



REVISED DOCUMENT

FORT SMITH AIRCRAFT MAINTENANCE FACILITY

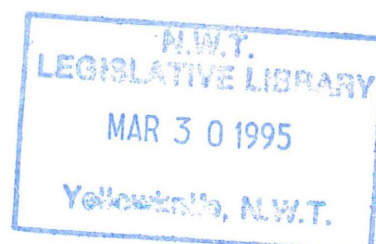
HISTORY OF GNWT DECISIONS

AND

COMMUNICATIONS WITH FORT SMITH

* = Copy of document attached.

- 01/05/92 The Executive Council provided approval in principle to the concept of developing an aircraft maintenance facility in the Northwest Territories to service and maintain air tanker and bird dog aircraft associated with the Government of the Northwest Territories Forest Fire Management Program (ROD 92-M-1)
- 09/06/92 The Executive Council approved decentralization from Yellowknife of certain government operations, subject to subsequent approval of implementation plans by Executive Council. The decentralization included the proposed location of an Aircraft Maintenance Hangar in Fort Smith
- Sept/Oct During this period the Minister for Renewable Resources was approached by the Fort Smith Chamber of Commerce, represented by Ms. Martselos. Would the GNWT consider a proposal from the community to build and lease back the air tanker facility? The proposal would be to form a community company called Thebacha Investments which would have involvement of a number of local interests; including the Metis Development Corporation, The Fitz Smith Native Development Corporation, and other community businesses which were members of the Chamber of Commerce.
- 12/08/92 Meeting of GNWT officials with Conair Aviation Ltd. to discuss requirements for a maintenance facility.
- 17/08/92 Minister of Economic Development & Tourism met with Conair Aviation Ltd. to discuss GNWT requirements and expectations for a potential project.



- Sept./Nov Various meetings occurred, including a meeting in Fort Smith attended by the Minister for ED&T in which support was provided for the Thebacha Investments concept. The GNWT also became aware during this period, of a move by the NWT Metis Development Corporation to take over control of the project. The GNWT received copies of correspondences (listed below) which defined the problem. Copies are not attached.
- 02/11/92 Department of Economic Development & Tourism received an application for funding from Thebacha Investment Group Ltd.
- 02/11/92 Letter from N.W.T. Metis Development Corporation Ltd. (MDC) to Fort Smith Native Band Corporation.
- Outline a proposal for MDC involvement in the project.
- 02/11/92 * Letter from R. Beaver, President, Fitz/Smith Native Development Corporation to Minister Allooloo.
- Advise you that have established framework for Dene Metis Holdings Ltd. to construct and operate the hangar. Proposed ownership to be local.
- 04/11/92 Letter from Fitz/Smith Native Development Corporation Ltd. to NWT Metis Development Corporation.
- Response to your letter of 2 November. Invite participation as a non-key player.
- 10/11/92 Letter from Fitz/Smith Native Development Corporation Ltd. to Fort Smith Chamber of Commerce.
- Advises that have established Dene Metis Air Holdings Ltd. and support collective community participation in the project.
- 01/12/92 * Letter from Minister Allooloo to R. Beaver, President, Fitz/Smith Native Development Corporation.
- The FMB has directed the Department of Renewable Resources to undertake a comprehensive review of its Fire Management Program. The aircraft maintenance facility will not proceed until after the review is complete.
- 03/12/92 Letter from NWT Metis Development Corporation Ltd. to Frieda Martselos.

Outline MDC activates in Fort Smith and advises that the project must be predominately Metis controlled.

03/12/92 * Letter from G. Stock, A/President, Dene Metis Holdings Ltd. to Minister Allooloo.

As result of discussions with yourself and officials, we now have a reasonable understanding of the government decision to further review the Fire Management Program. Our interests (local development) are mutual.

08/12/92 Premier Cournoyea, at Fort Smith Chamber of Commerce Christmas Luncheon, confirmed that a Tanker Base would be built in Fort Smith.

Freida Martselos, President of the Fort Smith Chamber of Commerce, announced that, for the good of the community, the Chamber of Commerce would step aside, and the proponent would be the Dene and Metis organizations of Fort Smith.

15/12/92 * Letter from Mayor Bevington to Premier.

Concerned over the decision to delay project while reviewing the Fire Program, as this would have little if any impact on the project. Understand that prospect of two proposals is no longer a factor, as one group has withdrawn. Urge Cabinet to reconsider delaying project.

11/01/93 * Letter from Minister Allooloo to Mayor Bevington.

Replying to your letter of 15 December to Premier. Explains necessity for the delay.

11/01/93 * Letter from Minister Allooloo to G. Stock, A/President, Dene Metis Holdings Ltd.

To explain purpose of the review.

23/01/93 Geoff Stock on behalf of the Dene and Metis of Fort Smith advanced a request to the Fort Smith office of Economic Development & Tourism for a financial contribution of \$30,000.00 to investigate the business opportunities that would result from the proposed Fort Smith Hangar project.

In conversations with the proponents, John Sheehan, Regional Superintendent of Economic Development and Tourism in Fort Smith, advised that funding could not be advanced because at that point there was a concept only, and not a project.

- 03/06/93 Geoff Stock, Executive Director, 933289 N.W.T. Ltd met with PW&S, ED&T and R.R. in Yellowknife.
- Presented two proposals from Northern contractors, for consideration, for providing Design Build Services to construct a hangar and tanker base.
- Mr. Stock was briefed on the general requirements for negotiating with the GNWT and requirements for leasing to the GNWT.
- no date * Letter from G. Stock to R. Doherty.
- References the meeting on 3 June and seeks clarification on a number of issues.
- 14/06/93 * Letter from Minister of Renewable Resources to MLA.
- The Financial Management Board deferred a decision to proceed with the final design for the facility until it can consider the recommendations from the report on the Review of the Forest Fire Management Program; expected to be available for consideration in July.
- 17/06/93 * Letter from R. Doherty to G. Stock.
- We are awaiting direction on how to proceed with the project.
- Aug/Sept The Departments of Renewable Resources and Public Works and Services undertook site survey and soil testing and site clearing.
- Sept/93 Dedication ceremony and erection of a sign on the site of the proposed aircraft maintenance facility at the Fort Smith airport.
- 01/12/93 G. Stock met with R. Doherty in Yellowknife.
- Trying to determine status of the project.
- Advised that Cabinet/FMB have not completed its assessment of the Review of the Fire Management Program.
- There are a number of concerns being addressed:
- type of aircraft that should be in use.
 - financial viability of the project.
 - regulatory requirements.
 - business opportunities.
 - viability of proposed Arctic College programs.

Stock feels that if we can get on with the project it can be phased in well with the Arctic College expansion project.

Doherty suggested that the two projects would probably not be sequenced to the benefit of Fort Smith, and that the two projects might wind up proceeding at the same time.

Suggested to Stock that they might want to assist the GNWT in this assessment by doing their own market assessment and bring back to the government good data which shows that the project can be viable.

03/02/94 The Financial Management Board accepted the Report on the Review of the Forest Fire Management Program (FB 93-13-6(c)) which included Recommendation 20 to build an aircraft maintenance facility for the existing CL-215's, DC-6's and any future generation of turbine powered or jet powered air tankers.

11/04/94 Deputy Minister for Renewable Resources meet with R. Beaver and J. Stock at Dene Metis Holdings Ltd. offices in Fort Smith and later that day with Mayor Dennis Bevington.

Explained that now the review of the Fire Program was complete, we could focus on the proposed aircraft hangar.

Discussed status, and community interests and concerns.

14/04/94 * Letter from R. Beaver and E. Jacobson to Hanley/Bailey/Doherty/Voytilla.

Concern that they are not being kept informed and part of the "team", and that the (review) process has been entirely internalized. Have been patiently waiting since September 1993.

28/04/94 * Letter from J. Handley to R. Beaver and E. Jacobson

Response to their letter of 14 April. Had met with Beaver and Jacobson on the 11th. to discuss status.

Cabinet concerned about the costs, and therefore needs to explore cost implication of leasing the facility versus building it and leasing out the operations. Until Cabinet is able to consider this and make a decision, not able to proceed.

- 08/06/94 The Minister of Renewable Resources provided an Information Item to the Executive Council summarizing the current costs of operating the air tankers (CL-215's and DC-6) and bird dog aircraft.
- 10/06/94 The Financial Management Board directed the Minister of Public Works and Services to negotiate a contract with the Dene Metis of Fort Smith for the maintenance of 4 CL-215 water bombers and associated bird dog aircraft with the limitation that the resulting contract costs not exceed the amounts currently spent on operation and maintenance functions (FB 94-02.1-1).
- 24/06/94 * Letter from J. Heron to R. Doherty
Advised that he has been designated the contact person for the negotiations. Anxious to commence the project and to learn more about the negotiating process.
- 07/07/94 * Letter from R. Beaver and E. Jacobson to R. Doherty
Advised that Mr. J. Heron is the sole contact person to deal with on this negotiation.
- 11/07/94 * Fax from J. Heron to Minister Morin
He was speaking with Mr. Doherty on 7 July and was advised that the Record of Decision from Cabinet had not yet been received. Concerned about the delay and asked for his assistance to expedite RoD to the department.
- 21/07/94 * Letter from R. Doherty to J. Heron
Have received formal direction from Cabinet to proceed. Before opening negotiations we require to prepare a detailed Request for Proposal which outlines the details of what the GNWT requires and wishes us to negotiate.
Work has begun on drafting of the Request For Proposal (RFP) which will go to Cabinet for approval on 10 August.
Suggest we plan for an initial meeting on 15 August.
- 08/08/94 Minister Morin met with Jake Heron in Minister's office.
Purpose of the meeting was for the Minister to impress upon DMHL that the objective of Cabinet is to involve northerners in the project, and he expected this to be reflected in it's decision to proceed.

Mr. Heron advised the Minister that the DMHL felt that they should proceed initially with the current contractor which had the experience, and subsequently, transfer further ownership and responsibility to Northerners.

Minister advised that Cabinet felt Northerners could do the job given the opportunity.

Mr. Heron replied that he saw no problem with this as long as the rules were known from the start and he had already started to talk with northern operators. He asked for a letter which could be used to assure Northern companies that the DMHL are in this negotiation with the GNWT.

Minister advised that a consultant could also be made available to assist DMHL if they wished.

Mr. Heron advised that he would let the Minister know if he needed assistance, but that they were preparing to hire a couple of people to assist.

10/08/94 The Executive Council directed that the Department of Public Works and Services undertake the negotiation of a contract with the Dene Metis in Fort Smith for the provision, operation and maintenance of fixed wing air tankers and bird dog aircraft utilized by the Forest Fire Management Division according to a negotiating mandate and that the Minister of Public Works and Services report back to Cabinet at the conclusion of the negotiation with the Information Item (ROD 94-23-30).

12/08/94 During the Metis Assembly held in Fort Norman on August 12, 13 and 14 Jake Heron and Roland Bailey, Deputy Minister of Economic Development and Tourism, discussed the project and a contribution toward the development of a proposal on behalf of Dene Metis Holdings Ltd.

Bailey agreed to support the project as long as it was a "northern" proposal.

19/08/94 Mr. Heron met with the Project Steering Committee in Yellowknife.

Project Steering Committee:

Deputy Minister	Public Works and Services
Deputy Minister	Renewable Resources
Deputy Minister	Economic Development & Tourism

Mr. Heron was presented with the Statement of Requirements which state the objectives and criteria established by Cabinet for the project.

Mr. Heron was advised that an interdepartmental Working Group had been established to assist the DMHL, as they see fit, to address technical and government regulatory issues.

26/08/94 * Letter from R. Doherty to J. Heron.

Replied to questions raised by Mr. Heron at the meeting of 19/08/94.

Appreciate that it will not be possible to be 100% northern, so if plan proposes non-northern content, provide a plan as to how/when the transfer to northern would take place.

Specific criteria for northern content are not provided. The expectation is that DMHL will use innovation and propose to change the way the services have been provided over the years so that northern content is increased. Cabinet recognizes that costs may increase and may be acceptable where the economic development and social benefits are equal to or exceed the value of the premium to be paid.

26/08/94 * Letter from R. Doherty to Slave River Journal.

Respond to article of 17 August which characterized the role of DMHL as a "go-between", while Conair will end up doing the work. DMHL will be a contractor that will bring the required northern resources to the project and takes the risk for coordination and management.

31/08/94 Mr. Heron met with the R. Doherty in Fort Smith.

Purpose of the meeting was to provide Mr. Heron with the remainder of the Requirements Package for the project. The Technical Package will be in the mail next week.

Mr. Heron advised the DM that Conair was chartering a delegation from Fort Smith to view its operation in Abbotsford next week.

01/09/94 * On September 1, 1994 Raymond Beaver, on behalf of Dene Metis Holdings Ltd. submitted a request for \$74,365.00 in financial assistance to start the development of a proposal for the Tanker Base to John Sheehan, Regional Superintendent, Economic Development & Tourism, Fort Smith.

The Department of Economic Development and Tourism supported the development of a proposal as long as it complied with the direction given by Cabinet. That is that the proposal had to be a "northern" proposal.

As contribution funds were low, Bailey advised Mr. Heron that funding of the full \$74,365.00 would be difficult at one time. Bailey gave approval of \$25,000.00 toward the development of a "northern" proposal.

As negotiations with Dene Metis Holdings were terminated no more funds were to be approved for the terminated negotiations. Formal approval would be given once the terms of reference for the negotiation of a Hanger only were approved.

07/09/94 * Letter from Minister Morin to J. Heron

Acknowledged receipt of fax of July 11 which provided copy of his letter of 24/06/94 to R. Doherty.

Since that time there have been several meetings and exchanges of correspondence. Wish you well on the project.

07/09/94 * Letter from Minister Morin to MLA

Further to your phone call of 25 August here are:

- Transcript of Record of Decision 94-23-20
- Copy of the Statement of Requirement which is the negotiating mandate approved by Cabinet.

19/09/94 * Letter from R. Doherty to J. Heron

Further to meeting of 19 September, now that you have had the Requirements Package for a couple of weeks, suggest that the Committee meet with you this week. We will make ourselves available at your convenience and will pay the cost of your travel to Yellowknife.

20/09/94 * Letter from J. Heron to R. Doherty

Can meet on 23 September.

Advise you that DMHL has extended an offer to Conair Aviation Ltd. of Abbotsford B.C. to participate in the formulation of the Company's response, given that no other Northern operator provides similar aircraft maintenance services.

The Company considers that notification on whether or not its approach is acceptable to the GNWT is imperative.

Given anticipated shortage of Northern resources, what approved process does the GNWT have now in place for us to follow, which will assist us in achieving the overall objective.

21/09/94 * Letter from R. Doherty to J. Heron

Acknowledge receipt of letter of 20 September.

Until we see the details of your proposed approach I am unable to provide an assessment of the GNWT's position on it.

We have not developed a series of tests to verify northern content. Cabinet believes that the resources are there, and believes that a Northern aboriginal organization will have a better commitment and make a better effort at pulling them together. We have established a team to assist you in overcoming the technical and regulatory problems. Encourage DMHL to establish a business in Fort Smith which uses this contract as a base, not the sole business.

23/09/94 Mr. Heron meets with the Project Steering Committee in Yellowknife.

Purpose of the meeting was to review with Mr. Heron the result of DMHL's assessment of the Contract Requirements Package and how they intended to proceed with the project.

Mr Heron advised the Committee that the Board of Directors of DMHL had directed preparation of a proposal based on a joint venture with Conair. He advised that the community collectively want this opportunity and benefits to remain in Fort Smith.

The Committee reminded Mr. Heron that this was not consistent with the Cabinet objective for Northern involvement.

Mr. Heron advised the Committee that, regardless, this is the direction from his Board, and if the Minister or Cabinet don't agree, then direction will come from the Premier's office, or it will be fought out on the floor of the Assembly.

The Committee advised Mr. Heron to submit a written proposal as soon as possible, which would be submitted to the Minister. We have limited time so the direction for the project needs to be resolved soonest.

28/09/94 * Letter from R. Doherty to J. Heron.

Confirm discussion at meeting on 23rd.

The Committee is concerned about the proposed plans for inclusion of Conair as this is not a Northern company. There appears to be a lack of intent to include other Northern interests in the project. The Committee is concerned that if the project proceeds as you outlined, the objectives set by Cabinet cannot be met.

Will require DMHL outline for the project by Friday, September 30.

05/10/94 * Letter from J. Heron to R. Doherty.

Provided the initial position of the Dene Metis Holdings Ltd.

06/10/94 * Letter from R. Doherty to J. Heron.

