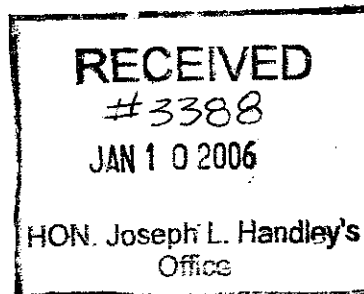


January 9, 2006

The Honourable Joseph Handley, Premier  
Government of the Northwest Territories  
Legislative Assembly  
Yellowknife, NT  
X1A 2L9  
FAX: 867-873-0385



Dear Premier Handley:

I am writing in response to your letter of December 13<sup>th</sup>. Thank you for this opportunity to share the views of Canada's New Democratic Party on issues of such great significance to the people of the Northwest Territories. I will address your four questions in the order that they are raised.

### Mackenzie Gas Pipeline

The New Democratic Party supports the creation of a socio-economic impact fund by the federal government to support communities directly affected by the Mackenzie Valley Pipeline. We will throw our support behind passage of federal legislation to set up the fund as soon as Parliament reconvenes after this election.

However, the NDP has a number of questions and concerns. We need to be assured that the distribution of these much-needed monies will follow community priorities and requirements. The purpose of this fund is not to enable communities to participate in the impact review and regulatory processes for the Mackenzie Gas Pipeline (MGP). It is to mitigate directly for social impacts from this project.

We also need assurance that the proposed fund does not replace Access and Benefit Agreements between the project's proponents and Aboriginal communities. These must be concluded before the MGP receives regulatory approval should such approval be granted. Furthermore, the NDP wants to make sure that these funds flow to the communities as soon as possible, so that the problems faced by communities in accessing federal impact funding during the construction of the Norman Wells Pipeline do not recur in the case of the MGP.

Second, and just as important, the NDP doesn't believe that this fund by itself is sufficient to support northern governments as they carry out the crucial tasks of planning for and managing the impacts of the proposed pipeline on the individuals, families and communities of the Northwest Territories. It is no substitute for stable, fair and ongoing resource revenue sharing with the NWT's Aboriginal governments. Nor will a legislated fund adequately assist the Government of the Northwest Territories to meet its responsibilities for providing public services and infrastructure to NWT residents during the construction and operations of the pipeline. In the NDP's view, the fiscal capacity of

both Aboriginal and public governments must be ensured before the MGP receives final regulatory approval to proceed.

### **Equitable Sharing of Resource Revenues from Northern Development**

The New Democratic Party agrees that NWT residents must be the prime beneficiaries of revenues from resource development within the Northwest Territories, and that a timely and fair devolution agreement with Canada is crucial to ensure this.

As I stated in our letter to you, dated June 24, 2004, the NDP believes that NWT governments deserve a larger share of resource revenues in this jurisdiction. These revenues will substantially enhance the capacity of Aboriginal governments and the GNWT to invest in and provide the programs and services so urgently needed by the residents here. As I outlined previously, resource revenues form part of a larger devolution package which must include enhanced jurisdictional powers giving NWT governments more say over the terms and conditions of future resource developments. In the NDP's view, a more equitable share of resource revenues goes hand in hand with greater northern control over development.

That being said, the NDP has serious concerns about the current devolution talks among Canada, the GNWT and the Aboriginal Summit. We understand there has been little progress over the past few months, and that a renewed commitment is needed from all Parties to get these negotiations moving again. We are also informed that the main negotiations remain "uncoupled" from resource revenues sharing discussions with Canada, and that these parallel talks must be better integrated if there is to be any hope of achieving a comprehensive agreement on devolution. After this election, my colleagues and I would be pleased to work with you to revitalize this crucial devolution process and indeed would make it a priority.

To do this, the New Democratic Party is prepared to look at ways in which more appropriate fiscal offset arrangements might be provided in the Formula Financing Agreement(s) between the GNWT and Canada. We agree that the present "offset" formula does not favour the interests of the Territorial Government in reaching greater fiscal capacity. But we aren't convinced that tinkering with the Formula Finance Agreement by itself is sufficient. In our view, any lasting fiscal independence for NWT governments will require a concerted effort to strengthen the existing system of "economic rents" for the use of Crown resources in this jurisdiction. In particular, we believe that serious consideration must now be given to increasing the mineral and oil and gas royalties as well as land rents charged developers for the right to use public lands and resources. We do recognize that the cost of doing business is greater in the NWT but even given this reality, there is considerable room for strengthening the economic rent returning to northern governments. A fairer, more effective "economic rent" regime in the NWT will do much to ensure that NWT residents receive more sustainable benefits from resource developments like the MGP.

