

**MEMBER'S STATEMENT ON DOMINION DIAMONDS FINANCIAL SECURITY**

**MR. O'REILLY:**

Merci, Monsieur le President. On June 3rd, I made a statement in this House about the uncertainty and lack of Cabinet communications surrounding the creditor protection proceeding for Dominion Diamond affiliates. The latest news is that the proposed sale of Ekati Mine has fallen through because the insurance companies that issued surety bonds covering the reclamation liabilities would not agree to the deal. The surety bonds cover about \$280 million of the \$295 million financial security for work that is supposed to be done in place under various licences and permits.

The GNWT now has total discretion over the form of financial security for reclamation liabilities at Ekati and any other mine. It's my understanding that GNWT also has to consent to the transfer or assignment of the water licence, land leases, land use permits, and the environmental agreement covering the Ekati Mine if they're transferred to a new entity.

It's not clear what Cabinet's position is on these assignments, and whether any terms or conditions will or have been imposed. One of the terms and conditions should be that surety bonds are converted or changed to more reliable, irrevocable letters of credit from a chartered Canadian bank. Regular MLAs were never asked about or consulted about this matter.

I'd also like to know what sort of early warning system we have in place to ensure that GNWT is not left with a public liability from Ekati. Insurance companies seem to have a problem with the new entity. The site has changed ownership several times, and it's nearing the end of its life. We've already had some failures that the GNWT was not able to adequately anticipate or mitigate. For example, the bankruptcy of Strategic Oil and Gas and its Cameron Hills sour gas field. That should never have been accepted by our government under the Devolution Agreement. Then, there's North American Tungsten that also went under during our watch with a Mactung property as part of its financial security. I'll have questions later today for the Minister of Finance who has the lead on the Dominion Diamond creditor protection proceeding. Mahsi, Mr. Speaker.

**QUESTION 344-19(2):  
MINE FINANCIAL SECURITIES**

MR. O'REILLY: Merci, monsieur le President. My questions are for the Minister of Finance who has the lead on the Dominion Diamond Creditor Protection matter. It's my understanding that GNWT also has to consent to the transfer or signing of the water licence, land leases, land-use permits, and environmental agreement covering the Ekati Mine to any new entity. Licence and permits must be in place for any new owner to operate. Can the Minister confirm that the GNWT must consent to the assignment of a number of licences and permits to any new entity for the Ekati Mine? Mahsi, Mr. Speaker.

MR. SPEAKER: Thank you, Member for Frame Lake. Minister of Finance.

HON. CAROLINE WAWZONEK: Thank you, Mr. Speaker. That is one of the critical roles that the GNWT plays, is that we are responsible as part of the bidding process that we would ensure that any prospective bidder, any prospective buyer, can undertake the requirements of the environmental licence and that includes undertaking or accepting the securities in a reasonable form. Thank you.

MR. O'REILLY: I want to thank the Minister for confirming that. If the insurance companies would not agree to the sale of the Ekati Mine to the new entity, it raises questions of what our Cabinet's position is. Regular MLAs were not consulted in any way on this sale. Can the Minister tell us what Cabinet's position was or is on the sale to the new entity and who else it was conveyed to and when?

HON. CAROLINE WAWZONEK: It's not the GNWT that gets consulted on the sale of this company between private entities. There is an ongoing negotiation that is taking place between Dominion Diamonds and prospective bidders. It's not one into which the government should be putting its hand. Ultimately, in this case, being a CCAA proceeding, the court would be overseeing that process and would be overseeing that sale. What the role of the GNWT is, is to again ensure that our environmental process is respected, that securities are held in an appropriate manner, and at that point that is our role, that is the role that we perform. As far as the thoughts of Cabinet, number one again is to preserve that environmental process that we have, and number two is to provide an environment and an atmosphere that will ensure a profitable mining industry. If we are able to do that, then it is certainly my hope that there will be, ultimately, a successful bid on the table and that the mine will reopen, but it's certainly not our role to reach inside of that private entity process.

MR. O'REILLY: I want to thank the Minister for that. Of course, we are at the table in those proceedings. Apparently, we have legal counsel there, and we do have a say in terms of the transfer of any of these licences, so I hope that it is exercised in a reasonable way and that this side is consulted. The Dominion Diamond news release said that the insurance companies that issued the surety bonds refused to agree to the sale to the new entity, so can the Minister explain what is going on? Why won't these insurance companies agree to the sale of the mine?