The initial position was reviewed with the Minister who has the authority to act on behalf of Cabinet in this matter. The government is disappointed in the DMHL proposal to joint venture with Conair Ltd., contrary to the clearly defined objectives for northern content, and it (the proposal) appears to ignore the desire of others outside of Fort Smith to be involved in the project from the start. Several northern operators have expressed concern about a lack of opportunity for consultation with DMHL, and the developing relationship with Conair Ltd.

"Again, time is of the essence. As it is becoming apparent that we will not be able to conclude a successful agreement and contract in time to have air tanker services in place (under DMHL) next year, we are beginning to examine alternatives and how we can do that. We would like however, to be able to continue to develop this project with the DMHL, under the direction set by Cabinet. Our instructions however, are that we must obtain very soon from DMHL, a proposal to proceed as per Cabinet Direction, or to recommend alternate action to secure those services in the long term.

Would you please ask your client to reconsider its position in this matter. The Minister is not prepared to accept or take to Cabinet a position which does not address Cabinet's stated direction and objectives for the project."

07/10/94 * Letter from MLA to Minister Morin

Writing to express disappointment in your department's response to DMHL proposal dated October 5, 1994, and concerned that you are not prepared to bring to Cabinet a proposal which reflected the DMHL statement of requirement.

Ironic that your department now determines Conair Ltd. not allowed for a joint venture, when they provided the services for 21 years.

Would appreciate knowing what companies have expressed an interest in order for my office to be aware of who they are.

DMHL presented two proposals that I don't believe were even considered. The quick reply, within 25 hours, suggests that your department have already set out what is wanted and it appears they may want to dictate to the DMHL who to secure for this venture.

14/10/94 * Letter from Minister Morin to MLA.

Replying to your letter of October 7, 1994.

Shortly after Cabinet issued its direction, I met with Mr. Heron to make it clear to him that Northern options must be explored. If suitable northern partners and resources can not be found then consideration will be given to other options.

The previous contractor provided good service but did not make a substantial effort to develop northerners and business opportunities. The government is committed to stopping the leakage of dollars to the south.

No direction has been given to DMHL as to who to venture with.

Committee has been established to assist DMHL and to be responsive to them. Several weeks have since passed and we do not appear to have a proposal from the DMHL which meets Cabinet's objectives for this project. Our responses are quick because we need to get this done in time to have contracts for next year.

The companies that expressed concern requested confidentiality. I am confident that the interest and resources are there.

The letter from Mr. Heron presented two options that were considered by DMHL, but advised that the joint venture with Conair was the one selected. We considered this to be the proposal being advanced and to which we responded.

17/10/94 * Letter from R. Beaver and E. Jacobson to Minister Morin.
Responding to letter from R. Doherty dated 06 October.

Request consideration of a two pronged approach to deal separately (first) with the hangar and (secondly) with the provision, operation and maintenance of fire-fighting aircraft respectively.

19/10/94 * Slave River Journal, "Tanker base stalled by GNWT Cabinet".

26/10/94 * Letter from Minister Morin to R. Beaver and E. Jacobson

The proposal to split the project into two prongs is not acceptable. The hangar by itself is not a viable project. The only way it is viable is to consolidate all the existing air tanker contracts. The proposed response makes no effort to include other northern contractors or investors.

Getting continued expressions of concern from other interested northern companies that doubt the lack of sincerity and fairness they may face in dealing with DMHL. This may add to the challenge you face in developing northern partnerships.

I am prepared to return to Cabinet for approval to continue the negotiations, on the condition that you agree to provide a proposal that is responsive to the Statement of Requirements. If you are interested in proceeding, please confirm in writing as soon as possible. Suggest you meet with the Steering Committee as soon as possible to pursue these issues and agree on a working relationship and process that meets our mutual objectives.

In the interim, it will be necessary that we contract the required services for the next fire season. To this end, we will engage the required equipment based on the knowledge that we are continuing to work toward a contract with your company.

02/11/94 * Letter MLA to Minister Morin.

10/11/94 * Letter Minister Morin to MLA.

In response to your letter of 2 November. Attached is a copy of letter to Mr. Beaver and Mr. Jacobson which outlines the government's position on the proposal they sent.

Remind you that my direction is to negotiate with DMHL. Your attempts to conduct these negotiations through your office can only serve to complicate the process.

Anticipating response from DMHL.

24/11/94 * Letter Dene Metis Holdings to Minister Morin

30/11/94 Meeting of J. Heron with Project Steering Committee.

Heron advised the Committee that:

- It continues to be the direction from the DMHL that it is interested in the full scope of the project.
- Have proposed a two pronged approach - get the hangar going this year and in parallel work with northern operators.
- Have made contact with several companies.

07/12/94 * Letter E. Jacobson to Doherty.

07/12/94 The Executive Council directed that the Minister of Public Works and Services issue proposal calls for air tanker contracts for five year terms and continue negotiations with the Dene Metis of Fort Smith for the provision of a hangar and maintenance facilities (ROD 94-37-12). The proposal calls will be for three separate air tanker contracts to provide, operate and maintain air tanker and bird dog aircraft. Further, the Ministers of Public Works and Services, Renewable Resources and Economic Development and Tourism return to Cabinet with the results of negotiations as soon as possible after April 30, 1995 and to return to the Financial Management Board should additional funding be required.

08/12/94 * Letter Minister Morin to R. Beaver and E. Jacobson

Cabinet has directed issuing proposal calls, for five year terms, for air tanker services, separate from the negotiations with DMHL.

Negotiations with DMHL for the provision of hangars and maintenance facilities will continue.

13/12/94 * Letter R. Doherty to E. Jacobson.

Replying to his letter of 7 December.

On 7 December Cabinet has directed that the air tanker contracts are to be separated from the hangar negotiations.

Provided outline of Cabinet's direction.

13/12/94 * Letter Minister Morin to E. Jacobson

Replying to your letter of 24 November 1994.

Cabinet has directed that the air tanker contracts be separated from the hangar negotiations.

The GNWT has provided a commitment from the start. It was a failure on the part of the DMHL to commit to the objectives set by Cabinet that has caused this delay and has jeopardized our opportunities for achieving those objectives.

- 18/12/94 * Premier and Minister of Finance meet with representatives in Fort Smith. Slave River Journal article "Premier says tanker base will stay in Fort Smith" refers.
- 18/01/95 * Letter from J. Heron to R. Doherty
- When will the project proceed?
- 23/01/95 * Cheque for \$35,000 issued by ED&T to Dene Metis Holdings Ltd.
- 06/02/95 Buffalo Airways, which is based in Hay River and Yellowknife was advised that as a result of the evaluation of proposals received, theirs was judged to provide best value to the GNWT and a contract would be awarded to them. Buffalo Airways will conduct maintenance of the aircraft (4 CL-215's and 2 DC-4's) in its existing facilities, however, would transfer maintenance for the air tankers to the Fort Smith aircraft maintenance facility should it be constructed.

Honourable Titus Allooob
Minister
Renewable Resources
Government of the NWT
Yellowknife, NWT

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Deputy Minister
Renewable Resources
Gov't of N.W.T.

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Dear Minister:

Re: Aircraft Maintenance Facility - Fort Smith

We have now begun Phase One of Territorial Forestry Group Ltd.'s Fire Suppression Strategy implementation. Phase One being the establishment a new community driven joint-venture company for the provision of an Aircraft Maintenance Facility for the community of Fort Smith.

for We are pleased to advise we have established the framework for a new joint-venture entity named "Dene Metis Air Holdings Ltd." to construct and operate the hangar recently announced to be located in Fort Smith. The joint venture we propose will have mixed participation which we outline as follows:

Seventy (70) percent being local, birth-right aboriginal (Dene/Metis)

Thirty (30) percent being composed of at least 2/3 local private sector and 1/3 northern private sector.

The proposed ownership of the aboriginal portion shall be composed of two major shareholders those being the Fort Smith Metis Nation Corporation and the F/S Native Development Corporation Ltd. Both groups are actively involved in this application and both support the joint venture described herein.

Northern business people shall be invited to participate in the private sector portion and strong preference will be given to those that participate in business in Fort Smith. We believe that this project is very important to the community of Fort Smith and we, as a group, want to participate in sharing the opportunity within the community.

Another task this group or organization is certainly prepared to undertake is a more thorough consultation process including Renewable Resources, Economic Development & Tourism, Industry, Science and Technology and the private sector in the community of Fort Smith. We are very interested in taking considerable effort to ensure that the benefits achieved are going to be widely shared within the community. This approach is full agreement with the direction provided by the government of the Northwest Territories.

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Financially we are exploring several alternatives ranging from debt financing through the sale of shares to offering a bond issue. We envisage soliciting support from governmental agencies which are already in place to aid with development of Northwest Territories such as , Economic Development Agreement, Economic Development & Tourism, CAEDS, Metis/Dene Development Fund . Your organization, as you are aware, has been targeted as a support vehicle to assist us with the implementation of our proposed joint venture proposal, in both, feasibility analysis and planning as well as potential financial assistance in the structure of the financial aspects of the transaction.

At this time, as you can see, we have identified several key areas and would like to proceed with our investigations. We have retained qualified individuals to assist in the financial areas, and have investigated a design group, discussed construction with a contractor, discussed prospects with Renewable Resources and now need to spend efforts to pull the team together. Consolidating the team is an important step as the end result will be to provide a full proposal to the Government for their evaluation.

Thank you for your patience in listening to our initial plans and objectives. We know we can rely on your help in assisting the people of the Northwest Territories to provide a vehicle to achieve their future. This type of action is mutually rewarding and meets the mandate of our government.

Yours very truly,


Raymond Beaver
President

CC: Government Leader - Nellie Cournoyea

Minister Pollard - Economic Development & Tourism

MLA Jewell - South Slave Riding

Alan Vaughan - President Northwest Territories Development Corp.

John Sheehan - Regional Superintendent - ED & T - Fort Smith

Marvin Bourque - President - Fort Smith Metis Nation Corporation

FAXED
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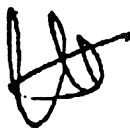
**Mr. Raymond Beaver
 President
 Fitz//Smith Native Development Corporation Ltd.
 P.O. Box 89
 FORT SMITH, NT X0E 0P0**

Dear Mr. Beaver:

Aircraft Maintenance Facility - Fort Smith

At the direction of the Financial Management Board, the Department of Renewable Resources will be undertaking a comprehensive review of its Fire Management Program. The aircraft maintenance facility project will not proceed until after the review of the Fire Program is completed.

Your proposal to construct and operate the maintenance facility will be reviewed when planning for this facility begins in 1993.



Sincerely,
 Original Signed By
 TITUS ALLOOLOO

Titus Alloo

**c.c. Premier of the Northwest Territories
 Minister of Economic Development and Tourism
 Jeannie Marie-Jewell, M.L.A., South Slave
 President, NWT Development Corporation
 President, Fort Smith Metis Nation**

**b.c.c. Bob McLeod, Assistant Deputy Minister
 Bob Bailey, Director, Forest Management
 Doug Stewart, Director, Conservation Education/Resource Development**

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MINISTER'S OFFICE

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OTHER

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DEC 15 1992

December 9, 1992

Member

Renewable Resources

YELLKNIFE, N.W.T.

XC M Handy for response

Honourable Titus Allooioo
Minister
Renewable Resources
Government of the NWT
Yellowknife, NWT

Dear Minister;

Re: Aircraft Maintenance Facility - Fort Smith

Thank you for responding to the correspondence from one of our shareholders, Fitz/Smith Native Development Corporation Ltd. through their President Raymond Beaver, on the above noted topic by your letter of December 1, 1992.

We, as the result of discussion with yourself and your officials at the recent meeting with our associates, Territorial Forestry Group Inc., in Yellowknife on the morning of December 2, 1992, feel we now have a reasonable understanding of the government decision to further review the Fire Management Program. We understood from your comments that the direction issued from the Financial Management Board is wherein your department has been requested to provide the terms of reference wherein an independent source will be directed to re-evaluate the privatization policy for Renewable Resources with more emphasis being placed on efficiency of the system and increasing employment by northerners.

The spirit and the intent of this direction, we assume, is to ensure the benefits surrounding Fire Management are truly coming to those with northern heritage. The direction provided by the Financial Management Board is consistent with the objectives we plan to achieve by leading the way for two native birth-right organizations and the private sector of the community unification in a positive, communal approach. We want the benefits of the Aircraft Maintenance Facility to be entirely and equitably spread throughout the community of Fort Smith. As previously advised this organization was assembled to pursue the ownership and operation of the facility and collectively we have insisted that full community involvement is a vital part.

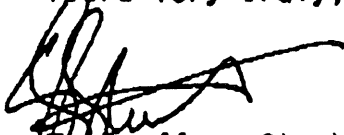
The aircraft maintenance industry will certainly enhance the economic base of Fort Smith and add to the economy of the entire Northwest Territories as we can provide the education, training, leadership and opportunity for all northerners wishing to pursue

- Page Two -

a career in aircraft maintenance or fire suppression activities. The spin off benefits should also not be ignored as a part of the reason for this type of investment in our future. We will be able to service aircraft, avionics, aircraft maintenance technology for the Northwest Territories and therein reduce a serious southerly drain on our economy.

This action is reflective of the strength of this government as it shows a positive mandate of developing the north for northerners.

Yours very truly,



Geoffrey Stock
President

CC: Government Leader - Nellie Cournoyea

Minister Pollard - Economic Development & Tourism

MLA Jeannie Marie-Jewell - South Slave Riding

Alan Vaughan - President Northwest Territories Development Corp.

John Sheehan - Regional Superintendent - ED & T - Fort Smith

Marvin Bourque - President - Fort Smith Metis Nation Corporation



TOWN OF FORT SMITH

Post Office Box 147, Northwest Territories. XOE OPO
Phone: (403) 872-2014; Fax: (403) 872-4345

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PREMIER RECEIVED
Send to: <i>Ken-Dea</i>
RESPOND
For Premier's Sign
Directly & C.C.
Other: <i>action on request</i>
C.C. <input type="checkbox"/>
File <input checked="" type="checkbox"/> R.F. <input checked="" type="checkbox"/>

RECEIVED

SI: _____
DEC 21 1992
Deputy Minister Renewable Resources Gov't of the N.W.T.

December 15, 1992

Hon. Nellie Cournoyea
Government Leader
Government of the NWT
Box 1320
Yellowknife, NT
X1A 2L9

Dear Ms. Cournoyea:

Thank you very much for travelling to our community last week for the Chamber of Commerce Luncheon. We also appreciated your words of reassurance on the development of the CL215 Tanker Base at the Fort Smith Airport. We consider this project as a top priority for our community. It is a new direction for Fort Smith and with a major private enterprise component, will have a dynamic positive effect on our business community.

My concern at present is the reluctance of Cabinet to proceed with the development of the project proposal before the completion of a forest fire review, (scheduled earliest June/93). The sense I get of the review, in discussion with involved personnel is that it will have little if any impact on the principles of the project, and impacts may be limited to sizing concerns.

To maximize local and northern benefits from this project 1993 would be an ideal construction year. There are no other major projects in this time frame, and as such local construction businesses would be able to fully partake. In 1994 with the academic studies building scheduled for construction, another major project would lose a great deal of impact.

Certainly as well, the uncertainty over the project if continued to May/June, will undercut local investor confidence in housing and infrastructure development.

Recycle for the future.
Kítwám kí tápáta nlyak.
Recyclons pour l'avenir.
Yunedé, k'ék'ère 7asi l'áurudhí.

It is my understanding that the prospect of two separate proposals from the community to build the facility is no longer a factor, as one group has withdrawn. It seems now that the way should be clear for a rapid development of this exciting and innovative project.

I would urge you to have the Cabinet re-consider its delay of decision on this matter.

Yours sincerely,



Dennis Bevington
Mayor

DB/mrf

cc: Jeannie Marie-Jewell - MLA Thebacha
Marvin Bourque - Metis Assoc.
Raymond Beaver - Fitz Smith Dev. Corp.

IT

JAN 11 1992

Mayor Dennis Bevington
Town of Fort Smith
Box 147
FORT SMITH, NT X0E 0P0

Dear Mr. Bevington:

Your letter of December 15, 1992 to the Premier with regards to the CL215 Tanker Base at the Fort Smith Airport has been sent to me for response. As the Premier indicated in Fort Smith, let me assure you the development of this facility is still a priority for our government. To avoid confusion I would like to clarify the purpose of the review of our Forest Fire Management Policy. The review focuses specifically on what changes are needed to the current Forest Fire Management Policy, procedures and methodology to:

- a) increase the proportion of local labour versus mechanized equipment utilized to fight forest fires.
- b) where aircraft are required, increase the use of northern fixed wing aircraft versus imported rotary winged aircraft and
- c) become less reliant on large water and/or fire retardant bombing aircraft.

As the final design of the Fort Smith Aircraft Maintenance Hangar cannot be completed until the results of this review are available this project will not proceed until after the review, except, for site details which are continuing. I am also pleased to learn that the prospect of two separate proposals from the community to build the facility is no longer a factor.

