

The Right Honourable

Le très honorable

**PAUL MARTIN**

Prime Minister of Canada

Premier ministre du Canada

Leader, Liberal Party of Canada

Chef, Parti libéral du Canada

January 9, 2006

The Honourable Joseph L. Handley  
Premier  
Government of the Northwest Territories  
P.O. Box 1320  
Legislative Assembly Building  
Yellowknife, Northwest Territories  
X1A 2L9

Dear Premier Handley:

I am writing to acknowledge receipt of your recent correspondence. I appreciate hearing your concerns and I am pleased to offer this letter in response. The federal government's relationship with the people of the Northwest Territories is an evolving and progressive one, and one that is very important to the future success of our country.

With regards to the Mackenzie Gas Project (MGP), the Liberal government recently proposed the creation of a \$500 million 10-year Socio-Economic Impact Fund (SEIF) to deal with any potential social and economic impacts that could result from the MGP.

This is the single largest federal contribution ever made to the NWT outside of the Territorial Formula Financing Agreement and signals our long-term commitment to dealing with any impacts from resource development in the north.

A good deal of work has already been completed towards SEIF legislation. A working group made up of representatives from the impacted Aboriginal groups, the GNWT and the federal government have developed a proposed management framework for the fund, which was submitted to the Deputy Prime Minister prior to the election. It is expected that this framework will form the basis of the legislation allowing the fund to be established soon after the election is over.

This fund builds upon \$285 million the Liberal government committed to the MGP for initiatives such as improving the capacity of communities located along the proposed route to participate in the project and to ensure the project is subject to a comprehensive, defensible and participatory environmental assessment and regulatory review.

In respect to the issue of the equitable sharing of resource revenues from Northern Development, it is the position of the Liberal Party of Canada that revenues generated from northern resources should benefit northerners. The Liberal government has committed significant resources over the last few years towards negotiating devolution and resource royalty sharing with the GNWT accordingly. A framework agreement was concluded last spring that outlines a process to conclude a final agreement which we hope to complete following the election.

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To this end, the federal Minister of Northern Development, Ethel Blondin Andrew is currently participating in a review of the current resource royalty structure in the NWT. This review will help to ensure that the NWT maintains the balance between maximizing royalties to government and ensuring that royalty rates continue to encourage industry investment. Despite recent reports, current royalty rates in the NWT compare favourably with other Canadian jurisdictions and promote industry investment by recognising the higher costs and risks of doing business in the north.

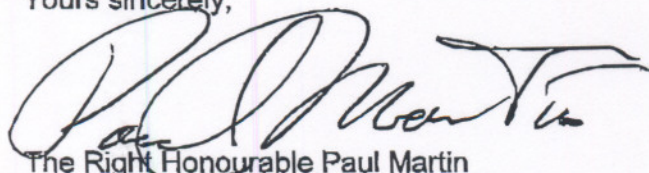
As you have noted, the proposed Mackenzie Valley Highway is a very exciting transportation project for the north and must be given serious consideration with the prospect of the Mackenzie Gas Project. In your letter you assert that the highway would help to reduce costly reliance on air transport, winter ice roads and barging; yet this must be balanced against the significant capital investment that will be required to construct such a highway. And perhaps other innovative measures can be pursued to make this critical infrastructure development a reality.

It is also important to properly examine the socio-economic and environmental impacts from such a project. A Mackenzie Valley Highway will allow for the freer movement of goods, services and people and bring with it significant impacts to the communities along with route.

Lastly, you mention in your letter the number of base plus funding agreements that have been recently signed between the Government of the Northwest Territories and the federal government. These agreements were signed in partnership with a federal Liberal government – a government sensitive to the unique costs, conditions and circumstances faced by communities in the north.

Once again, thank you for writing the campaign. I hope that you will find this response to be helpful.

Yours sincerely,



The Right Honourable Paul Martin  
Leader of the Liberal Party of Canada