HON. CAROLINE WAWZONEK: I certainly wish I could give a detailed explanation of what is going on, but again, there is a large degree of what is going on is between private entities. I realize that, on the one hand, one news release is saying perhaps that one side of the deal walked away, but it may well be that another party might be saying the opposite, that it was, in fact, another member of that negotiation that were the ones that walked away or wouldn't agree. I think there needs to be some caution exercised before one of us here necessarily assumes what is happening. From our perspective, some of the parties are keeping us informed on their perspective, on what they see happening in that sale. Again, our role, really, is to ensure our end of it is moving along in a reasonable fashion, and that is protecting the environmental process and ensuring that, to the extent that there is a bidder who may require the assignment of the environmental securities or the environmental agreement, we do what we need to do to ensure that that happens expeditiously. The Government of the Northwest Territories is not going to suddenly upend or change the environmental process that exists, the environmental agreements that exist, so at this stage, if the Member requires me to allay those fears, then I am certainly happy to do that. Our hope is that this mine will reopen and, if it does, it will be assuming the environmental agreements that are already in place.

MR. SPEAKER: Thank you, Minister. Oral questions. Member for Frame Lake.

MR. O'REILLY: Merci, Monsieur le President. I want to thank the Minister for that. Of course, we all want to see the mine reopen, but I just don't want our government to get short-changed or the environment to get short-changed in the process. For the first time I can recall, GNWT accepted surety bonds as financial securities for this particular mine. Insurance companies don't stay in business by paying out. Can the Minister tell us whether it is Cabinet's position that these surety bonds should be converted to or replaced by the more reliable and irrevocable letters of credit issued by a Canadian chartered bank, and whether the GNWT has put this as a condition of sale or assignment? Mahsi, Mr. Speaker.

HON. CAROLINE WAWZONEK: It was always an expectation that, over time, the surety bonds that were being held for this particular mining industry would convert over to irrevocable letters of credit. Right now, to be very simple about it, it's not a concern right now. From the perspective of the government, the surety bonds that we have can be called upon by the government if we need to, so from our perspective, they provide adequate security and assurance that, if the bonds needed to be called, if the securities needed to be called, they would be there. What they did provide was some flexibility to the company when it was initially undertaking the environmental agreement process. So that flexibility was there. It comes with protection for the GNWT, and at this point, there is really, from our perspective, no concern in continuing as it is right now and no intention of changing or reducing the level of security that we have or the form that it's in. Thank you, Mr. Speaker.

#### **QUESTION 352-19(2): MINE FINANCIAL SECURITIES**

MR. O'REILLY: Merci, Monsieur le President. I want to ask some more questions of the Minister of Finance around the Dominion Diamond situation, and I apologize. She doesn't have these questions before her. I know that, in her responses to some questions I asked earlier today, she talked about how the GNWT is involved in these proceedings and that they make sure that the court knows about the business interests at stake. Of course, we all want to see the mine continue, but one thing I didn't hear the Minister talk about was: we have a lot of workers at the mine site. Some of them are actually organized, as well, and there is a \$20-million deficit in the pension fund. Of course, we would want to make sure, I hope, that any workers who might get laid off would get proper severance and so on. What is the position of our government with regard to the workers and the shortfall in the pension fund at the site? Mahsi, Mr. Speaker.

MR. SPEAKER: Thank you, Member for Frame Lake. Minister of Finance.

HON. CAROLINE WAWZONEK: Thank you, Mr. Speaker. This is one of the difficult parts of this entire proceeding, is that we see and we feel very keenly the fact that it is residents of the Northwest Territories who are going to be affected, and it is difficult when there are few levers that the government can pull to necessarily protect every single time every single employee who is being affected by what is happening with Dominion. Again, we want to ensure that we are providing an atmosphere that allows that mine to reopen while protecting our environmental securities, but insofar as being able to do a lot in terms of directly impacting on the protection of those workers, we are not going to be in a position to do much, aside from continuing to advocate at the process itself, with legal counsel at the process, to explain to the court and make it clear to the court that this is not just one small mine with only a handful of people there, that it is actually a tremendous contributor to employment in the North, both directly of those who are affected, but also indirectly to a number of

northern businesses. We are playing that role, we are speaking out, and I believe that our message is getting through. Thank you, Mr. Speaker.