Sincerely,

Original Signed By
TITUS ALLOOLOO

Titus Allooloo

c.c. Honourable Nellie Cournoyea
Premier of the Northwest Territories

(11)
24

JAN 11 1993

Mr. T. Geoffrey Stock
A/President
Dene Metis Holdings Ltd.
P.O. Box 89
FORT SMITH, NT XOE OPO

Dear Mr. Stock:

It was my pleasure to meet with the Territorial Forestry Group Inc. and I thank you for your organization's letter of December 3, 1992 regarding the aircraft maintenance facility in Fort Smith.

n.
r.
The review of the Forest Fire Management Program is a program and policy review to address specific concerns of the Financial Management Board. It is not intended as a re-evaluation of the privatization policy review which has already been dealt with by the Financial Management Board. As mentioned at our meeting, one of the areas to be reviewed is employment and how my Department can increase the proportion of labour used to fight forest fires versus the use of mechanized resources including aircraft. There are many other issues to be addressed as well.

I appreciate your position on the aircraft maintenance facility and your desire to ensure benefits accrue to the community of Fort Smith.

At a Fort Smith Chamber of Commerce luncheon in Fort Smith on December 8, 1992 the Premier reiterated the Government's position on the aircraft maintenance facility in Fort Smith.

Once again I appreciate your concerns and look forward to maintaining our positive working relationship.

Sincerely,

Original Signed By
TITUS ALLOOLOO

Titus Allooloo

933289 N.W.T. Ltd.

P.O Box 89, Fort Smith, N.W.T.

XOE OPO

Tel. 872-4645 Fax. 872-5101

Bob Doherty
Deputy Minister
Government Services & Public Works
Government of the Northwest Territories
Yellowknife, N.W.T.

Dear Bob;

Re: Aircraft Maintenance Facility - Fort Smith

Thank you for your efforts in arranging our meeting of last week between our firm, ED&T, Renewable Resources and your department to discuss the hanger project in Fort Smith. Thank you for also providing a copy of your document titled "Negotiating Criteria". You, if my memory is working, stated that you would like to receive our response to this document.

Upon reviewing this document there are a number of items upon which we would like to address. Hopefully, we will not request any modifications which contravene regulations but address mutually rewarding positive direction.

The following which represents our initial reaction also ignores priority:

- A. The word "audit" is used in clause 3.d; is the definition used from a government perspective indicating full accountability to the government or one which is used by professional accounting firms conducting a full audit.
- B. "Administration Fee" in clause 3.d is assumed to include costs during the construction period etc. We assume administrative fees will be included in clause 3.e, especially if we are to be audited and to provide full service for the tenants.
- C. "Contract Awards" clause 6 suggests some very specific numbers and stipulates public tendering for construction. We assume if we are to proceed with a design/build concept we will be able to maximize the benefits to the community of Fort Smith. We

.../2

Bob Doherty
Deputy Minister
Government Services & Public Works
Government of the Northwest Territories

- Page Two -

have planned, very solidly, to utilize a concept presently in place with GNWT like Business Incentive Policy to regulate or act as a guide for determining successful subcontract bidders.

- D. The definition of the word "programming" in clause 1.d.i requires some clarification.
- E. Please clarify "100% local and northern contractors" as referenced in clause 1.b. We plan to use the BIP concept however this statement appears quite firm.
- F. Please clarify "net lease" as noted in clause 2.c versus "double net lease" or "triple net lease". Seems like the concept is triple net lease, therefore, we request your definition.
- G. Cash equity, while not an insurmountable problem, is one of our major concerns. As you are no doubt aware we do not have ready cash for investment, therefore we would need to purchase the equity. The formula outlined in this document for the rental rates seems to be one which would be acceptable if we had a lot of cash for use as equity. Contracting equity means that the benefit from having an equity position is immediately transferred to those who have equity. The equity we have is not cash equity; it is based on the fact that we are local, that we are aboriginal, that we have a significant vested interest in the development of the Northwest Territories and that we have been able to secure community support in an unanimous basis. "Return On Investment" concept should address both the GNWT and the vast shareholder group we represent as they should both be the beneficiary.
- H. O & M costs perhaps should be considered a little further as some of these costs could be recovered from the tenants.

The mandate of our government is to have some development in the Northwest Territories and to do so in a manner which is weighted to ensure the benefits are enjoyed in the north. Our corporate group has approximately 2000 birth right share shareholders in Fort Smith and approximately 700 native shareholders throughout the Northwest Territories. This group has the unanimous support within the community of Fort Smith from the

.../3

Bob Doherty
Deputy Minister
Government Services & Public Works
Government of the Northwest Territories

- Page Three -

Town Council, the Chamber of Commerce, the Metis Association and the Band. The direction determined by our Board of Directors is to ensure that benefits are accrued to the community of Fort Smith in a fair and equitable manner while using a concept similar to GNWT Business Incentive Plan.

The objectives we, the GNWT and our firm, mutually have are to place a vehicle into play in the Northwest Territories to ensure that in addition to the contracts from GNWT for Fire Bomber Aircraft, we can pursue future aircraft maintenance opportunities which are presently being undertaken in the south. The benefits of this type of industry should unquestionably be delivered to the Northwest Territories. This concept may seem to fly in the face of certain other government directives to economize but this project should be construed as an investment within the Northwest Territories for the benefit of many different northerners as opposed to simply those which are cash rich, be they northerners or not.

The groups or shareholders we represent have, perhaps, the broadest base of northerners available to undertake this project. To establish negotiating criteria which calls for cash equity being the vehicle to provide some return is somewhat restrictive when we address the possibility of developing the north for northerners on a broadest basis. We envisage this project being a vital stepping stone into the future for northerners, we also expect the GNWT shares this vision.

We propose the formula be modified to have the rent portion paid to be calculated to amortize the mortgage required to cover the total development cost of the project plus a premium of 15% on the amortization costs. This concept has some precedence in a structure such as the Sweetgrass Centre in Fort Smith. Instead of waiting to determine the final costs, we are prepared to proceed to a Guaranteed Fixed Price prior to construction with approval by the government. Mutually we will not be forced to tolerate any surprises affecting the price. This would seem to be an approach which is unilaterally beneficial to both the government and ourselves.

At this point in time we have not been able to secure or perhaps finalize supportive Business Development Funding from ED&T to assist us in full evaluation, especially in tax areas therefore

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Bob Doherty
Deputy Minister
Government Services & Public Works
Government of the Northwest Territories

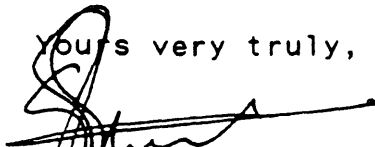
- Page Four -

we are suggesting these modifications from a somewhat inexperienced point of view. We have established relationship where we can access quality support from financial, construction, design and aircraft maintenance professionals to endeavour to ensure the objectives are fully realized.

We would like to think that the Government of the Northwest Territories role in this project, admittedly at perhaps some apparent initial minor cost increases, is to assist in bringing an industry to the Northwest Territories, is to be a team player who will want to ensure that the benefits are accrued to northerners on the broadest basis and to be supportive of our objectives. Sharing this concept, we are confident that the people of the northwest Territories and therein the Government of the Northwest Territories will ultimately benefit from this direction suggested.

We invite your response.

Yours very truly,



Geoffrey Stock
Executive Director

cc: Nellie Cournoyea - Government Leader
Jeannie Marie-Jewell - MLA



JUN 16 1993
MINISTER'S OFFICE

JUN 14 1993

**MS. JEANNIE MARIE-JEWELL, MLA
THEBACHA**

I am providing the following information to keep you informed on progress to construct the Aircraft Maintenance Facility in Fort Smith.

The Financial Management Board met on June 8, 1993 and approved a reallocation of departmental capital funds to complete the negotiations with Transport Canada on the airport lease and to conduct a land survey and geotechnical survey. However, the Board deferred a decision to proceed with the final design for the facility until the Board can consider the recommendations from the report on the Review of the Forest Fire Management Program. This report is in its final stages and will be available for the Board's consideration in July.

The Deputy Ministers of Government Services and Public Works and Economic Development and Tourism met with Dene/Metis Holdings recently. I expect to be advised of any issues arising from that meeting.

I will continue to keep you informed on the planning for the proposed facility and assure you that my staff will give priority to this project.


Titus Alloo

cc Minister of Government Services and Public Works
Minister of Economic Development and Tourism
Mayor, Fort Smith
Chief, Fitz Smith Band
President, Metis Local
President, Fort Smith Chamber of Commerce
Executive Director, Dene/Metis Holdings Ltd.

JUN 17 1993

Mr. Geoffrey Stock,
Executive Director,
933289 N.W.T. Limited,
P.O. Box 89,
FORT SMITH, NT XOE OPO

Dear Mr. Stock:

Aircraft Maintenance Facility

This will acknowledge receipt of your letter (undated). Thank you for providing your comments on the proposed criteria. Staff of the department will be following up with you in the near future to review the issues that you have raised.

I was glad that we had the opportunity to meet with you on June 3, to discuss where you are at with the project, and for you to raise your questions with the respective departments involved. We have submitted the results of our review to the Minister, and Cabinet should soon be making its determination on how to proceed from here.

We look forward to working with the "Team", to see this project through to a successful conclusion.

Yours truly,

Original Signed By
R. DOHERTY

Robert Doherty,
Deputy Minister.

c. Hon. Nellie Cournoyea,
Government Leader.

Hon. Don Morin,
Minister.

Ms. Jeanne Marie-Jewell, M.L.A.,
Thebacha.

bc. Joe Handley
Roland Bailey
Les Clegg
Sue Cunningham
Ralph Shelton

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12

11

DENE METIS HOLDINGS LTD.

P.O. BOX 89, Fort Smith, N.W.T.

XOE OPO

Tel. 403-872-3178 Fax 403-872-5101

April 14, 1994

Mr. Joe Handley
Deputy Minister - Renewable Resources

Mr. Roland Bailey
Deputy Minister - Economic Devel. & Tourism

Mr. Robert Doherty
Deputy Minister - Public Works & Government Services

Mr. Lou Voytilla
Secretary to the FMB

Dear Gentlemen:

Re: Fort Smith Aircraft Maintenance Hangar

We recall the meetings we held in Yellowknife last fall with you and/or your representatives. While the main thrusts of our discussions focused upon the construction of the aircraft maintenance hanger facility, we collectively concluded there was an equal need to work as a team. Consequently, we mutually agreed that the value of working cooperatively will contribute significantly to establishment of the Aircraft Maintenance Hangar in Fort Smith.

Since those fall meetings, our firm has gained the distinct impression that we have been kept off the team. We do appreciate that some events, such as; a review of the fire fighting policy, have taken precedent over further planning for the construction of the hangar. Subsequently, it seems logical that selecting an approach without Cabinet sanctioning of the fire fighting policy was premature. Consequently, delays in the process have resulted.

Yet, you are aware that the approach being promoted and supported by the community is that the facility be local aboriginally owned and leased to the Government of the N.W.T. You are also aware that we have unanimous community support for our position from the major representative organizations, those being; the Fitz-Smith First Nation, Metis Nation Local, Town of Fort Smith and the Chamber of Commerce. However, recent events reported in the local news paper seems to imply that our participation is being ignored and even our position is being fabricated.

The fabrication of our position comes from rumours that our group

has attached a \$9 million dollar price tag to the building and that annual lease payments and operating costs would amount to \$1.2 million dollars. Our organization would like to make it categorically clear, that we neither have not been nor are we a part of any type of cost projections.

Since September 1993, we have been patiently waiting on the sidelines hoping to get into a position to participate and make a meaningful contribution to the project. In anticipation of being a team member, we have established an corporate entity, sourced expertise of major designers, developed tentative relationships with capable contractors and agreed to utilizing the territorial MDC to assist us in arranging for the financing of the project.

We are equally committed to providing a product that meets the needs of the tenant. We are very cognizant of the shortages of dollars for projects and that our expectations for any returns are going to be influenced by our desires to accumulate equity over the long term.

Unfortunately, our ability to communicate more specifically what our expectations are, have been hindered. The hinderance comes from being repeatedly denied the opportunity after many requests, to learn what are the Government's program requirements. Therefore, we are unable to share our thoughts, as Private entrepreneurs, about what type of structure can meet our respective objectives.

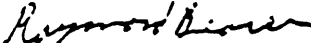
We understand that the Department of Economic Development & Tourism has been mandated to provide a financial analysis of various options for the structure. Needless to say, the most critical assumptions are who determined the program requirements, what process of scrutiny did it under go, what methods of costs determination where followed for the structure and who provided estimates for returns on equity. You can appreciate that misguided assumptions, can result in fabricated rumours about the costs and annual lease/operating costs. Therefore, we are reiterating that the above mentioned building costs and lease/operating costs are to be totally disassociated with our group.

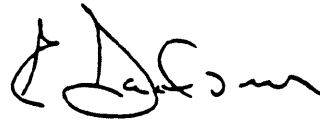
At this juncture, we are deeply disturbed that the entire process has been totally internalized. Thus, public input and interaction is being totally ignored. Therefore, relegating the process to being totally bureaucratic and self-serving. We, as a aboriginal business, look upon this opportunity as being critically important to the long term economic development of our people. Given that the Government is committed to providing economic opportunities to aboriginal people through various means, including long-term leasing of buildings, we must insist that our being continuously excluded from this important project cease immediately. Thus your efforts to put us back on the team will go

along way to meeting the needs of our aboriginal business and dispelling any rumours about the project.

Your earliest response to our request would be greatly appreciated.

Yours truly,


Raymond Beaver
President
Fitz/Smith Native
Development Corporation Ltd



Earl Jacobson
President
Fort Smith Metis Development
Corp.

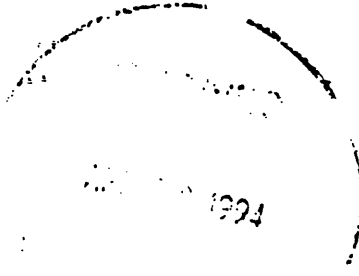


Northwest
Territories Renewable Resources

Mr. Raymond Beaver
President
Fitz/Smith Native Development
Corporation Ltd.
Dene Metis Holding Ltd.
P.O. Box 89
Fort Smith, NT XOE OPO

APR 28 1994

Mr. Earl Jacobson
President
Fort Smith Metis Development
Corporation
Dene Metis Holding Ltd.
P.O. Box 89
Fort Smith, NT XOE OPO



Fort Smith Aircraft Maintenance Facility

Your letter dated April 14th has been received.

On April 11th, I met with Raymond Beaver and Jeff Stock at the Dene Metis Holding Ltd. offices. On the same day I also met with Mayor Dennis Bevington who also had questions about the proposed maintenance facility. I explained to those I met with that the fire program review had been completed and accepted by the Financial Management Board. Attention would now be focussed on the proposed aircraft hangar.

In late March the Minister of Renewable Resources and I met with Cabinet. Concern was expressed about the cost of the hangar and the Department was directed to ask Economic Development to "crunch the numbers" to provide more accurate cost estimates for three options:

1. to build a hangar through build-lease
2. to have the government build the facility from its own resources
3. to have the private sector build and/or rent space for the fire program needs

The purpose in exploring all options was, in Cabinet's view, necessary to know what premium they would be paying to build-lease the facility.



On the same day I met with Cabinet I met with Roland Bailey and explained to him what was requested. Since then he has assured me the numbers requested would be available by April 30th. I assume the assignment is on schedule and can be discussed by Cabinet and FMB soon as part of the information required to make a decision on the maintenance facility.

I realize there are many rumours around about this proposed facility but assure you that I am sharing all information I can with you primarily through Jeff Stock. If you have further concerns about local newspaper stories, rumours etc contact me and I will provide clarification.

In your letter you express concern that the "entire process has been totally internalized". Until my Minister is satisfied with the information provided and has a decision from Cabinet and FMB planning for the facility cannot become more public than its is presently. In the meantime, I will continue to provide information as this project progresses.


Joseph L. Handley
Deputy Minister

c. Minister of Renewable Resources
Deputy Minister, ED&T
Deputy Minister, PW&S
Secretary of FMBS


G.A. 28

**J.A. HERON CONSULTING
BOX 338
FORT SMITH, N.W.T.
X0E 0P0**

June 24, 1994

**Mr. Robert Dorherty
Deputy Minister
Public Works & Government Services
Government of the NWT
Yellowknife, N.W.T.
X1A 2L9**

Dear Mr. Dorherty;

Re: Hanger Facility - Fort Smith

I met informally with the Honourable Don Morin, Minister for Public Works and Government Services, on this date in our community. During our conversation he advised me that his department has been mandated by Cabinet to negotiate the leasing of a hanger facility to be located in Fort Smith. While the Record of Decision from Cabinet seems to still be forthcoming from the Executive, I am comfortable with the Honourable Don Morin's indication that the decision has been made to negotiate the leasing of the hanger facility with our community owned company, Dene Metis Holdings Ltd.

