



## NWT Construction Association

5103 47th St., Yellowknife, NWT X1A 1M3

Tel: (867) 873-3949/Fax: 873-8366

nwtca@theedge.ca

### **Presentation to the Mackenzie Valley Environmental Impact Review Board public hearings on development of the De Beers Snap Lake diamond mine May 2, 2003**

My name is David Tucker, and I am president of the NWT Construction Association.

We are here today to lend De Beers our full – but not unconditional – support for the development of the Snap Lake diamond mine. We support this development because APPROPRIATE development of northern resources is the best, and perhaps the only, realistic way for all Northerners to achieve prosperity. And we support this development because it supports the Construction Association's vision for the future of the north – a vision in which the NWT becomes a "have" territory, making a meaningful contribution to the Canadian federation, and where Northerners are the masters of their own destiny.

What qualifies the Construction Association to take a position on this important development? Well, for one, construction is now the largest industry in the NWT, accounting for 17% of territorial GDP. Contractors, architects and engineers collectively comprise the largest private sector employer in the NWT economy and pay the highest wages of any sector outside government. Moreover, our members live and work in the NWT, are active in recruiting new people to the north and in improving northern skill levels. Finally, more than most, our industry is particularly vulnerable to swings in the territorial economy, and hence to development decisions such as the one we are addressing today.

Of course the Construction Industry has a vested interest in resource and economic development. However, the Association DOES NOT advocate resource development at any cost. In our view it is critical that Northerners assess the inevitable costs of resource development, be they environmental, social or financial, and balance those costs against the anticipated benefits. Only those projects whose benefits exceed their costs deserve support. It is also our view that the economic and social benefits accruing from the development of the Snap Lake mine will far outweigh the environmental and social costs.

Our association will not be speaking to the environmental costs associated with this proposed development; I'm sure you've been provided with volumes of testimony in this regard and on the steps required to mitigate any negative impacts. Rather we wish to speak to the economic and social benefits the Snap Lake mine will likely bring.

The evidence for our position is gleaned from past experience. Prior to the development of the BHP and Diavik diamond mines the economy of the NWT was in dire straits. Unemployment had reached almost 14% in late 1999 but has since plummeted to 6.3% by November of 2002. The Construction Association's view is that, but for a profound and persistent skills gap, unemployment levels in the NWT could be lower still, thanks largely to the development and ongoing operation of diamond mines in the NWT.

But these figures merely represent ECONOMIC improvement. On the social front, territorial welfare payments dropped by almost 70% between 1999 and 2002. And two recent annual reports produced by the GNWT to assess Ekati and Diavik's impact on North Slave communities conclude that there are no noticeable negative socioeconomic repercussions attributable to the mines. In fact, they find average incomes have increased while spousal assaults have declined; and they find that more residents of the smaller communities have passed Grade 9, and more of them have earned certificates and diplomas than prior to the advent of diamond mining in the NWT. The reports also find that 70% of Ekati employees from the small communities and 50% of Yellowknife employees are drinking alcohol less often than before they began working at the mine.

Likewise, our industry has seized the opportunities presented by diamond related industrial development to actively build capacity; both in support of the existing mines and in anticipation of future resource development. Not so long ago our non-industrial capacity was well developed, but we had precious little industrial construction capacity. Now, with Ekati and Diavik under our belts, there is not much mine construction our Northern members cannot handle. This capacity building allows our industry to provide even more employment opportunities to northerners, which in turn strengthens the social well-being of our territory.

We commend the two existing mines for their considerable support in allowing us to increase our construction capacity. And we should point out that they have likewise provided many other northern and aboriginal businesses with opportunities to grow and mature.

I referred earlier to a skills gap. The shortage of skilled workers is the most significant barrier to fully realizing the potential of northern resource development. The NWT has one of the youngest and fastest-growing populations in the country. Some 3900 territorial young people aged 10 to 14 will be looking for work over the next five years, and another 3800 aged 5 to 9 will enter the labour force after them. The chances of their finding steady, well-paying and meaningful jobs WILL be improved with the addition of a third diamond mine, but only if we ensure that they have the skills necessary to realize these opportunities. Elementary literacy and numeracy are basic pre-requisites for any kind of meaningful employment, even in construction, yet far too many of our youth are leaving school without these crucial skills.