MR. O'REILLY: I want to thank the Minister for that. I just hope that part of our messaging is that we have workers at the site. They do have rights, and we want to make sure that they are protected, because, if pensions aren't paid to these workers, guess what? They are going to come back, and they may end up on Income Assistance. It's going to cost our government something, as well. I guess this really gets to the broader question of communications around what we're doing. I don't want to get into the specifics of the court proceeding, but the only place I can find any information about this is in the media and on the receiver's website. I see that the court protection has been extended now to November the 7th. How does our government actually communicate what it is doing in terms of the court proceeding, and how is it trying to communicate that to the broader public, as well?

HON. CAROLINE WAWZONEK: The court proceedings are public proceedings and so, to the extent that our counsel is present and speaking at those proceedings, that certainly is a public forum and a public arena where that message is being transmitted. Beyond that, I don't think I have turned away a single media inquiry to ask further questions about this. I have spoken to the media on many occasions about that and will continue to make myself available to do that, and I am more than happy to continue to answer the Member's questions here. It is certainly my expectation that that message is going out, and it is being made clear. We're using every opportunity we can to get that message out.

MR. O'REILLY: I want to thank the Minister for that. I would just like to know a little more about how she intends to keep Regular MLAs informed about what is happening and what the position of our government is that is being put forward, moving forward.

HON. CAROLINE WAWZONEK: To the extent of keeping Regular MLAs informed, to date, the last couple of occasions where more information became available to the Department of Finance or the Department of ITI, in fact, I think the very last time that we received information in the morning, we turned around and got that out to MLAs that same day, within hours. We are going to continue to try to work on that kind of time scale so that, when we get information about what might be occurring from one of the parties that is relevant to these proceedings, we will turn that around as quickly as we can. As I said, in this case, it was within hours. Beyond that, with respect to the position of government, with respect to the MLAs, we will certainly include that there. As far as putting out media information and media announcements, again that is, in fact, that same example. That same day, not only did we first get information out to MLAs. We then, within a few hours after that, got an information statement out to the media. While a turnaround time of hours, Mr. Speaker, is asking a lot of the staff and the departments, we have managed to meet that kind of time scale, and we will certainly continue to do our best in the future to do so.

MR. SPEAKER: Thank you, Minister. Oral questions. Member for Frame Lake.

MR. O'REILLY: Merci, Monsieur le President. I want to thank the Minister for that, and I will acknowledge that, pretty quickly after some time she finds out about these things, she does share it with us. I want to give her credit for that. However, it seems to be changing almost daily or monthly, and I am just wondering what kind of lines of communication our government keeps with some of the creditors, Union of Northern Workers who represents some of the workers at the site, even the insurance

companies that have the surety bonds, Dominion itself, if the Minister can speak in broad terms about the lines of communication with other parties around this issue? Mahsi, Mr. Speaker.

HON. CAROLINE WAWZONEK: Perhaps I am not sure if "irony" is quite the right word, but the pace of private industry certainly does often move quite a bit faster than government. It's a bit interesting that, as a representative of government, I am being asked to try to keep up with what's happening in private industry. That really is the nature of this. There is ongoing communication between these private parties and an ongoing process of bids. In one case, one bid was withdrawn. We are certainly hopeful that another bid may well come forward so that, again, ultimately, this mine can reopen. As far as communication, Mr. Speaker, there is an ongoing court proceeding. We always have to be conscious of that in terms of the kind of communications that we have and discussions that we have. There are communications open between the department and certainly with Dominion. As with any business or industry here in the Northwest Territories, that line of communication is there, similarly with the surety bond holders. Those lines of communication are there but certainly will not make me privy to the kind of internal conversations or negotiations that they have ongoing between them. Certainly, to the extent that we receive information about what is happening, we will certainly continue to do our best to make sure that the people of the Northwest Territories and businesses are kept aware once we hear that something is happening or maybe changing. Thank you, Mr. Speaker.