It was my understanding that the parameters for negotiating sole source contracts with our group, Dene Metis Holdings Ltd., is well established within Government of the N.W.T. policies. On the basis of those policies, criteria such as; rates of return, employment benefits, training obligations; financial parameters, etc. are set out. Consequently, the negotiations are thus quite

I may have simplistically stated that negotiations would be straight forward, however, we are very cognizant of potential influences that tight fiscal regimes can have upon the Government's operations. Our group appreciates the need for both simplicity and reasonableness in achieving our respective objectives. Therefore, we are anxious to commence working with you to get this very significant and important project off ground.

At this juncture, it would be helpful for me to advise you that I have been designated as the contact person for the Dene Metis Holdings Ltd.'s involvement in the Hanger project. It is a condition of my assumption of such responsibility to keep both the Dene and the Metis Board members fully apprised of any developments with the project. Furthermore, I obtain my authority from them and thus will be interacting with them on all issues deemed to be significant to their interests. Certainly, I do not

envison going back to the Board for every issue that may arise
in our negotiations.

I mentioned to Mr. Morin, that I would be contacting you to learn
more about the negotiating process and the component parts that
govern it. Therefore, whatever preliminary information you can
provide to me, which outlines the negotiating process would be
most helpful.

I look forward to working with you and your officials on this
very important project.

Yours truly;



J.A. Heron
Dane Metis Holdings Ltd.

c.c. Mr. J. Handley
Deputy Minister
Department of Renewable Resources

Dene Metis Holdings Ltd.

Box 89

Fort Smith, N.W.T.

XOE OPO

July 7, 1994

Mr. Robert Doherty
Deputy Minister
Public Works and Services
Government of the NWT
Yellowknife, N.W.T.
X1A 2L9



Dear Mr. Doherty;

Re: Appointment of Project Coordinator

Please be advise that the Board of Directors of our company has appointed Mr. James A. (Jake) Heron as its' project coordinator for the construction and leasing of the proposed hanger facilities to be constructed in Fort Smith.

As the project coordinator, Mr. Heron will be the sole contact person with whom we expect all parties to deal with on the proposed hanger project. Mr. Heron is required to bring all substantive issues and decisions back to the Board of Directors, unless otherwise directed. All matters dealing with financial items will be approved by the Board of Directors, which could include funding requests, loans, contributions, etc.

We are confident that you will find dealing with Mr. Heron to be professional and mutually beneficial to our ultimate and respective achievements.

We look forward to the successful conclusion of our negotiations over the construction and leasing of the aircraft hanger facilities in Fort Smith during the 1994/95 fiscal year.

Yours truly;

A handwritten signature in cursive script, appearing to read "Ray Beaver".

Ray Beaver

A handwritten signature in cursive script, appearing to read "Earl Jacobson".

Earl Jacobson

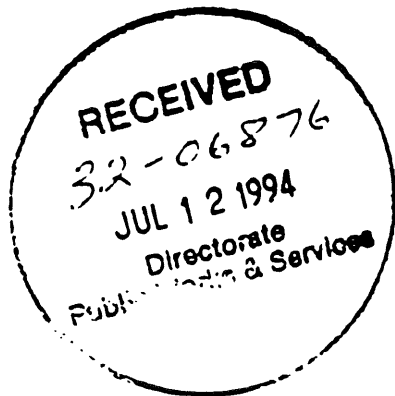
Fax Transmission

To:	Hon. Don Morin, Minister	From:	J.A. Heron
Company:	Public Works & Services	Date:	July 11, 1994
Fax #:	873-0264		

You should receive 3 page(s) including this one.
If you do not receive all pages, please call 872-5613

Message:

Attached is a copy of a letter from your Deputy Minister, Mr. R. Doherty, dated June 24, 1994. On July 7, 1994 Mr. Doherty called me from Yellowknife and advised me that the Record of Decision from Cabinet was still not in his hands. Until he obtains the document, he is unable to proceed with negotiating the lease of the hanger facility with the Dene Metis Holdings Ltd. of Fort Smith. In spite of the various public communiques being made at various times by elected officials, it seems that the delays in the administration's receipt of the Record Of Decision is only adding to the uncertainty of the Government of the NWT's commitment, to establishing of a hanger facility in Fort Smith. May I request that you please obtain the Record Of Decision from the Executive and pass it on to your officials, in order for us to start the negotiation process. Whatever assistance you can provide in this matter will certainly be appreciated.



Dene Metis Holdings Ltd.

Mr. J.A. Heron
Dene Metis Holdings Ltd.
P. O. Box 89
Fort Smith NT XOE OPO

JUL 21 1994

Dear Mr. Heron;

I am pleased to advise you that we have now received formal direction to initiate the Fort Smith Tanker Base negotiations. Before opening negotiations however, we must prepare a detailed Request for Proposal (RFP), which outlines the details of what the GNWT requires and wishes us to negotiate.

Work has already begun on the RFP, which will be taken to Cabinet at its meeting on 10 August for consideration. Assuming that Cabinet will give its approval, I suggest that we plan for an initial meeting to begin the discussions during the week of August 15.

I trust that you will find this acceptable, and look forward to a speedy and successful conclusion to this matter.

Yours truly,

Original Signed By
R. DOHERTY
Robert Doherty
Deputy Minister

- c. Joe Handley, Deputy Minister, Renewable Resources
Roland Bailey, Deputy Minister, Economic Dev. & Tourism
Pierre Alvarez, Secretary to Cabinet
Lew Voytilla, Secretary to the FMB
Don Ellis, Regional Director, Fort Smith Region

- bc. Les Clegg, ADM, PWS
Randy Cleveland, ADM, PWS
Bob McLeod, ADM, Ren. Resources
Ralph Shelton, Reg. Supt., PWS
John Sheehan, Reg. Supt., ED&T

FAXED
26/28/94

AUG 26 1994

Mr. J. A. Heron
Dene Metis Holdings Limited
P.O. BOX 89
FORT SMITH NT XOE OPO

Dear Mr. Heron;

Thank you for meeting with us on 19 August 1994 to initiate the discussions on the airtanker contract negotiations. I would just address a few of the points raised.

The targeted date for completing the negotiations is the end of November 1994. Of course, it will be in our respective interests to complete the work sooner if possible, so that the required approvals can be obtained and you can get preparations under way as soon thereafter as possible.

Unfortunately, it is not possible for me to give to you a definitive list of acceptable (100%) northern companies. As pointed out at our meeting, the objective is to establish a 100% Northern and privately owned and operated company which will provide these services and facilities. "100% Northern" should be interpreted as all principal owners of the companies involved are resident in the NWT, as well as the investments coming from people that are resident in the NWT. All people employed on the contract are also to be resident of the NWT. While this is the objective, it might not be possible to achieve this in the initial instance, and if not, a plan would be required to see a transition to 100% Northern during the course of the contract. In the end, we will need to illustrate to Cabinet, that we have done everything possible to achieve this objective.

You raised the question of how much the GNWT is prepared to pay for the northern benefits i.e. S/job created. We have not approached the project from this perspective. The expectation is that the contracted services currently provided by out of the NWT resources can be provided from within the NWT, at no additional cost. Further, that by providing this contract directly to the Fort Smith Dene-Metis Holdings Ltd, there will be some innovation and changes to the way the services are provided, as well the creation of new/additional business opportunities attached to the hangar/maintenance operation, which could allow this expectation (objective) to be achievable. You are expected to cost out the services to be provided, and because this is a negotiated contract, to justify the costs. If the costs exceed current expenditures, we will examine the cost/benefits of the extra costs. Our direction from Cabinet is that increased operational costs may be considered where the economic development and social benefits are equal to or exceeds the value of the premium to be paid.

In respect to hangar construction, the requirement is that Northern consultants, contractors and labour will be used as well as financial investment/investors. A copy of the GNWT's Guidelines for Negotiated Contracts is attached. This was developed for use with negotiated construction contracts, but outlines Cabinet objectives which are relevant to this project.

I trust this helps, although I appreciate this is a major undertaking, and we will need to work closely together during the negotiating period to address and provide more clear direction on the various issues as they arise.

I hope to be in Fort Smith next week, to bring the detailed Requirements Package to you. Please do not hesitate to call before then if you require further clarification of the above. I am also attaching for your information, a copy of my letter to the Slave River Journal in response to its recent article.

Yours truly

Original Signed By
R. DOHERTY

Robert Doherty
Deputy Minister

Attachment

c. Hon. Don Morin
Minister
Public Works and Services

Joe Handley
Deputy Minister
Renewable Resources

Roland Bailey
Deputy Minister
Economic Development & Tourism

Letter to the Editor
Slave River Journal
FORT SMITH NT XOE OPO

AUG 26 1994

Dear Editor:

Reference is to your August 17 1994 article "GNWT offers Dene/Metis "sole source" on planned tanker base". I would like to clarify an inaccuracy.

The statement, "So, Conair - or another aviation company - would still end up doing the actual work, with Dene/Metis acting as a go between."; inaccurately characterizes my remarks, as well as this contracting relationship.

Dene/Metis Holdings will provide the general contracting role in this contract, which is significantly different than acting as a "go between". Businesses in Canada tend to specialize and to provide specialty services. The role of the general contractor is to act as a coordinator that brings all the required specialists together, under one contract to the owner, to carry out a complex set of tasks. In doing this, the general contractor takes on significant obligations and risks. There is clearly nothing unusual in this instance, for this general contractor to subcontract out most of the specialist functions required to carry out the full scope of this contract.

As you know, the current government of the NWT committed itself to the construction of an air tanker maintenance facility in Fort Smith. During the planning for the (hangar) project, it became clear that it was not viable, economically or in any other respect, without contractually linking it to the aircraft contracts themselves. In other words, having separate contracts for the provision of the hangar facility and the two airtanker contracts, would not guarantee use of the facility by the airtanker contractors. Nor would it provide the scope and economies of scale necessary to make the hangar and maintenance operation viable in Fort Smith.

One of the MANY obligations that the Dene/Metis Holdings will take on under this contract, is to ensure that the millions of dollars currently going south of Sixty remain in and benefit NWT residents and businesses. In addition, the contract will hopefully provide a base from which to generate additional business opportunities in the aircraft maintenance area. This is a unique project. I suggest that there is not any company currently in the NWT with all the skills, expertise, and resources to carry it out. Any other company would need, as will the Dene/Metis

Holdings, to forge new relationships in investment and (sub)contracting to make it happen. This contract will also give the Dene and Metis an opportunity to be more fully involved in the Territorial Forest Fire Program and to assist the GNWT in developing this technology.

Original signed by
R. Doherty

R. Doherty
Deputy Minister
Department of Public Works
and Services

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decisions based on what my
constituents want," says Cooper
"Closing the Hay River office is (the
department's)
uninformed
approach."

**"I am directing that
action be taken
immediately to
close the Hay River
operation"**

Cooper insists
the initial
decision to open
the office in Hay
River a year and
a half ago was
made for all the
right reasons, and

the board, in cooperation with the
Department of Education, should sit
back and take the time to study what
costs would realistically be
recovered by closing it and moving
everything to Fort Smith.

Currently, the SSDBE is
spending approximately \$116,000
a year to keep their offices open in
Hay River. Of that, \$48,000 a year
is for the lease and \$68,000 for
operational supplies, both of which
the board receives no funding for.

"It's actually a small amount in
the big scheme of things," according
to Cooper. He says the only extra
cost to the board is \$48,000 for rent
because no matter where the office
is situated \$68,000 will still have to
be spent on day to day expenses for
running the board.

The extra rent expense savings
realized by shutting down Hay
River may be negated anyway
because the board would be forced
into leasing new office space in
Smith to accommodate transferred
staff from Hay River. "The office
isn't workable (in Smith), there's
not enough space and there's no
privacy (to hold board meetings)."

Board members will meet on
Friday and will vote on whether or
not to close the Hay River office.



And over to you...

Roland McKay anticipates the inevitable as her cousin Marita (front left) tries to catch the egg during the day camp's mini Olympic's egg toss event earlier this week. Adrian Hacquard and Ross Dowling also took part, as did Kristin Sanderson (crouched on left) and Terry Petak.

GNWT offers Dene/Metis "sole source" on planned tanker base

The GNWT is by-passing the tender process and handing out multi-million dollar government contracts for the planned firefighting aircraft maintenance and tanker base in Fort Smith to a "sole source."

After the territorial cabinet decision last week, negotiations are set to begin with Smith-based Dene/Metis Holdings to not only build a hanger for the base, but also take over two contracts involving the operation and maintenance of the territorial water bomber fleet.

That decision comes only a month after deputy minister of Renewable Resources Joe Handley said it was "very unlikely" contracts of this size would be awarded to a "sole source." Together, the contracts are worth as much as \$4 million a year.

At the time, he was responding to suggestions Abbotsford, B.C.-based Conair was preparing a pro-

posal to lobby the GNWT to by-pass the tender process and name Conair as a sole source for two contracts the company had previously won by turning in the lowest bid.

One contract is for the operation and maintenance of the GNWT's four CL215s and the other for the provision of a full-time DC-6 land-based bomber, with another on stand-by.

Now Dene/Metis Holdings is being given the opportunity to establish itself as the "sole source" for both contracts, as well as for the construction of a new aircraft hanger in Fort Smith.

The anomaly is apparently due to a GNWT policy that states only companies 100 percent owned by northern interests can be awarded sole source contracts. The only exception to the rule is if there are "substantial benefits" accruing to

the North.

But deputy minister of Public Works and Services Robert Doherty - whose department handles contract negotiations - points out Dene/Metis Holdings does not have the expertise to maintain and operate the territorial water bombers, and will have to form a partnership, or subcontract the work.

So, Conair - or another aviation company - would still end up doing the actual work, with Dene/Metis acting as a go between.

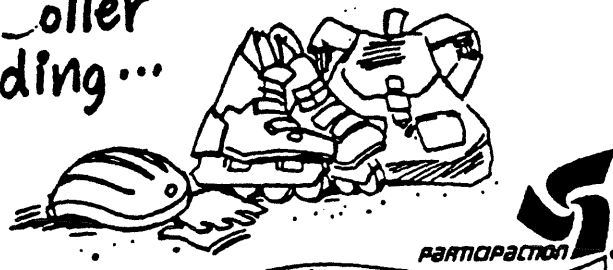
Conair's northern operations manager Mark Patterson says the company has had "some talks" with Dene/Metis Holdings. "We have said right from the start we would work with Dene/Metis Holdings," he says. "But it's too early to comment on what's going to happen."

Patterson adds there are few companies who can offer the kind of specialist aviation services

to page 7

WEATHER

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MOVING Your Way - Every Day

Water tanker base deal through cabinet

provided by Conair.

The story unfolded after the territorial cabinet last week approved a "request for proposal" submitted by the Department of Public Works and Services.

The proposal is an outline of what the GNWT expects from Dene/Metis Holdings, including requirements for the use of northern and local businesses. Once approved by cabinet, negotiations can begin.

In an interview with the Journal earlier this week, Doherty revealed the negotiations would involve not only the construction of an aircraft hanger in Fort Smith, but also the "provision of water tanker services."

Doherty made the statement only minutes after Handley had reiterated he "very much doubted" contracts of that size would be sole sourced.

Told of the impending negotiations, Handley could only say Renewable Resources does not mind who provides the services, as long as the contractor meets all performance specifications.

Meanwhile, Doherty says he hopes negotiations with Dene/Metis Holdings - represented by Fort Smith consultant Jake Heron - will begin this Friday.

He adds his department has allowed roughly 90 days for negotiations to be completed.

Work won't begin until next year, he says, and with a bit of luck construction will be complete before the winter of 1995/96 sets in.

Public Announcement

Beginning September 4 all long distance calls within the 403 area code require you to dial the 403 area code.

North America is running out of numbers.

With the growing demand for modern telecommunications equipment, like fax machines, modems and cellular phones, over 7500 new telephone numbers are requested every day.

To meet this demand, the North American Numbering Plan is being modified to add more area codes. As a result we will have to change the way we dial. Whenever you call long distance, even within your own area code, you must dial the area code. For example 1 (or 0) + area code + seven digit number. This change is affecting all Canadians. This message is brought to you by Northwestel working with telecommunications companies across North America. For more information, call 1-800-663-5266.