De Beers appears to understand that the skills gap is one of the biggest obstacles to building additional northern capacity. We are encouraged to believe this because De Beers has recently made a substantial financial contribution to the proposed trades training centre in Yellowknife. We are also encouraged by De Beers' funding of, and participation in, the development of courses to assist territorial residents in passing the trades-entrance exam.

So, yes, we support De Beers' proposal because it is definitely in our interests to do so. But for the reasons mentioned, we submit that virtually everyone stands to benefit significantly. And you don't have to take my word for it: a recent survey found that more than 80% of NWT-based Ekati employees agreed their lives would improve over the course of five years.

Of course, the extent to which northerners truly benefit from resource development depends on enlightened interaction between aboriginal governments, the territorial government, the federal government, industry, and the resource developer.

This brings us to the conditions for our support; conditions which impose obligations on the federal and territorial governments as well as on De Beers.

The most significant obligation that the federal and territorial governments must bear relates to the skills gap. The Government of the NWT no doubt has our best interests in mind when it insists that developers hire a large percentage of northerners. But the reality is that there are only so many able bodies to go round, and even fewer skilled workers available. So the actual net result of setting unrealistically high northern employment quotas is to encourage the appearance of compliance without necessarily encouraging genuine capacity building. It is the Construction Association's experience that the two existing diamond mines have made genuine attempts to expand northern capacity AND meet their quotas. However, what may have been a reasonable obligation to impose on BHP may no longer be reasonable for ANY of the mines simply because there are now two mines, government and a growing business community tapping the same talent pool. When we start desperately competing for the same employees, we inflate our labour costs and diminish our competitiveness vis-à-vis the south.

Once the talent pool has been exhausted it is necessary to replenish the pool; a much more difficult task than simply demanding compliance with a quota. Replenishing the pool requires that we address issues like adequate education, affordable housing and an attractive cost of northern living. It also requires that we encourage our young people to stay in the north and excel in the north, that we encourage migration to the north, and that we take a long view on capacity building. These are not obligations we can impose solely on resource developers or industry; these are burdens that our governments must take up.

We would ask that De Beers and the Territorial government take great care in crafting their northern participation policies, particularly their definition of a northern business. A major deficiency in past socioeconomic agreements is that "instant" northern companies – southern companies setting up arrangements of convenience without actually creating additional northern capacity – have benefited disproportionately from industrial development. We have no objection to southern companies working in the north, but we object to the pretense these "store front" companies are in fact northern. This is a sham in which everyone participates. Industry participates because it is an effective way to secure work, governments turn a blind eye out of convenience, and the mines succumb to it as a result of unrealistic quotas. This self-delusion only makes it more difficult to accurately monitor our progress toward the goal of genuine capacity building.

We are again encouraged that De Beers understands the realities of northern capacity building versus arrangements of convenience. They have indicated a willingness to assess the capacity of northern businesses to meet their needs and to adjust the composition of their tender packages to maximize realistic northern participation. And we would further suggest that they consult local industry on an ongoing basis as they develop their construction plans and post-construction strategies.

In conclusion, it is our view that De Beers is not different from BHP or Diavik, they have simply come onto the scene at a different time. Further, our response to the Snap Lake development proposal should be no different than our response to previous mine development proposals, but it should reflect the new realities faced by northerners. If we can come to grips with the reality of

our present circumstances, the Snap Lake development can make a significant positive contribution to our collective well-being. If aboriginal, territorial and federal governments, northern businesses and De Beers can act in accordance with these realities this project IS deserving of our support.

Thank you for the opportunity to share our views on this potentially important milestone on the road – we hope a short road – to northern prosperity, self-sufficiency and independence.