted with Deh Cho businesses as to their capabilities or aspirations in respect of the construction phase of the project. Indeed in its response to FSV IR 2.19 the proponent states that it does not intend to develop a database detailing local business capacity and aspirations in any community in the NWT.

It is unclear given this somewhat narrow approach by the proponent, as to the extent to which the project will lend itself either to long-term sustainability or even short-term participation in the project by the Deh Cho business community.

The effect of the proposed pipeline in terms of its effects on future hydrocarbon exploration is mentioned in V6b S 9.1.1 where the proponent states that *“the Mackenzie Gas Project might encourage other development, particularly gas exploration and production in the Northwest Territories. However information to adequately assess potential cumulative effects on contributions from such developments is not yet available”*. However the proponent misses an opportunity to provide a synoptic map providing an illustration of the areas of high exploration potential in the Deh Cho, existing hydrocarbon leases, and candidate protected areas and other potential withdrawn lands. Such a map with even a rudimentary analysis could have provided some context for evaluating the long terms effects of the project upon sustainable economic development in the region. Some argue that the presence of the Mackenzie Gas Pipeline

and its consequent effects upon oil & gas exploration will perhaps be the most important legacy of the project. Yet there is little in the way of description or assessment in the EIS with respect to the Deh Cho.

Labour Force

Section 15.2 of the TOR asks the proponent to describe and evaluate the potential impacts of the project on local, regional and territorial economies including consideration of competition for labour between the project and existing businesses, government institutions and traditional activities and related wage and salary impacts.

V6a S 3.1.3.7 suggests that there will be very noticeable effects on some northern employers and wages. In volume 6a the proponent discusses the potential issues associated with these effects and suggests an inclusive planning process that would involve the proponent, local communities, chambers of commerce and HRSD to determine effective mitigation for the potential loss of qualified northern employees and the increase in wages that is a result of this effect.

The proponent has acknowledged the potential issue with respect to competition for jobs and the effects on wage income. However there is insufficient detail with regard to the proponents commitments on mitigation to allow for the use of the EIS as a predictive tool in respect of the effects of this project related impact on the business community.

SECTION FIVE- WHAT THE BUSINESS COMMUNITY SAYS

Introduction

This section provides results from a survey of Deh Cho Businesses in the communities of Fort Simpson, Jean Marie River, Wrigley, Trout Lake, Nahanni Butte and Fort Liard in September 2005. A list of one hundred and fifteen businesses, in those communities, was compiled by the Deh Cho Business Development Centre. This list was developed using current business license information from The Village of Fort Simpson for businesses based within the municipality as well as the GNWT Department of Municipal and Community Affairs, who maintain the business license registry for those businesses operating outside of municipalities . In the case of Fort Liard, the business list was developed by examination of telephone listings and business directories. Each business was sent a copy of the interim report, which contained sections two, three and four of this document, along with a survey containing thirty five questions. Business owners and managers were asked to read the interim report and then answer the questions. The questions addressed a variety of subject areas related to The Project and its possible effects on their business and the regional economy. In total 36.5% of businesses in the six communities, forty two businesses in total, responded to the survey, thirty five directly by mail and a further six as a result of follow-up phone calls from staff at the Deh Cho Business Development Centre. 77% of those who responded to the survey had read the interim report and 70% of those who read the report found it to be either somewhat or extremely useful and informative.

The questions addressed a variety of subject areas related to The Project and its possible effects on their business and the regional economy. In total 36.5% of businesses in the six communities, forty two businesses in total, responded to the survey, thirty five directly by mail and a further six as a result of follow-up phone calls from staff at the Deh Cho Business Development Centre.

Such a survey of businesses in these communities and their views on the proposed Pipeline Project has not hitherto been conducted. It is an interesting snapshot of the views of the business community.

Survey Format

The survey asked a total of thirty-two core questions and three background questions. The three background questions dealt with issues such as whether the business was a member of a business association, the legal structure of the business and the length of time in business.

The thirty two “core questions” were comprised of questions with the following format:

- eight questions requiring a YES or NO response

e.g. Given the location of your business, do you think that you will be able to supply goods or services to The Mackenzie Gas Project

1 *Yes*

2 *No*

One of the YES/NO questions had room for the respondent to explain if a “NO” response was selected.

- seventeen questions or statements about The Project giving the respondent a choice of five responses ranging from positive affirmation of the question or statement, at one end of the scale of possible choices, to negative rejection of the question or statement at the other end of the scale.

e.g. What chance to you think the procurement strategies of the Mackenzie Gas Project give your business in terms of obtaining work with The Project?

1. *an excellent chance*
2. *a good chance*
3. *a moderate chance*
4. *a poor chance*
5. *a very poor chance*

- five questions asking the respondent to select a simple definitive answer from a selection of answers.

e.g. Will an increase in the cost of northern goods make it harder for your business to make a profit?