*Remember
Calling long distance
within your area
calls for the code*



(7)

Dene Metis Holdings Ltd.
Box 89
Fort Smith, N.W.T.
XOE 0P0

September 1, 1994

Mr. J. Sheehan
Regional Superintendent
Department of Economic Development &
Tourism
Box 390
Government of the N.W.T.
Fort Smith, N.W.T.
XOE 0P0

Re: Contribution Funding - Business Opportunities

On January 23, 1993, our firm sent you a letter, which indicated that a "decision has been made" about the establishment of an aircraft maintenance facility in Fort Smith. At the time, we requested funding of \$30000 to begin the investigation of business opportunities. Since then, as you are aware, our firm has been identified to commence negotiations on the entire airtanker operations. We believe the fire fighting air support activities to be the most significant economic opportunity and challenge to face our corporation in recent history. We are anxious to pursue it with as much effort as possible. However, we are seriously lacking in resources to accomplish the full potential of the project. Thus, we are seeking the Government of the N.W.T.'s financial assistance to start the engagement of professionals.

We envision the major tasks facing us includes the need to plan, organize and implement realistic courses of action that will result in our compliance with the Government of the NWT's Statement Of Requirement. The most critical aspect in our efforts to comply with the Statement of Requirement is the need to employ the right people. Subsequently, we must do so by assembling highly competent and experienced professionals. The professionals will be lawyers, accountants, experienced aircraft operators and management consultants. An integral set of criteria in our selection of the professionals will relate to their expertise in the aircraft industry, knowledge of Aboriginal people, corporate and access to specialized expertise and location of offices. Consequently, we must begin the process by securing the appropriate team of professionals, to give us the guidance required in assessing all implications of our involvement in the project.

We have a total of ninety (90) days to develop and present a response to the Statement Of Requirement (SOR). The complexity of the project will demand our complete devotion to meeting the terms and conditions of the SOR. We realize that at both the

(79)

Regional level and Headquarters level of the Government of the NWT that you are prepared to assist our company. We will be grateful for such assistance and look forward to receiving such assistance whenever called upon by us.

The following is very preliminary budget, but reflects the areas of expenditure that our firm anticipates incurring.

Forecasted Budget

Legal	\$25000
Accountants	\$15000
Management Consultants	\$19500
Administrative	\$10000
GST	<u>\$ 4865</u>
Total Budget	<u>\$74365</u>

The basis of our estimate is done on both an hourly rate and the number of days required to complete the work. We estimate that it will take from 10 to 15 days for the lawyers and accountants working a 7.5 hour day to complete the project. We have carried some initial investigations about the costs of the lawyers and accountants, and have learned that the average hourly cost ranges from \$220. to \$300. We are talking about the senior and experienced professionals, who are the type of people we will be employing in this project. The management consultant(s) are expected to complete the project within 30 days over a 90 day period. The administrative expenses are intended to pay for disbursements, such as; photocopying, telephone and fax, travel and production, etc.

Your assistance to expeditiously approve our request, will contribute to our commencing immediate engagement of the professional expertise we need to get this project started.

We look forward to your earliest response.

Yours truly,

Raymond Beaver

Raymond Beaver

SEP 07 1994

**Mr. Jake Heron
J.A. Heron Consulting
P. O. BOX 338
FORT SMITH NT X0E 0P0**

Dear Mr. Heron:

This will acknowledge receipt of your fax transmission of July 15, 1994 with copy of your letter of June 24, 1994 to Mr. Doherty.

Since that time, you and I have met, and you have had a meeting with the Project Steering Committee (Doherty, Bailey, Handley), and a number of letters to initiate the negotiations have been sent.

I wish the Dene-Metis Holdings Limited well in this undertaking and look forward to a very successful project.

Sincerely,

**Original Signed By
DON MORIN
MINISTER**

**Don Morin
Minister**

SEP 07 1994

**THE HONOURABLE JEANNIE MARIE-JEWELL, M.L.A.
THEBACHA**

Provision of Air Tanker Services

Further to your phone call of August 25, 1994 to the Deputy Minister, attached is the information you requested.

1. A transcript of Record of Decision 94-23-20.
2. A copy of the "Statement of Requirement" which is the negotiating mandate approved by Cabinet. This Statement was reviewed with Jake Heron on August 19 by Mr. Doherty, Mr. Bailey and Mr. Handley. The detailed Requirement Package (Request for Proposal) will be provided to Mr. Heron next week.

Original Signed By
DON MORIN
MINISTER

Don Morin
Minister

Attachments



Northwest
Territories Public Works and Services

19/09/94

SEP 16 1994

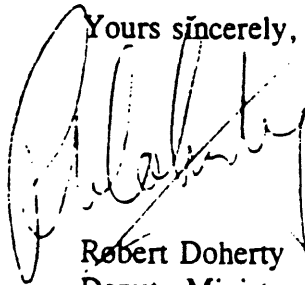
Mr. J.A. Heron
Dene Metis Holdings Limited
P.O. BOX 89
FORT SMITH NT XOE OPO

Dear Mr. Heron:

You will recall that at your meeting with the Project Steering Committee in my office on 19 August, we agreed that after you had the Requirements Package for a couple of weeks, we would meet again to discuss the results of your initial assessment and project direction. I would like to suggest that we meet again for that purpose, this week if possible.

As the time line for this project is short, Roland, Joe and I will make ourselves available at your convenience later this week. I have asked Anne Burt to coordinate with your office. Can you come to Yellowknife; we will pay?

Yours sincerely,



Robert Doherty
Deputy Minister

Attachment

c. Joe Handley
Deputy Minister
Dept. of Renewable Resources

Roland Bailey
Deputy Minister
Dept. of Economic Development & Tourism

Buy North

Government of the Northwest Territories, Yellowknife, N.W.T. Canada X1A 2L9



Dene Metis Holdings Ltd.
Box 89
Fort Smith, N.W.T.
X0E 0P0

September 20, 1994

Mr. R. Dorherty
Deputy Minister
Public Works and Services
Box 1320
Government of the NWT
Yellowknife, N.W.T.
X1A 2L9

Dear Mr. Dorherty;

Re: Statement of Requirement

In response to your letter of this date, 19 September 1994, I would be able to meet with you on Friday, 23 September as suggested.

In anticipation of the meeting, I would like to advise you that Dene Metis Holdings Ltd., hereafter referred to as the "Company", has extended an offer to Conair Aviation Ltd. of Abbotsford, B.C. to participate in the formulation of the Company's response. At this juncture, the Company is considering a couple of options. One option will be to use the Company as the overall contractor and hire sub-contractors to perform the services contracted. Another option being considered is to form a joint venture company, with controlling interest being held by the Dene and Metis of Fort Smith. The company is considering the participation of Conair Aviation Ltd. to be its' minority but substantial shareholder. The company will also be evaluating the pros and cons of establishing other entities to achieve its' objectives. For example, the Company envisions having 100% ownership in the hanger building, which will then be leased to the main contractor. Thus, we are requesting, as per our understanding, that your committee of Deputies make an early assessment of our proposed options. Your assessment will provide our group with guidance on our proposed approach.

In reviewing the "Overall Objectives," item 1 states; "The Contractor may joint venture or partner with other companies as required, subject GNWT approval, which will not unreasonably be withheld, as long a 100% Northern ownership is maintained." I am certain you are aware that the Company is looking to an established southern firm to achieve its' own objectives. Of particular significance is the experience, expertise, financial capacity and licensing authorities under the National Transportation Agency. Given the specialization of this particular type of business and our knowledge that no other Northern operator provides similar comprehensive aircraft

maintenance services to others in the industry, the Company extended an offer to Conair Aviation Ltd. to commence discussions with us on the development of a mutually beneficial business relationship. While the details of the business relationship must be formally established between Conair Aviation Ltd. and the Company, the company would like to reiterate that notification on whether or not its' approach is acceptable to the GNWT is imperative!

Item 2 states that 'All sub-contractors shall be Northern unless the requirement for non Northern contractors is fully substantiated by the Contractor and approved by the Minister of Public Works and Services.' In an effort to interpret the meaning of item 2 and its' application, if we determine that we are unable to secure a Northern operator with sufficient credentials to meet some of the requirements, what evidence do you require? For example, in Annex 'L' 'Air Crew Requirements For CL-215 Aircraft' 1. 'Pilots-in-Command' it states that 'the PIC must have: ...1.2.3. Forest fire flying environment - 500 hrs,' do you require a written statement from existing aircraft companies indicating they do have such people on staff who are Northern residents. Supplementary to item 2, it appears evident that item 3 addresses the need for hiring of Northern residents and the inability to hire Northern residents must be verified. Given the implications of items 2 and 3, what approved process does the Government of the NWT now have in place for us to follow, which will assist us in achieving the overall objectives?

Since time is of essence, the potential impact on the business plan of the Dene Metis Holdings Ltd. can be very significant if some of the processes are unclear or non-existent. For example, if you review item 10, there is an expectation that other work besides the contract with the GNWT will provide the company with additional capital to operate its' business. Have you determined what levels the contribution margins from the contract should be in the development of an overall projected statement of income for the Dene Metis Holdings Ltd.? I would like to emphasize that your reference to 'other work' implies that services being considered in the contract will also be available to other customers. More specifically, do you expect the Company to be offering maintenance services to customers other than the Government of the N.W.T.? This is particularly evident when you deduct that operating the CL-215, Airtanker and Birddog aircraft is purely seasonal. Would you confirm my interpretation that you are referring to the maintenance activities to mean 'other work.'

I will bring a schematic drawing of a proposed joint venture company for your committee's review and assessment.

Yours truly,


J.A. Heron
Project Co-ordinator



Northwest
Territories Public Works and Services

156
FAXED
SEP 21 1994

Mr. J.A. Heron
Project Coordinator
Dene Metis Holdings Ltd.
Box 89
FORT SMITH NT XOG OPO

SEP 21 1994

Dear Mr. Heron:

This will acknowledge receipt of your letter of September 20, 1994.

Until we have an opportunity to see and assess the details of your proposed approach, I am unable to provide an assessment of the GNWT's position on it. The Project Steering Committee is looking forward therefore to meeting with you on Friday this week to review those details. Every effort will then be made to provide you with a response as soon as possible afterwards.

In response to your second point, we have not developed a process or a series of tests to verify that Northern content is not possible. Our understanding of the Cabinet direction is that it believes that there exists within the North, the financial, business expertise, and human resources to provide the services required under this contract. Further, that by going to a Northern aboriginal corporation rather than by leaving it to government itself, the commitment and effort to identify those Northern resources and to pull this together for this purpose would be enhanced. I understand a mandate of the Project Steering Committee then, is to assist you with addressing specific shortfalls, in achieving that objective. For example, if you were to illustrate that the technical (air operation) expertise exists in interested Northern operations, but there are licensing or insurance complications, we would work with you to attempt to overcome these problems. Basically, we appreciate that there will be many hurdles to overcome in bringing these opportunities north. Our objective is to work with Dene Metis Holdings Ltd to find ways to overcome those hurdles.

In respect to "other work", again we do not have preconceived targets. It is the expectation that the establishing of a hanger and maintenance service business in Fort Smith would be able to attract other aircraft servicing work unrelated to the contract. The intent here is to encourage the contractor to build upon the base opportunity which this contract provides, and to develop additional business and employment opportunities in Fort Smith. This is as opposed to more traditional government contracts that often attempt to isolate the work under the contract.

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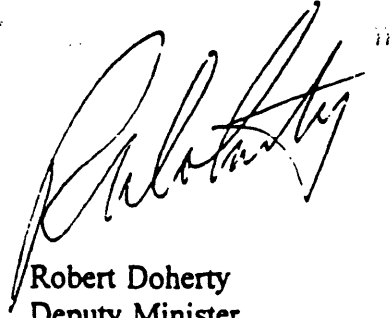
Buy North

Government of the Northwest Territories, Yellowknife, N.W.T. Canada X1A 2L9



In summary then Jake, rather than to establish a series of criteria, processes or tests against which to measure your proposal and which might tend to be obstructive in nature. our approach has been to allow the contractor a free hand have to identify from within the North those resources that can be brought to the project and to assist in overcoming barriers that you identify and bringing those responses to the project. The objective of 100% Northern however, is quite clear and specific.

I trust this helps and look forward to our meeting on Friday.



Robert Doherty
Deputy Minister

- c. Roland Bailey
Joe Handley

58
SEP 28 1994

Mr. Jake Heron
Project Coordinator
Dene/Metis Holdings Limited
P.O. BOX 89
FORT SMITH NT XOE OPO

Dear Mr. Heron:

Thank you for meeting with the Project Steering Committee on Friday, September 23. to discuss the plans and direction you have been given in organizing this project.

As you were advised, the Committee is concerned about the proposed plans for inclusion of Con Air Limited. This company is not considered to be Northern. Further, there appears to be a lack of intent to include other Northern interest in the project. The Committee is concerned that if the project proceeds as you outlined, the objectives set by Cabinet cannot be met.

As we discussed, we will require the Dene/Metis Holdings Limited outline for the project by Friday, September 30. This will allow the Minister to respond early next week to the proposal. As I know you appreciate, time is now of the essence.

Yours sincerely,

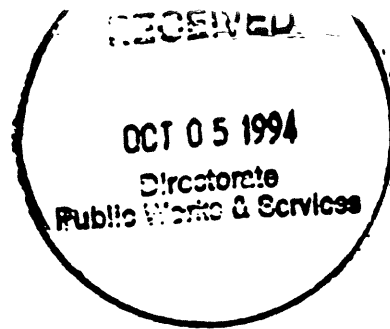
Original signed by
R. DOHERTY

Robert Doherty
Deputy Minister

c. Joe Handley
Deputy Minister
Dept. of Renewable Resources

Roland Bailey
Deputy Minister
Dept. of Economic Development & Tourism

Dene Metis Holdings Ltd.
Box 89
Fort Smith, N.W.T.
XOE 0P0



October 5, 1994

Mr. R. Doherty
Deputy Minister
Department of Public Works & Services
Government of the NWT
Box 1320
Yellowknife, N.W.T.
X1A 2L9

Dear Mr. Doherty;

Re: Initial Position of the Dene Metis Holdings Ltd. - Statement of Requirement

On behalf of the Dene Metis Holdings Ltd., I appreciated the opportunity to meet with the "Project Steering Committee" on Friday, September 23, 1994.

The prime objective was to discuss with the Project Steering Committee what direction the Company was heading in order to meet the terms and conditions of the "Statement of Requirement." Another objective was to receive an initial response from the Steering Committee on the acceptability of the direction the Company was proposing to take.

After our dialogue, it was agreed that I would submit to the Steering Committee a synopsis of the two main options considered by the Company and the subsequent rationale for choosing a preferred option. The Steering Committee in turn would ensure that the document is communicated to the lead Minister, the Honourable Don Morin. I indicated that the Company requests the lead Minister bring our position to Cabinet and that Cabinet decide as soon as possible upon the acceptability of our preferred option.

I would caution that this letter is not intended to be a verbatim reflection of our meeting and thus may include other relevant statements.

As a preamble to articulating the Company's position, it should be noted that the Dene and Metis communities of Fort Smith have mandated their respective economic arms (Dene Metis Holdings Ltd.) to pursue viable business projects. Projects that are intended to generate profits, train their people, earn equity, maintain pace with constant technological changes and bring new industries to their communities. Implicit in these economic activities is the commitment to protecting the Aboriginal people's homeland. Learning state of the art methods of fire fighting with an experienced speciality business, like Conair Aviation Ltd. has been deemed to be the most desirable and efficient way for the Dene and Metis people to get into the business. The Company's officials also believe that by doing so, they will be in the most ideal position to

fulfilling its community driven objectives. Subsequently, the rationalization for the Company's position is reflected in its commitment to taking a business approach. Therefore, it follows that the Company's approach has incorporated characteristics, which govern the development of a new business.

The Company is anxious to develop a acceptable response to the Statement of Requirement, based upon a realistic and sound business approach. The underpinning philosophy of the Company's is that it must first be put in a position to firmly grasp complete control of the project. The subsequent business relationships that would stem from their successful undertaking of the project, with the various external businesses, would be premised on the Company's strengths and not on its current weaknesses. Hence, the Company evaluated its relative strengths and weaknesses, and concluded by giving formal consideration on how to gain control of the project.

The Company realized that the first step in the process was to establish an organization. The organizational structure would be reflective of the Company's existing state and represent its realistic aspirations in becoming a viable business entity. The choices were heavily influenced the Company's existing financial and human resources and its long term goals. The officers also envisioned the structure would likely be used to carrying out the objectives set by both the Aboriginal and Non-aboriginal communities of Fort Smith.