### **Mackenzie Valley Highway**

The New Democratic Party supports, in principle, the proposal to build an all-weather road down the Mackenzie Valley to the Arctic Ocean. We are prepared to work with the Government of the Northwest Territories to secure the funding and the federal commitments necessary to make the Mackenzie Valley Highway a reality. In our view, this proposed transportation corridor could prove invaluable in binding the communities and regions of the NWT closer together, in fostering inter-regional trade and communications, and in promoting sustainable resource development here.

However, the NDP wants to see any highway constructed and maintained within a broader sustainable development strategy for the Northwest Territories. We don't believe that development simply for development's sake will be beneficial for the Territories in the long run. A project of this size and scale must be carefully planned and implemented to ensure that its environmental impacts are minimized and that the benefits from this corridor are available to and distributed fairly among all the communities in this jurisdiction.

We also believe it is crucial that the proposed Mackenzie Valley Highway is not allowed to become a "panacea" for all the other infrastructure and public service needs of NWT communities. Many of these cannot be resolved simply by the construction of a highway, and a substantial investment of public funds is necessary to address them directly. Public and private initiatives are urgently required to diversify economic opportunities in communities and to strengthen their self-sufficiency. Unless it is carefully planned, an undue focus on a territory-wide transportation corridor could divert scarce resources needed to support these crucial locally based initiatives. For this reason, the NDP wants to see a full-cost accounting analysis done of the Mackenzie Valley Highway proposal before it can go forward. This must weigh the costs of the highway against the costs of meeting other social and cultural problems in the NWT.

### **Base-plus Funding Agreements**

The New Democratic Party supports, in principle, the negotiation of inter-governmental financing agreements for the Northwest Territories and the other territories, which include base-plus funding arrangements. We agree with your government that base-plus funding is necessary, given the higher costs and other unique circumstances involved in providing programs and services in NWT communities.

Your letter notes that there are now clear precedents for recognizing the unique circumstances of the three northern territories in federal-provincial-territorial agreements. New Democrats acknowledge the success of the territorial premiers in convincing your provincial colleagues that territorial financing agreements must incorporate a base amount along with per capita allocations. The NDP believes that a similar formula should be used in fiscal arrangements for child care in the territories. However, we understand that Canada has been slow to offer anything more than per capita allocations when it

comes to financing child care. It seems evident to us that the federal government must change its approach, if there is to be meaningful financial assistance for childcare in the NWT.

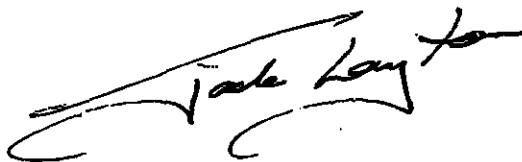
We find this federal position on funding disturbing in light of the recent Kelowna Agreement that seeks to bridge the gap between Aboriginal and non-Aboriginal Canadians. The NWT has a large Aboriginal population, and federal recognition of the need for unique funding arrangements to meet the higher costs of programs in the North will go a long way towards meeting the goals set out in the Kelowna Agreement.

### **Final Remarks**

I trust, Mr. Premier, you will agree that the New Democratic Party shares similar views and principles on all four of the issues that you identify in your letter. I also trust that we share the broad outlines of a vision of a sustainable future for the Northwest Territories, for its communities and for its people. Securing such a future presents many challenges, and clearly there may be difficult choices for the Territories' residents. The NDP believes that in order to achieve this future for our children, we need strong Aboriginal and public government here, with sufficient fiscal capacity and powers to enable them to plan for and to manage resource and infrastructure developments, and to ensure that community people benefit from them.

In this letter of response, we have highlighted some of the NDP's concerns as well as measures that we think are required to put the NWT on a stronger financial footing. You have raised important and pressing issues, and we hope that they are thoroughly discussed during this election campaign. I and my NDP colleagues welcome the opportunity to add our views to this public debate. And, after the election, we look forward to going back to Ottawa to begin the work of finding answers and building lasting solutions.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack Layton", with a stylized flourish at the end.

Jack Layton  
Leader of Canada's New Democratic Party