1. *No, I can pass increased costs on to customers*
2. *Yes, I will have to absorb the increase in costs*
3. *The cost of local goods will have no effect*

- one question asking the respondent to tick which communities in the region the business operated in.
- one question asking for a text response to a question about procurement preference.

A blank copy of the survey form is attached to this report for the information of the reader.

The results below show the numbers of responses to each question choice and the corresponding percentages, rounded to one decimal place. In one instance where a ranking question was asked, a weighted average was calculated to determine the overall ranking.

Survey Results

BACKGROUND QUESTIONS

Question "A"

Is your business:

1.	A corporation	20	47.5%
2.	A sole proprietorship	18	45.0%
3.	A partnership	3	7.5%

Question "B"

Is your business a member of a Chamber of Commerce, Business Directory or Aboriginal Business Directory?

1.	YES	28	68%
2.	NO	14	32%

Question "C"

How long have you been in business?

1.	Less than 1 year	3	7.1%
2.	1-3 years	6	14.3%
3.	3-5 years	5	11.9%
4.	5-10 years	8	19.0%
5.	more than 10 years	20	47.7%

CORE QUESTIONS

I. To what extent has the Mackenzie Gas Project consulted your business in the last two years?

1.	Very extensive consultation	0	00.0%
2.	Extensive	0	00.0%
3.	Moderate consultation	8	19.0%
4.	Little consultation	11	26.2%
5.	Never	23	54.8%

II To what extent has YOUR business initiated contact with the Mackenzie Gas Project in the last two years?

1.	Very extensive	2	04.8%
2.	Extensive	1	02.4%
3.	Moderate	12	28.6%
4.	Little	8	19.0%
5.	Never	19	45.2%

III Were you aware of the public consultations conducted by the MGP during Phase 1 of the EIS process?

1.	YES	26	61.9%
2.	NO	16	38.1%

IV Did you participate in the public consultations during phase 1 of the EIS process?

1.	YES	7	17.1%
2.	NO	34	82.9%

If No why not?

- “No perceived value”
- “Didn’t know about it till it was over”
- “Not aware that they were public”
- “No time”
- “No interest”
- “No time”
- “Because they didn’t tell us that they form a group & never informed me also”
- “Didn’t figure it applied to us”
- “No time”

- “Not aware”
- “Attending trade show”
- “Don’t know”
- “Not interested”
- “Not aware”
- “Not sure when Phase One was executed”
- “Went to one hearing in Fort Simpson about slight changes to project”
- “Unable to attend”
- “I wasn’t ever contacted”
- “I was working”
- “Working elsewhere”
- “Not aware”
- “Not in town”
- “Was not aware of it”
- “Not aware”
- “Not applicable”
- “Not in town”
- “Wasn’t selected by Band Council”
- “Other Commitments”
- “Could not leave my business. Not busy enough to hire staff to allow participation”
- “Trucking”
- “Crown Corporation – politicians do this for us”

V Have you read the attached interim report on the pipeline prepared by the Deh Cho Business Development Centre?

1. YES	31	77.5%
2. NO	9	22.5%

VI If Yes, how useful & information did you find the report?

1. Extremely useful & informative	10	30.3%
2. Somewhat useful & informative	13	39.4%
3. Neutral	9	27.3%
4. Somewhat useless & uninformative	1	3.0%
5. Totally useless & uninformative	0	0.0%

VII Based on what you now know, should the MGP further review and integrate local and regional economic development goals and objectives?

1. Yes	33	82.5%
2. No	07	17.5%

VIII How important is it that the MGP further review and describe opportunities for current and future land based enterprises and economic activities including those related to tourism, outfitting, commercial harvesting, recreation, renewable and non-renewable resources?

1. Very Important	15	37.5%
2. Important	15	37.5%
3. Indifferent	05	12.5%
4. Not that Important	05	12.5%
5. Not Important at All	00	00.0%

IX How important is it that the MGP further review the type and include the number of licensed businesses?

1. Very Important	15	37.7%
2. Important	13	32.5%
3. Indifferent	11	27.5%
4. Not that Important	01	00.3%
5. Not Important at All	00	00.00%

X How important is it that the MGP review and describe the number of Aboriginal businesses by ownership and gender?

1. Very Important	09	21.9%
2. Important	09	21.9%
3. Indifferent	15	36.7%
4. Not that Important	03	07.3%
5. Not Important at All	05	12.2%

XI How important is it that the MGP identify and take into account the particular needs of the local population and how the project will impact them?