Armed with its own criteria and assumptions about the Town's applicable criteria, the Company considered two approaches. One approach was to form a company, 100% owned by the Dene and Metis people. The Company would enter into a contract for all of the services identified in the Statement of Requirement with the Government of the NWT. The Company would in turn sub-contract the technical expertise, management and assets from reputable, licensed, and experienced specialty aviation operators. The Company would also form a new company, with 100% Aboriginal ownership, to construct and lease-back a suitably sized aircraft hanger to its operating company. (See schematic Appendix "A")

The second approach was to form a new joint venture company, with 51% ownership being held by the Dene and Metis people of Fort Smith and 49% owned by Conair Aviation Ltd. A company that has been operating in the North for 21 years and is renown for its' expertise in the use of aircraft for forest fire fighting. Conair Aviation Ltd. would be contracted to provide the technical expertise, management and assets. A new company with a 90-10 shareholder ratio would be established to construct and lease-back a aircraft hanger facility to the joint venture company. The tooling, start up costs and working capital requirements will be provided by partners of the joint venture. (See schematic Appendix "B")

The preferred option for the Dene and Metis people of Fort Smith is to proceed with option two. The Aboriginal community utilized the following criteria as a guide in their evaluation;

- . Major influence over job and training opportunities for their people,
- . Significance of the Dene and Metis people's involvement in a substantive business venture in their home community,
- . Impact of creating a cooperative environment that will enhance the socio-economic interests of the Dene and Metis people,
- . Assessment of the project's potential long term impact upon the Aboriginal community,
- . Financial complexity, rewards and risks,
- . Ease and timeliness of implementation.

The Aboriginal perspective of the project's impact upon the Town of Fort Smith was also used in its evaluation. The following is the criteria;

- . Number of direct and indirect jobs to be created,
- . Opportunity for industrial diversification,
- . Economic Impact on the local and area economies,
- . Community development opportunities,
- . Infrastructure developments and,
- . Broaden taxation base.

Based upon the application of the criteria mentioned above, option number two made the most business sense and offered the greatest long term economic prospects for the entire community. Therefore, the development of a joint venture with Conair Aviation Ltd. was the one selected.

While a joint venture approach has been pursued by the Dene and Metis, the fundamental negotiations between the parties are yet to start. Thus, the doors remain open for others to participate. However, because of the need to negotiate the details, we are not in any position to make any firm commitments at this juncture to outside interests, like other Northern aviators.

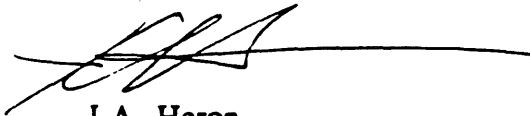
One of the opening comments I made to you was that, many of the Government's initiatives in dealing with negotiated contracts obtained their legitimacy from dealing with the collective as opposed to the individual. I also reiterated that the offer made by the Government of the NWT to the Dene and Metis people of Fort Smith was overwhelmingly supported by the entire community of Fort Smith. There are virtually few Government initiatives known to the people of Fort Smith, which can comparatively match the offer being made to the Company. It is exemplary of the type of action and political will that Governments can make and respectively display, to enhance the socio-economic well being of the entire community.

While I may have indicated to you there is a strong commitment of the Company and others in the community of Fort Smith to make this an exclusive Fort Smith project, I do not recollect stating that the door for participation by other Northern aviation operators was closed. You must appreciate that much of our actions to date are based upon the need to present a proposal to the Government that will make business sense and contribute to the broad socio-economic objectives of the community. The time frame for achieving this has always been a major factor in our plans. The planned strategy is to obtain the contract, gain experience and influence in the operations by being the majority shareholder, and then decide what may be shared with other private operators.

In concluding, I am optimistic that while some concerns have been raised about our approach, the Cabinet will appreciate the community's approach has overwhelming local support. The joint venture approach has the greatest socio-economic potential for the Dene and Metis people of Fort Smith. It is probably the single most significant economic event offered to the Aboriginal people of Fort Smith in the history of the Government of the N.W.T. Cabinet's endorsement of the Aboriginal people's way of "getting things done" (Premier Cournoyea, Feb 1992) will only reinforce political commitment to community decision making.

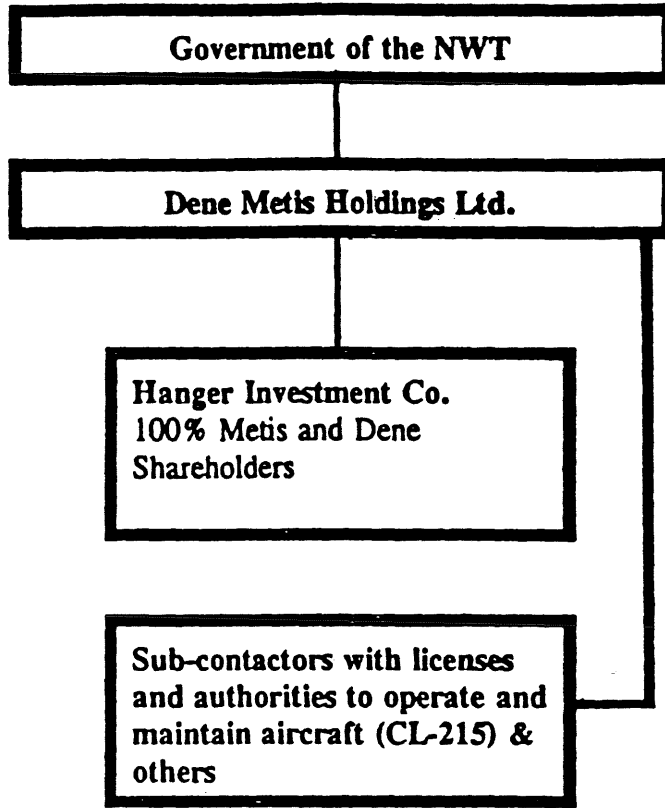
On behalf of the Dene Metis Holdings Ltd., I look forward to your early response.

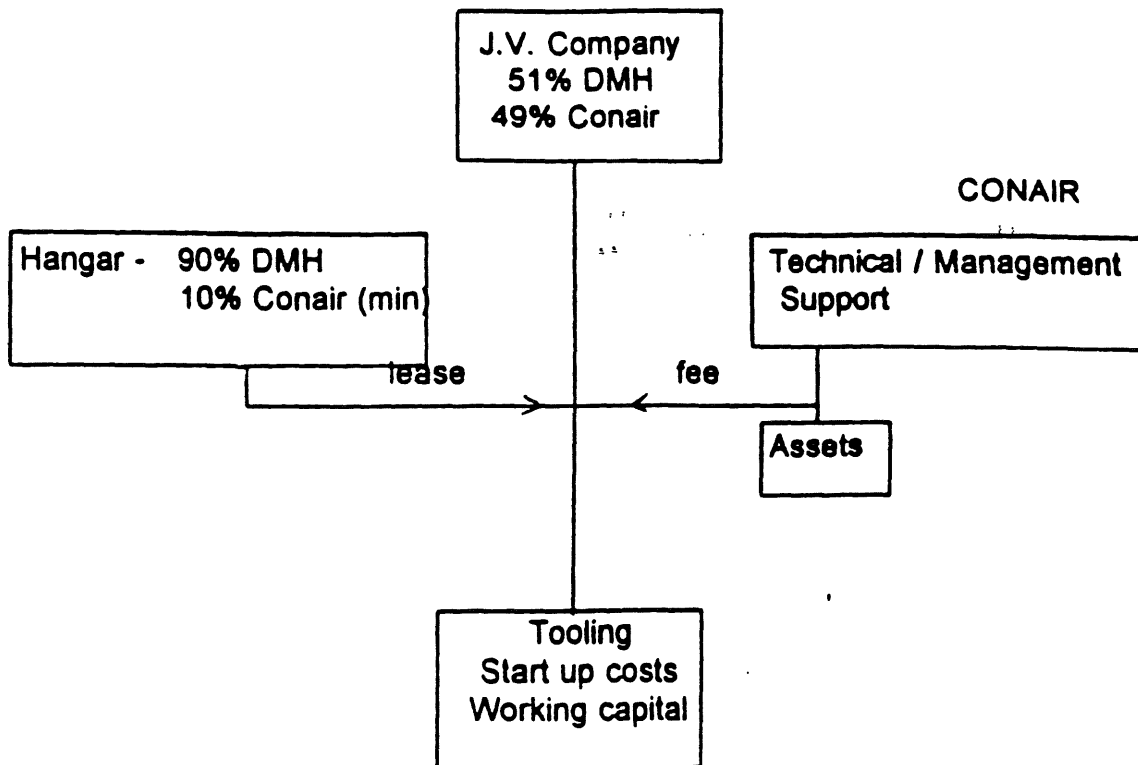
Yours truly,



J.A. Heron
Project Coordinator

APPENDIX "A"





- Partners share in cost of tooling, start up, working capital.
- Conairs southern support phased out as assets are purchased by J.V. and northern people are qualified to take over tech/mgmt positions.
- J.V. to operate as it's own entity. To apply for it's own transport Canada licences and operate independantly of Conair.
- Percentages of Hangar ownership can be negotiated.

FAXED
10/06/94

Mr. J. A. Heron
Project Coordinator
Dene Metis Holdings Ltd.
P.O. BOX 89
FORT SMITH NT XOE OPO

OCT 06 1994

Dear Mr. Heron:

I am replying to your letter of October 5 1994 in which you outline the initial position of the Dene Metis Holdings Ltd (DMHL) for the Air Tanker contract. I have reviewed the proposal with Minister Morin, who has the authority to act on behalf of Cabinet in this matter, and provide the following responses on behalf of the GNWT.

The government is disappointed in the DMHL proposal to joint venture with Con Air Ltd., contrary to clearly defined objectives to make this a 100% northern project. The plan to establish a solid business foundation is laudable, but appears to ignore the desire of others outside of Fort Smith to be involved in the project from the start.

Since forrest fire fighting involves many areas of the North, the GNWT views this project as a necessary opportunity to involve contractors and aboriginal organizations from those areas. Fort Smith should benefit primarily from the construction and operation of the hangar, while the benefits from the air tanker operation would be more widely distributed. The government is also confident that the expertise and resources are available in the North. Several operators and organizations have since brought to the Minister's attention their concern for; a lack of consultation from DMHL and an apparent and developing relationship with Con Air. They have also indicated their interest in being involved in the project. It was the government's expectation that DMHL would recognize this and be committed to bringing those resources together.

We are several weeks into a very constrained time frame, but it appears that insufficient effort has been made by DMHL to organize other northern involvement in the project. The air tanker operation offers the best opportunity for other Northern involvement through investment and subcontracting for example. The government understands that northerners want those opportunities made available to them now, not later as would be the intent of the DMHL strategy.

.../2

Again, time is of the essence. As it is becoming apparent that we will not be able to conclude a successful agreement and contract in time to have air tanker services in place (under DMHL) next year, we are beginning to examine alternatives and how we can do that. We would like however, to be able to continue to develop this project with DMHL, under the direction set by Cabinet. Our instructions however, are that we must obtain very soon from DMHL, a proposal to proceed as per Cabinet direction, or to recommend alternate action to secure those services in the long term.

Would you please ask your client to reconsider its position in this matter. The Minister is not prepared to accept or take to Cabinet a position which does not address Cabinet's stated direction and objectives for the project.

Original Signed By
R. DOHERTY

Robert Doherty
Deputy Minister

c. Honourable Don Morin
Minister

Roland Bailey
Deputy Minister
Dept. of Economic Development & Tourism

Joe Handley
Deputy Minister
Dept. of Renewable Resources

Info. for Minister
 Department
 Response Required
 Briefing Required
 Comments
 File Only

Ref. # 99-03143
inc. mm

October 7, 1994

**HONOURABLE DON MORIN
MINISTER OF PUBLIC WORKS AND SERVICES**

I feel it is very critical to write and advise you of my disappointment in your department's response to the Dene Metis Holdings proposal dated October 5, 1994.

First of all, I am very concerned with your departmental response to their submission dated October 6, 1994 wherein your Deputy Minister indicates you were not prepared to bring to cabinet a proposal which reflected the Dene Metis Holdings statement of requirement.

It is totally ironic how quickly your department has determined that the Fort Smith Dene Metis Holdings Ltd. are not allowed to consider a joint venture with ConAir Ltd; when the same company has provided the aviation services for firefighting for the past 21 years to the Government of the North West Territories. Why was this company always good enough for the Government of the N.W.T. to secure but all of a sudden is not to be considered by the Dene, Metis of Fort Smith?

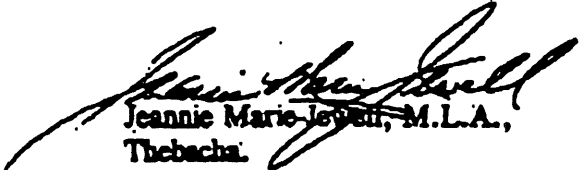
Secondly, your department states several operators and organizations have indicated their interest in being involved in the project. I would appreciate knowing exactly what companies expressed such an interest in order for my office to be aware of who they are. Please advise me accordingly.

In closing, I want to point out two options were proposed by the Dene Metis Holdings and I don't believe both of those options were even considered. I am very concerned with the lack of good faith on your departments part to negotiate fairly. Particularly since both options were not considered and a quick reply within a 24 hour turn around was done. It seems to me you and your department have already set out what is wanted and it appears you may want to dictate to the Dene Metis Holdings who to secure for this venture. It was my understanding this government is a consensus government which allows for flexibility to compromise when required.



I await to hear from you and I would appreciate a response by early next week.

Sincerely,


Jeannie Marie-John, M.L.A.,
Thebacha.

c.c. Hon. Nellie Cournoyea
Premier

DUPLICATE

OCT 14 1994

MS. JEANNIE MARIE-JEWELL, MLA
THEBACHA

Air Tanker Contract - Dene Metis Holdings

Thank you for your letter of October 7, 1994 in respect to the Dene Metis Holdings proposal to undertake the airtanker contract.

Shortly after Cabinet issued its Record of Decision, which instructed that this be a 100% northern contract, I met with Jake Heron and my Deputy Minister, to make it clear that Northern options must be explored. If suitable northern partners and resources could not be found, then consideration would be given to other options. I feel that we have been negotiating in good faith, as I made our position very clear at the start. We are willing to be flexible and to work with DMHL to find ways to make this work with northern content, but not with southerners. It goes against my principles to not look North first, and I do not believe that DMHL has made an adequate effort to find northern partners.

The previous contractor has provided a good level of airtanker service over the years to the Government of the Northwest Territories. It is not Northern however, and I do not believe that a substantial effort has been made to train northern residents for this work, and to contribute to the development of other northern business opportunities. As you know, the current government has made it a priority and commitment from day one to stop the leakage of contract dollars to the south. The coincidence of the termination of the airtanker contracts and having a Cabinet willing to change this situation now allows us to correct this long standing concern.

No direction has been given to DMHL with respect to who to secure for this venture. The Department and the Steering Committee have been careful to not set out for Mr. Heron any conditions, other than those set out by Cabinet, that would restrict him in pursuing this matter. In addition, priority has been given too the project, by establishing a Steering Committee at the Deputy Minister level to ensure responsiveness in the shortest possible time. We are now several weeks into the process however, and do not appear to have a proposal from DMHL which meets Cabinet's objective for this project. As the Minister of Public Works and Services, I must also be concerned about having in place for next year, suitable airtanker services for our client, the Department of Renewable Resources. If this is going to be achieved through DMHL, our responses must be as quick as possible.

Page 1 of 2

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The companies that contacted me with their concerns did so in confidence; and therefore I am not in a position to provide you with that information. As I said, we have not directed DMHL to contact or work with any particular company or organization, only that they be northern. I am confident that there are several native development corporations and northern operators that are interested in being considered for participation in this project. The problem that DMHL may now face however, is that other northern organizations and companies may have concerns about being able to deal in good faith with DMHL, knowing that they so strongly support ConAir involvement. DMHL will need to assess for themselves how to deal with this concern if raised.

The letter from Mr. Heron presented two options that were considered by DMHL, but advised, "... the development of a joint venture with Conair Aviation Ltd. was the one selected. " We thus understood this to be the proposal being advanced, and to which we had to respond. The response from Mr. Doherty asked Mr. Heron to ask his client to reconsider its position in this matter.

It is my direction from Cabinet, as well as my personal desire, to conclude a contract that will benefit northerners to the fullest extent possible, though Dene Metis Holdings Ltd.