1. Very Important	21	51.2%
2. Important	18	43.9%
3. Indifferent	02	04.9%
4. Not that Important	00	00.0%
5. Not Important at all	00	00.0%

XII Which community(s) does your business operate in? (Check all that are appropriate)

1. Wrigley	15
2. Fort Simpson	39
3. Fort Liard	13
4. Jean Marie River	16
5. Trout Lake	11
6. Nahanni Butte	14

XIII Given the location of your business, do you think you will be able to supply goods or services to the Mackenzie Gas Project?

1. Yes	32	76.2%
2. No	10	23.8%

XIV Given the size of your business, do you think you will be able to supply goods or services to the Mackenzie Gas Project?

1. Yes	33	78.6%
2. No	09	21.4%

XV To date, how effective has the Mackenzie Gas Project been in communicating its requirements to your business?

1. Excellent	01	02.4%
2. Good	03	07.3%
3. Reasonable	07	17.0%
4. Poor	11	26.9%
5. Very Poor	19	46.4%

XVI What chance do you think the procurement strategies of the Mackenzie Gas Project give your business in terms of obtaining work with the project?

1. An excellent chance	01	02.4%
2. A good chance	05	12.2%
3. A moderate chance	12	29.3%
4. A poor chance	09	21.9%
5. A very poor chance	14	34.2%

XVII Will the Mackenzie Gas Project result in:

1. your business increasing its product offerings in terms of variety of goods and services offered	13	30.9%
2. just selling more of what you already offer	15	35.7%
3. no change for your business	14	33.4%

XVIII How do you plan to take advantage of the possible opportunities related to the MG project? (Check all that apply)

1. Increased quantity of current product or service	17	23.0%
2. Offer new products or services	21	28.3%
3. Joint venturing with another company to provide new products or services	13	17.6%
4. No Change needed	07	09.5%
5. Expand sales to new communities	08	10.8%
6. Cannot take advantage	04	05.4%
7. Other	04	05.4%

XIX How consistent is the project with your personal view of current economic development objectives in your region?

1. Very Consistent	01	02.4%
2. Consistent	15	35.7%
3. Neutral	17	40.5%
4. Inconsistent	03	07.1%
5. Not Consistent at All	06	14.3%

XX The Mackenzie Gas Project will create a large demand for many local goods and services. What effect, if any, do you believe this will have on inflation?

1. Very high Inflation	10	24.4%
2. Moderate Inflation	21	51.2%
3. No Effect on Inflation	09	21.9%
4. Moderate Deflation	00	00.0%
5. Very High Deflation	01	02.5%

XXI What affect will the Mackenzie Gas Project have on the numbers of tourists travelling to the Deh Cho; During Construction (DC), After Construction (AC)?

1. A large increase in numbers	DC 08	21.0%	AC 03	08.3%
2. A moderate increase in numbers	DC 07	18.4%	AC 17	47.3%
3. No effect	DC 13	34.2%	AC 14	38.9%
4. A moderate decrease in numbers	DC 07	18.5%	AC 02	05.5%
5. A large decrease in numbers	DC 03	07.9%	AC 00	00.0%

XXII If the Mackenzie Gas Project results in higher wages in the region, how much of an effect do you think this will have on your ability to keep employees?

1. An extremely adverse effect	06	15.4%
2. An moderately adverse effect	09	23.1%
3. No effect (no employees)	15	38.5%
4. No effect (employees will work for same wages)	06	15.4%
5. A moderately beneficial effect	03	07.6%
6. An extremely beneficial effect	00	00.0%

XXIII If the Mackenzie Gas Project results in labour shortages in the region due to higher paying jobs with the project, how much of an effect will this have on your business?

1. An extremely adverse effect	08	19.5%
2. A moderately adverse effect	05	12.2%
3. No effect (no employees)	17	41.5%
4. No effect (employees will stay)	09	21.9%
5. A moderately beneficial effect	02	04.9%
6. An extremely beneficial effect	00	00.0%

XXIV Will an increase in the cost of northern goods make it harder for your business to make a profit?

1. No, I can pass increased costs on to customers	16	40.0%
2. Yes, I will have to absorb the increase in costs	17	42.5%
3. The cost of local goods will have no effect	07	17.5%

XXV Will an increase in local employment and wages create new opportunities for your business?

1. Yes	24	57.1%
2. No	18	42.9%

XXVI Will an increase in local employment and wages increase your sales?

1. Yes	25	61.0%
2. No	16	39.0%

XXVII What percentage of the increased wages do you think will be spent in the region?

1. 0 – 20%	14	35.0%
2. 20 – 40%	16	40.0%
3. 40 – 60%	06	15.0%
4. 60 – 80%	04	10.0%
5. 80 – 100%	00	00.0%

XXVIII Do you believe as a Deh Cho business that your business should receive preference over a southern business or other northern business when it comes to Mackenzie Gas Project business opportunities within the Deh Cho?

1. Strongly agree	17	41.5%
2. Somewhat agree	18	43.9%
3. No opinion	03	07.4%
4. Somewhat disagree	01	02.4%
5. Strongly disagree	02	04.8%

XXIX What kind of preference policy if any would you like to see implemented by the Mackenzie Gas Project?

- *“The one proposed”*
- *“I don’t know enough about the project”*
- *“Local hiring & spending as much as possible”*
- *“Just contracting to businesses that can realistically provide the goods and services in the region where they are required is reasonable to me. To make this mandatory will create more problems when goods or services can not be provided”*
- *“Assist to build capacity; \$\$ for Ab(original) businesses”*

- *“100% NWT ownership”*
- *“n/a”*
- *“Safety first”*
- *“Band businesses will suck most of the business away from private sector – all businesses should have equal opportunity (already too political) – good if Band can pay higher wages!?”*
- *“Hire northern businesses 1st”*
- *“Preference over southern based businesses but not established northern businesses; maybe work with Deh Cho businesses and give us an idea of how we can provide additional services; All Deh Cho businesses should have the opportunities to better themselves but be competitive”*
- *“Impacted community businesses given preference to supply goods and services depending upon capacity”*
- *“Within the traditional land use area, the MGP must use local Deh Cho businesses. I strongly agree with question XXXI”*
- *“Monetary price adjustment; advance notice of contracts; develop and utilize a database (detailed local business capacity and aspirations); workshops for businesses bid effectively in future”*
- *“If a good or service can be obtained within the region, it should be – within a 15% price range”*
- *“Local businesses that are capable of providing goods or services to the MGP should be given fair and equal opportunity to compete for the supply of goods or services”*
- *“All local, northern Dehcho businesses should be contacted to see if they have things to sell. First Priority”*
- *“Consultation by MGP i.e. through Chamber of Commerce – with list of local businesses that wish to be considered; as possible partner with southern companies”*
- *“As much as possible employment be given to northerners. Where services are available in the north they are used to capacity”*

- *“A policy designed to wean people off the govt. gravy train, one that also puts a heavy emphasis on job training”*
- *“#1 “local” Aboriginal or non Aboriginal businesses”*
- *“A lot along the same lines as the BIP works now. The only problem is we won’t see any other bids as it is private. So how do you implement this policy”*
- *“MGP should first turn to local businesses for supplies before going abroad”*
- *“No Comments”*
- *“Not so much a preference policy but a firm commitment by the proponent to fully involve all businesses, who express an interest, in supplying goods and services to the project”*
- *“Local and northern if they can fill available positions”*
- *“Aboriginal first, then joint ventures, then subcontracts”*
- *“Forget the preference policy. Lets get busy and get the work done”*
- *“I would like to see them have the opportunity to participate as long as they don’t price themselves out of the marketplace. No company is going to be held hostage just because someone is local”*

XXX Please rank the following potential effects of the pipeline in terms of their long term importance to the regional economy and business. Number 1 (most important) – 5 (least important)

- | | | |
|----|--|---|
| A. | Increase in regional hydrocarbon exploration and development | 3 |
| B | Capacity development for regional businesses | 3 |
| C | Increased federal dollars for development in the Deh Cho | 2 |
| D | Incentive to build Mackenzie Valley Highway | 1 |
| E | Work experience for unemployed youth | 5 |

This question was incorrectly answered by some participants in the survey, with ten respondents giving the same ranking to more than one choice. If these answers are removed from the calculation the order of the ranking changes as follows:

- | | | |
|----|--|---|
| A. | Increase in regional hydrocarbon exploration and development | 2 |
| B | Capacity development for regional businesses | 3 |
| C | Increased federal dollars for development in the Deh Cho | 4 |
| D | Incentive to build Mackenzie Valley Highway | 1 |
| E | Work experience for unemployed youth | 5 |

XXXI Statement: The Mackenzie Gas Project should develop a regional Deh Cho Business database with details on company capacities and willingness to supply the Project with goods and services? Do you:

1. Strongly agree	18	46.1%
2. Agree	13	33.3%
3. Neutral	06	15.4%
4. Disagree	01	02.7%
5. Strongly disagree	01	02.5%

XXXII What constraints exist to reduce your ability to take advantage of possible opportunities related to the MG project? (Check all that apply)

1. Land	5	05.0%
2. Financing	16	16.0%
3. Outside Competition	14	14.0%
4. Training	12	12.0%
5. Management Skill	06	06.0%
6. Employee Skill	10	10.0%
7. Lack of Notice regarding opportunities	22	22.0%
8. Lack of experience partnering with other companies	10	10.0%
9. None	05	05.0%