Original Signed by
DON MORIN

Don Morin
Minister

c. The Honourable Nellie Cournoyea, Premier

Page 2 of 2

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Dene Metis Holdings Ltd.
Box 89
Fort Smith, N.W.T.
X0E 0P0

October 17, 1994

Honourable Mr. D. Morin, Minister
Department of Public Works & Government Services
Government of the NWT
Box 1320
Yellowknife, NWT
X1A 2L9

Dear Mr. Minister;

Re: Concerns Over Statement of Requirement Proposal By Our Firm

We have been advised by our Project Co-ordinator, Mr. J.A. Heron, that the Committee of Deputy Ministers had some significant concerns over our proposed approach to responding to the Statement of Requirement. The concerns were specifically expressed in Mr. R. Dorherty's October 6th, 1994 letter to Mr. J. Heron. The issues revolve around our desire to enter into a joint venture with Conair Aviation Ltd., which is "contrary to clearly defined objectives to make this a 100% northern project." And the appearance our firm has undertaken "to ignore the desire of others outside of Fort Smith to be involved in the project from the start." It was our understanding that the Project Co-ordinator's efforts to work with the Committee of Deputies was to serve several purposes. However, the main purpose was to use it as the means to guide the development of our response to the Statement of Requirement. Subsequently, Mr. Heron's October 5, 1994 letter reflected our initial approach in dealing with the entire project. Consequently, we appreciate achieving the "Overall Objectives" does pose complex challenges and issues for both the Government of the NWT and ourselves.

Dene Metis Holdings Ltd. is committed to being a major participant in the "Provision, Operations, and Maintenance of Heavy Land Based Air Tankers, CL-215 Fire-fighting Aircraft and Bird Dog Aircraft Services in the Northwest Territories." We see the Government playing and fulfilling a dual role in the process. First, the Government does so by making a real effort to assist us in achieving our economic objectives, which will contribute to the entire community's overall development. Second, the Government's fiduciary responsibilities compels it to ensure efficient spending of the taxpayers resources, in the provision of forest fighting services. Thus in a spirit of cooperativeness, we concur with the apparent Cabinet direction for negotiated contracts as they apply to capital items.

We are requesting that you consider sanctioning a two pronged approach in our response to the statement of Requirement. Our two

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pronged approach is to deal separately with the hanger and the provision, operation and maintenance fire-fighting aircraft respectively.

The first segment of our approach would be to provide a proposal for the construction of the hanger facility in Fort Smith. We agree fully with the need to have 100% Northern ownership of the hanger facilities in Fort Smith. Further more, we can envision achieving this objective with 100% Northern participation. The participation can take several forms, but we do feel confident that both Northern Capital and construction expertise can be obtained in the North. For example, we are prepared to solicit capital resources from different sources, but particularly from Aboriginal groups with large enough capital pools to finance the hanger project. We are also not adverse to such groups being the contractors, given that satisfactory terms and conditions for the financing can be arranged. The ultimate design of the facility will be to ensure that the needs of the anticipated provision, operation and maintenance activities associated with the fire-fighting activities are met. As a business, we foresee the need to develop our capital construction plans on the basis of sound market driven practises, such as; public tendering. Hence, we are prepared to put more effort into seeking both capital and construction expertise from sources outside of our community and in the North.

The second segment of our approach, is based upon the realization that the delivery of services related to the provision, operation and maintenance of the heavy land based air tankers, CL-215 and bird dog aircraft is both complex and highly specialized. In our humble opinion, the involvement and selection of the right entity or entities to undertake this type of activity requires substantially more detailed evaluations. At this juncture, our business sense leads us to believe that Conair Aviation Ltd. of Abbotsford, B.C. has all the necessary human and capital resources to make our participation profitable. However, we recognise that both the Government and the Dene Metis are vulnerable and susceptible to having acted in too much haste. Thus, the Dene Metis is prepared to reconsider its initial position and would like to propose a possible alternate course of action. One in which we believe we can both become winners.

We propose that the Committee of Deputies work with us in formulating a process to address the operation and maintenance activities of the project. Jointly our respective representatives will develop and approve details for a set of Terms of Reference. The Terms of Reference will be based upon critical issues, which are essential in achieving our respective objectives. For example, the Terms of Reference should reveal with certainty the existing capacity of the Northern aviators to provide suitably equipped bird dog aircraft. The main objective of the Terms of Reference themselves will be to allow us to conduct an objective

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evaluation of potential Northern and invitational Southern participants in the project.

We further appreciate that the fire-fighting season will not wait for either of us and some arrangements for the upcoming season must be addressed now. To that end, we would recommend a further one season contractual extension be granted to Conair Aviation Ltd. for the 1995/96 fiscal year. ||

We believe that the process can be jointly cooperative in all aspects, including items like financing and making people available to participate where necessary. We have received some preliminary notification that our group does qualify for contribution funding and can access those resources on short notice to conduct this evaluation. We also believe that the time to complete this process must be kept to a minimum. In that respect, we think it can be accomplished within three months of your approval of this approach. Consequently, we are requesting that you give us the time needed to accomplish this evaluation and commit the Committee of Deputies to work with us on establishing the Terms of Reference. Request Letter ||


You can appreciate that we have concerns, which stem from the fear of being either left out totally or playing a very minor role. As it has already been stated in a previous document, this "is probably the single most significant economic event offered to the Aboriginal people of Fort Smith in the history of the Government of the NWT." We depend upon your understanding and commitment to seeing that we maintain our majority ownership in the total project. Therefore, we want to make it abundantly clear that your offer to us, as represented in the Statement of Requirement, must be fully maintained. We are naturally anxious to see that the Government's commitment in this matter to our firm is binding and irrevocable. ||


In summary, we are very confident that we can provide a full proposal for the hanger by December 15, 1994, with commencement of construction in the summer of 1995. We are equally comfortable that 100% Northern ownership can be achieved and interest outside of the community can become a reality. We are requesting the Government's commitment and involvement in the design of Terms of Reference for the evaluation of potential Northern and Southern involvement in the project. Finally, we believe that you are committed to seeing the socio-economic well being of the Aboriginal people be achieved with dignity and hard work. It will be achieved through the maintenance of control in this project by our remaining a majority shareholder in a new company and your continuing commitment to our firm being the sole source contractor. ||

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We would appreciate meeting with you to elaborate further on our approach at the your earliest convenience, if you so desire. We look forward to your earliest favourable response to our revised approach.

Yours truly,


Raymond Beaver
Co-chairman


Earl Jacobson
Co-chairman

c.c. J. Marie-Jewell, MLA
Thabcha

Across the North

Tanker base stalled by GNWT cabinet MLA says delay "unjustified"

Negotiations for the proposed firefighting aircraft maintenance and tanker base in Fort Smith are being slowed by concerns over a proposed partnership between Dene/Metis Holdings and Conair, a B.C.-based specialty aviation company.

One informal proposal submitted to the government has suggested a joint venture in which Dene/Metis would have a 52 percent share, while Conair would be in for 48 percent.

But in negotiating a "sole source" contract with Dene/Metis, the GNWT has said it wants the tanker base to be 100 percent northern owned and operated, and some cabinet members believe a partnership with Conair does not fall within those guidelines.

Deputy minister of Public Works and Government Services Rob Doherty told the Journal last week the feeling in the government was there are northern companies who have the necessary expertise and who have expressed an interest in getting involved in the project.

But at a constituency meeting called in Fort Smith last Sunday evening, Thebacha MLA Jeannie Marie-Jewell said Conair is the only company capable of providing the necessary aircraft operation and maintenance expertise, es-

pecially since Conair has been operating and providing firefighting aircraft in the N.W.T. for more than 20 years.

Last year two separate contracts awarded to Conair, one to operate the GNWT's four CL215s and the other for additional water bombers

***"The tanker
base has not
been canceled"***

and bird dogs, were worth \$5.5 million. The contracts expired this fall.

Marie-Jewell told some 25 people at the meeting other northern aviation companies that wanted to get involved in the project were welcome to participate, but none could replace Conair in terms of overall expertise. She said the delay in negotiations on the basis of Conair's involvement was "unjustified."

Conair's northern operations manager Mark Patterson has repeatedly said the company will make every effort to ensure its aviation expertise is passed on to northerners in the way of apprenticeship and training programs, and would focus on using local labor

and materials.

Patterson said earlier this week Conair would make use of its southern facilities and management early on in the proposed 10-year contract, but would gradually increase northern involvement. For instance, Dene/Metis would have the option of purchasing the aircraft and other assets initially provided by Conair.

Marie-Jewell also said the 90-day limit for the completion of negotiations between Dene/Metis and the GNWT made it difficult to explore the involvement of other northern aviation companies.

Another part of the problem has been that Dene/Metis was originally only going to build the hanger but the contract has since been expanded to the much more complex task of operating and maintaining aircraft.

But Doherty has said, while the government would like to see negotiations completed by the end of November, it "recognizes there have been new developments and wants to be flexible."

Marie-Jewell had called the Fort Smith meeting to put an end to rumors the tanker base was in trouble. "The tanker base has not been canceled," she said. "Things have slowed down a little but negotiations are progressing well."

Doherty supported that view, saying negotiations were continuing in an effort to "arrive at solutions that meet the government objectives."

Several people asked if there was anything residents could do to help move things along, especially to stress the community of Fort Smith is solidly behind Dene/Metis.

Marie-Jewell said it "couldn't hurt" to write letters and send faxes to the minister of Public Works and Government Services Don Morin, but said a meeting with the minister would probably not be productive.

Northwestern Air

P.O. Box 240
Fort Smith, N.W.T. X1E 0P0

LEASE LTD.

Daily flights between Fort Smith & Yellowknife

Monday to Friday

Mr. Raymond Beaver
Mr. Earl Jacobson
Co-Chairmen
Dene Metis Holdings Limited
P.O. BOX 89
FORT SMITH NT XOE OPO

OCT 26 1994

Dear Sirs:

Thank you for your letter responding to the concerns identified in Mr. Doherty's letter of October 6 regarding your response to the Statement of Requirement for the air tanker contracts.

First, I am extremely disappointed that we have not been able to achieve the project's objectives and our mutual interests within the time already allowed. It was our opinion that because you were to be the proponent for this contract, northern involvement would be maximized. Your proposed response makes no effort to include northern investors or contractors. Cabinet agreed to sole source the contract for the "Provision, Operations, and Maintenance of Heavy Land Based Air Tankers, CL215 Fire-Fighting Aircraft and Bird Dog Aircraft Services in the Northwest Territories" to your company. However, a condition of sole source contracts is that northern content is maximized and this has not been achieved.

Second, with respect to the proposal contained in your letter dated October 17, I cannot accept your suggested "two pronged approach" and therefore, I will not re-work the terms of reference as you have requested. It is our opinion that the hanger by itself is not a viable project. The only way that it is viable for this project to proceed at Fort Smith is to consolidate all of the existing air tanker contracts. This is why the "Statement of Requirement" was issued as it was.

In your letter, you stated that you have a "fear of being either left out totally or playing a very minor role". I too am concerned. Given the way that you have approached this situation to date, I am concerned that you will have difficulty in attracting northern participation. This may have been easily achieved at the outset of this process, however, it is not my opinion that the environment has changed. For example, I am faced with demands that participation in this contract be regional and proportionate to the fire fighting effort. In addition, some companies have expressed doubts about the lack of sincerity and fairness they may face while dealing with Dene Metis Holdings Limited. These are new challenges that you will have to address, and I too no doubt, will have to address with my colleagues.

.../2

However, I am prepared to return to Cabinet to seek approval to continue negotiating with Dene Metis Holdings Limited on the condition that you agree to provide a proposal that is responsive to the Statement of Requirement. More specifically, your proposal must allow for full participation by northern investors and contractors if Dene Metis Holdings Limited cannot provide components of the services required.

If you are interested in proceeding, please confirm in writing as soon as possible. At that point, I suggest that your representatives meet with the Deputy Ministers Steering Committee to pursue these issues and agree on a working relationship and process that meets our mutual objectives.

In the interim, it will be necessary that we contract the required services for the next fire season. To that end, we will engage the required equipment based on the knowledge that we are continuing to work toward a contract with your company.

We are committed to continue working with you to achieve the objectives for the project.

Sincerely,

Original Signed By
DON MORIN
MINISTER

Don Morin
Minister

c. The Honourable Jeannie Marie-Jewell, MLA
Thebacha

be Joe Handley
Roland Briley

Info. for: 

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 29

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Ref. # 99-03205 Int. MI

November 2, 1994


HONOURABLE DON MORIN
MINISTER OF PUBLIC WORKS

Re: CL215 Tanker Base

As per our discussion on Friday October 28, 1994 regarding the CL215 Tanker Base Operation I want to reiterate the need to clarify the submission sent by the Dene Metis Holdings Ltd.

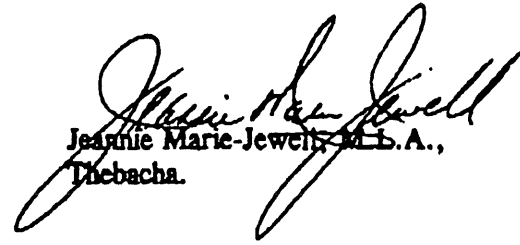
To clarify for the record the Dene Metis are requesting approval for a two pronged approach with the full intention of amalgamation towards the Tanker Base Project.

The first component would allow them to obtain the necessary investment proponents and to secure the technical drawings for the hanger. However, the second component would allow them to make every effort to secure northern participation for the operation and maintenance. This component may require additional time, thus the purpose for requesting the two pronged approach.

I am aware the Dene and Metis requested the terms of reference to be developed for the O&M only not with the intention to change the Statement of Requirement as you initially interpreted.

I am aware the Dene Metis has recently made every effort to contact Northern Aircraft Companies. As we both currently recognize there is not one northern company with the full experience for the operation and maintenance of the CL215, however they are requesting northern companies to indicate to them their interest and will, as a result require some time to determine their approach or addressing the operation and maintenance of the Tanker Base.

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I trust this clarifies their request and by copy of this letter to the Dene Metis we await for your approval. Since time is of the essence I would appreciate an immediate response. Thank you.


Jeanie Marie-Jewell M.B.A.,
Thebacha.

cc: Mr. Jake Heron, Project Co-ordinator
Dene Metis Holdings Ltd.

NOV 10 1994

THE HONOURABLE JEANNIE MARIE-JEWELL, MLA
THEBACHA

CL215 Tanker Base

Further to your letter of November 2, 1994 on this issue, herewith for your information is a copy of my letter to Mr. Beaver and Mr. Jacobson. It clearly outlines the government's position on the proposal they sent to me.

At this time, I would also remind you that my direction from Cabinet is to negotiate this contract with the Dene Metis Holdings Limited. Your attempts to conduct these negotiations through your office can only serve to complicate this process. I am of course pleased to meet with you as necessary to review progress and issues, but all negotiations will be conducted between the department and the Dene Metis Holdings Limited.

I trust you appreciate my position in this, and as time is of the essence, I anticipate that the Dene Metis Holdings will be contacting PW&S soonest.

Original Signed By
DON MORIN
MINISTER
Don Morin
Minister

Attachment

- c. Mr. Jake Heron
- bc. Robert Doherty
Roland Bailey
Joe Handley

Dene Metis Holdings Ltd.
Box 89
Fort Smith, N.W.T.
X0E 0P0

November 24, 1994

Hon. Don Morin, Minister
Public Works & Services
Box 1320
Yellowknife, N.W.T.
X1A 2L9

Date Rec'd 11/24/94 Dept. YND
Info. for [unclear]
 [unclear]
 [unclear]
 [unclear]
 [unclear]
 [unclear]

Ref # 99-03274 Init. ml

Dear Hon. Minister;

Re: Commitment To Negotiation Process-Aircraft Fire-fighting

As a follow up to our October 31, 1994 letter to you, we have received seven (7) formal written responses and one verbal response to our letter soliciting an expression of interest from the Northern aviators.

In your October 26, 1994 letter it was stated that you are "prepared to return to Cabinet to seek approval to continue negotiating with Dene Metis Holdings Limited on the condition that you agree to provide a proposal that is responsive to the Statement of Requirement." We feel quite confident that your specific condition that our "proposal must allow for full participation by northern investors and contractors if Dene Metis Holdings Limited cannot provide components of the services required," will be met. However, we will require a clear definition of the term, Northern.

We understand that your department has hired an air industry consultant, Mr. William M. Foulger, to assist in the formulation of next year's operational plans to fight forest fires. Part of his assignment is to evaluate potential involvement of Northern aviators. At the same time, he was instructed to keep in mind our eventual participation. From our perspective, keeping our firm in the forefront of any plans is commendable.

Mr. Foulger also met with Mr. Jake Heron, our project coordinator, in Yellowknife to obtain an update on our activities thus far and to explore various possible strategies for our future involvement.

Our project coordinator indicated that Mr Foulger's recommendations may include some aspects of our proposed contract being implemented during the 1995/96 fiscal year. We realize that the decision ultimately rests with the Government. However, we believe that our participation is possible, if we have time to carry out our detailed discussions with the various Northern aviation firms. Mr. Foulger and Mr. Heron could see some realistic opportunities to involve other Northerners. We require a firm commitment to continue on with our negotiations and a concerted effort to involve other Northerners, who can see their participation being meaningful

and profitable.

Please be assured that we recognize the need for the Government to have its fire-fighting activities in place for the 1995/96 fiscal year. Entering into contracts for the servicing of the CL-215s, bird dogs and heavy land based aircraft can be accomplished, given an early decision to allow us to begin negotiations with the Northern operators for such services. What we also require is a specific time frame to present our proposals for each type of contract.

Your earliest response would contribute greatly to our achieving the overall objectives of the Statement of Requirement.

Yours truly,

Raymond Beaver
Raymond Beaver
Co-chairman

Earl Jacobson
Earl Jacobson
Co-chairman

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(3)

Lou's Small Engines & Sports Ltd.

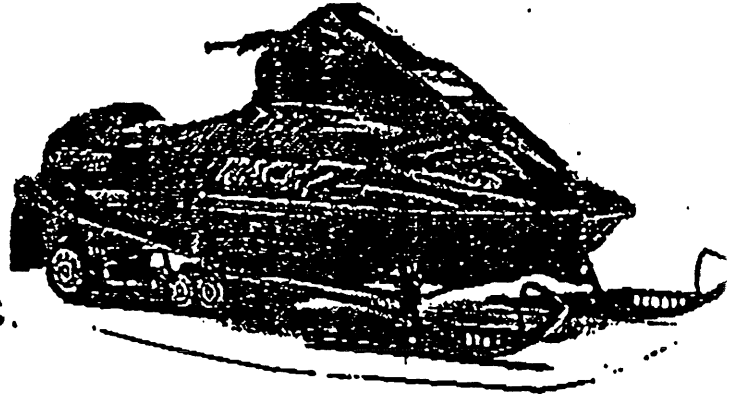
255 McDougal Road
P.O. Box 810
FORT SMITH, NT XOE 0P0

PHONE # (403) 872-2777
FAX # (403) 872-2776

DATE: 12/07/94.

TO: ✓ MR. R. DORHERTY
Deputy Minister.
GUST NWT.

FROM: Dene Metis Holdings.



MESSAGE: ✓

To follow will be our follow-up response.
To Nov. 30/94 meeting with our co-ordinator, and
Report on the initial responses to expressions of
interest by the Northern Aviation Operators.

10. pages including this one.

184

Dene Metis Holdings Ltd.
Box 89
Fort Smith, N.W.T.
XOE 0P0

December 7, 1994

Mr. R. Doherty
Deputy Minister
Department of Public Works & Services
Government of the NWT
Box 1320
Yellowknife, N.W.T.
X1A 2L9

Dear Mr. Doherty;

Re: Follow-up Response to November 30/94 Meeting

Attached you will find a copy of our Project Co-ordinator's report on his meetings with various Northern aviation operators, since the November 7th deadline date.

We appreciate the urgency of providing you with a follow-up response to the meeting of November 30, 1994. Its unfortunate that we did not officially receive a copy of the Foulger Report at the time of the meeting. Particularly in view of the fact that it would likely serve as the basis of for any Decision Paper going to Cabinet. We are concerned that without a review and some form of response to Mr. Foulger's Recommendations, which appears to have become the cornerstone of next year's operations, our future plans may be unduly influenced. Our greatest fear being that the project's economic viability can be jeopardized without our input.

Furthermore, we would like to reiterate Dene Metis Holdings Ltd.'s committed to pursuing the entire project as represented in the Statement of Requirement. Once and for all, we want to dispel any rumours or misrepresentations about the scope of our desired involvement in the project, which may have been articulated by people outside of our firm.

We want to indicate that the offer being made to our firm should not be arbitrarily changed or adversely affected by the recommendations being made by Mr. Foulger. If you were to break up the contract in a manner that results in the capital equipment being owned by several operators, what opportunities will our firm have to acquire a substantial equity position in them? I'm confident you appreciate that the employment of capital is essential to the economic viability of entire project. Consequently, we request that some evidence be provided to us, which will give us some comfort in knowing that the project will not be jeopardized by Mr. Foulger's report.

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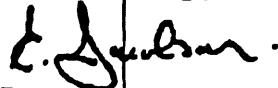
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We are anxiously awaiting the extension requested and a copy of Mr. Foulger's full report.

Yours truly,



Earl Jacobson
Co-chairman

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REPORT ON
THE INITIAL RESPONSES TO EXPRESSIONS OF INTEREST
BY THE NORTHERN AVIATION OPERATORS

PREPARED FOR
EXECUTIVE OF DENE METIS HOLDINGS LTD.

PREPARED BY
J.A. HERON, B. COMM
PROJECT CO-ORDINATOR

DATED
DECEMBER 7, 1994

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PROVISION OF AIRCRAFT FIRE-FIGHTING SERVICES

INTRODUCTION

Dene Metis Holdings Ltd. (DMH) continues to maintain its complete interest in the "Provision, Operation, and Maintenance of Heavy Land Based Air Tankers, CL-215 Fire-fighting Aircraft and Bird Dog Aircraft Services in the Northwest Territories." Since DMH presented a proposed joint venture structure to the Government of the NWT on October 5, 1994, the business has made a greater effort to comply with the spirit and intent of the Statement Of Requirement's Overall Objectives. DMH has been working diligently to develop a realistic approach to achieving "100% Northern ownership of the company."

While DMH concedes that its initial effort to "demonstrate its commitment to include, wherever possible, other Northern aviation operators in the scope of activities under the contract" were less than exemplary, it has subsequently made a greater effort to solicit the interests of the Northern operator. In that regard, DMH's project coordinator forwarded a Expression Of Interest call letter to thirty (30) Northern aviators. Those aviators were selected from the Government of the NWT's list of aircraft charter operators and crossed referenced with the Government's Approved Northern Contractors listing as of October 3, 1994. DMH established November 7, 1994 as the deadline date for submitting a response.

DMH's executive committee met on November 8, 1994, in Fort Smith to consider what follow-up steps had to be taken to assess the scope of interest of the operators. Hence they directed the Project Coordinator to meet with those aviators, who sent in their Expression of Interest letter. Even though it may not be totally feasible to physically meet with each respondent, each respondent will nevertheless be contacted by the Project Coordinator.

DMH's executive committee members appreciate the informal continuation of talks between the Project Coordinator and GNWT officials. They feel comfortable that the Government's commitment to the project will be maintained, however, they want more definite assurances that negotiations will be ongoing until the project is completed. Thus they sent a letter to the Honourable Don Morin, Minister responsible for the project, requesting formal confirmation that the Government will continue the negotiations with DMH.

OBSERVATIONS OF NORTHERN OPERATORS

Objectives

Dene Metis Holding Ltd.'s project coordinator began the follow-up process by scheduling personal meetings with the respondents to the Expression Of Interest call letter. The key objective was to determine what specific priority interest did the responding firm see itself having in the project. A secondary objective was to obtain a cursory assessment of a firm's desire to add more services to their existing business. The final objective was to ascertain whether or not the respondents had any real objections to joint ventures taking place between southern

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**PROVISION OF
AIRCRAFT FIRE-FIGHTING SERVICES**

OBSERVATIONS OF NORTHERN OPERATORS

Objectives

firms and DMH.

Methodology

The project coordinator's methodology included the distribution of the contract specification document being given to each respondent. Subsequently, scheduled meetings were arranged with the respondents. Consequently, the observations were made from the meetings.

Findings

While the author is comfortable articulating the observations, the reader should be cautious to draw any firm conclusions from them, because they have not been verified with the respondents. Yet, the respondents did reveal some definite and varied ideas about the project. The common themes articulated through out the meetings were as follows:

- A single business entity must be in charge of the overall contract.
- The provision of fire-fighting services using aircraft is a highly specialized and complex business.
- Any business opportunities resulting from the project should be tendered, in accordance with standard tendering procedures.
- There is widespread openness by the respondents to enter into joint venture relationships with DMH under separate entities.
- All businesses need to conduct more analysis of realistic opportunities and to take more time in developing their detailed responses.

When the Government deviates from its standard public tendering practises and resorts to an alternate method of procuring services, such as; sole source contracting, politics is perceived to be a very significant factor. The support or opposition for political action is likely to be dependent upon the potential impact of the action. In the current situation, the Government's decision to sole source the provision of services for operating and maintaining fire-fighting aircraft does not appear to have generated any deep rooted resentment among the operators met. There does not appear to be any serious opposition being levied openly against the prospect that

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PROVISION OF AIRCRAFT FIRE-FIGHTING SERVICES

OBSERVATIONS OF NORTHERN OPERATORS

Findings

DMH may still have to propose a joint venture with a southern firm. From a business perspective, joint venturing with a reputable and experienced operator makes business sense to most operators. Thus, the author would conclude that from the discussions held thus far with some of the operators, the Government's decision to sole source the contract with Dene Metis Holdings Ltd. does not generate a lot of opposition and resentment amongst them.

ANALYSIS OF THEMES

Single Organization

The most prevalent view expressed by the aviation operators was the need to establish one organization. The organization would be totally responsible and accountable for the management of the contract. Its decision and methodology to either subcontract or use its own forces to carry out the contract would be governed by the economic benefits. Many of the operators saw themselves participating as subcontractors providing bird dog and heavy land based aircraft. They also saw such activity as being expansionary and compatible with their existing operations. One small firm was prepared to sell its existing licenses and company. The company would then be used as the vehicle to take on the contract in its entirety. Another firm could see itself establishing a new division within its present structure. The subcontracting of aircraft seem to be the most popular way the existing operators saw themselves participating in the project. Thus Dene Metis Holdings Ltd., as a single entity, would be responsible for the main contract.

The operators views for one entity were based upon traditional business rationalization. The need for complete management control, planning, and direction from one central body simplifies the process. Inherent in simplification is the assumption that economic efficiency and effectiveness will be achieved and result in desired levels of profit. Subcontracting by the operators means their existing infrastructure will be used and little effort has to be spent on developing new systems and relationships. Thus one can conclude that the operators rationalization of an approach to meeting the contract specifications has merit and should be considered seriously in the final analysis.

Fire-fighting Specialty Business

There is a general consensus among the operators that using aircraft for fire-fighting purposes is a specialized business. Amongst the firms visited, one has experience with water bombing using B-25s, and two have experience in being bird dog pilots. They all concede that the water

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PROVISION OF AIRCRAFT FIRE-FIGHTING SERVICES

ANALYSIS OF THEMES

Fire-fighting Specialty Business

bomber pilots, especially the ones flying the CL-215s, would come the south and such employment practises would likely continue for sometime into the future. They also realize that the employment of more aircraft maintenance personnel would likely have to be imported from the south. Existing mechanical staff would probably want to remain in their present place of employment, since the need for their services would not likely change because of the establishment of maintenance activities in Fort Smith. They recognize that no existing operator is in any position to assume total responsibility for the contract and joint venturing with a southern operator makes imminent business sense.

The industry does recognize that Conair Aviation Ltd. is one of the National leaders in aircraft forest fire-fighting. They appreciate that Conair Aviation Ltd.'s has a niche in the market place, which has little impact upon their existing operations. The operators know that Conair has a very credible reputation in the industry, and whose business acumen is well established. When talking about Conair, one operator put it this way; if we were to get into the fire-fighting business now, we would be were Conair was twenty years ago. Those types of sentiments may not be universally shared, however, it does reflect the time frame in which a Northern operator starting afresh would likely take to achieve substantial business success. DMH's desire to joint venture with Conair would have shorten the long-term growing cycle, decrease the risk of business failure and begin to generate economic returns to the Dene and Metis people. No operator expressed any adamant opposition to DMH's aspirations to joint venture with Conair Aviation Ltd. Therefore it made good and practical business sense to them that DMH joint venture with Conair Aviation, providing the majority of economic benefits remained in the North.

Adherence To Standard Tendering Process

The operators universally accept the principle that tendering of any or all segments of the contract must be carried out in accordance to accepted tendering standards. The perception the author obtained from the operators, is that because there is Government involvement, any opportunities should be offered through some method of public tendering. Public tendering became an issue, when discussions focused on the possibility of clustering the various component parts of the contract. For example, operators felt that separate subcontracts for the bird dogs could be let either for all of them or on an individual basis. And the heavy land based bombers could also be contracted out separately. Hence, whatever DMH should do, they must keep in mind the desire of the operators to be given an equal opportunity to participate through a bidding process.

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PROVISION OF AIRCRAFT FIRE-FIGHTING SERVICES

ANALYSIS OF THEMES

Widespread Openness to Joint Venture With DMH

There seems to be widespread knowledge and acceptance amongst the operators that DMH is a major participant in the development of a response to the Government's efforts to sole source the contract for the aircraft forest fire-fighting activities. While the spectrum of participation varied widely, there is an overwhelming interest amongst the operators to discuss the prospects of developing joint venture relationships with DMH. The joint ventures would likely be based upon the formation of separate entities and thus avoid becoming reciprocally involved with the operators existing businesses. The operators realized there is limited amount of capital equipment involved and its likely to be the employment of capital equipment, which will ensure the viability of DMH.

With the exception of one firm, who expressed a willingness to open its share issue to DMH, little mention of joint venturing for the operations and maintenance of the CL-215s was made. Overall, the CL-215 operations and maintenance seem to be the least attractive to the operators. The acquisition, relocation and management of human resources seem to be the main reasons for the lack of real enthusiasm amongst the operators. The author also sensed that each operator currently employs the appropriate number of people required for their operations. Skilled labour is difficult to attract to the North, and thus they make an effort to keep the people they employ. Yet, the operations and maintenance of the CL-215 is probably the most crucial aspect to the project's long-term viability and potential generation of economic spin-off effects for the Dene and Metis people of Fort Smith. Its implicit that the socio-economic impact will also affect the entire community of Fort Smith. Consequently, the operators lack of enthusiasm for this segment of the contract must be heavily weighted against all other interests in the project.

More Time Needed By Operators

In the context of normal contract terminology, the phrase; "Time is of essence." seems to have a peculiar timely application to DMH's efforts to solicit expression of interests from the Northern aviation operators. The process in which all businesses go through to make a decision vary with the organization, however, they all depend on some fundamental information to reach a decision. For example, they need to know what are the financial implications to them, what are the terms and conditions of the contract, who will the contracts be with, how would their involvement impact upon their existing operations, where will the skill labour come from, what types of skill labour are required, and what structures are being used to carry out the contract. These example are just some of the issues the operators would be faced with in trying to reach a decision about their involvement. Subsequently, all businesses felt that a more definitive process for participating in the project had to be articulated to them, before any further progress

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**PROVISION OF
AIRCRAFT FIRE-FIGHTING SERVICES**

ANALYSIS OF THEMES

More Time Needed By Operators

could be made. Consequently, all businesses indicated that a more definitive process, including the terms and conditions associated with the opportunities must be articulated to them and ample time be given to assess such opportunities. Only then would they be in any type of position to decide upon what course of action they would pursue.

DECISIONS REQUIRED

The Government of the NWT's representative officials, the Steering Committee of Deputy Ministers, are charged with carrying out the mandate of the Cabinet, through the lead Minister, the Honourable Don Morin. While Cabinet has set out a ninety (90) day period for the receipt of a proposal from DMH, it is understood that using the Steering Committee to provide DMH with interim guidance has been accepted as part of the process for responding. Thus DMH's submission of a preferred approach to the Government of the NWT on October 5, 1994 was deemed to be outside the spirit and intent of the Statement of Requirement's Overall Objectives. Yet, DMH was advised that the time frame was not casted in stone, and the Government was prepared to be flexible in establishing the negotiation time frame. Consequently, DMH has been advised informally that the Government is committed to continuing on with the negotiation process.

DMH has communicated its request to have the negotiations formally extended by way of a letter to the Minister, the Honourable Don Morin. The author has been advised that the request was being sent to Cabinet during the week of December 5-9, 1994. Therefore, it would be prudent for DMH to contact their MLA and request that her continued support be communicated to Cabinet.

DMH must decide what direction its going to take in complying with the Overall Objectives of the Government of the NWT's Statement of Requirement. Part of the decision would likely include assessing how they perceive the Northern aviation operators becoming a part of the overall project. Integral to DMH's decision will be consideration for its own objectives and the need to achieve economic viability with the minimum amount of risk.

DEC 08 1994

Mr. Raymond Beaver (Co-chairman)
Mr. Earl Jacobson (Co-chairman)
Dene Metis Holdings Limited
BOX 89
FORT SMITH NT X0E 0P0

Dear Sirs:

At the meeting on December 7, 1994, Cabinet has determined that in order to ensure adequate air tanker services are in place for the 1995 fire season, proposal calls will be issued separately from the negotiations with the Dene/Metis Holdings Limited (DMHL) for the hangar facility. Further, it has been determined that in order to assist northern air operators to participate in the air tanker contracts, they must be issued for minimum five year terms.

Cabinet has provided direction that the Department of Public Works and Services will continue negotiations with the DMHL for the provision of hanger and maintenance facilities, and for the Departments of Public Works and Services, Renewable Resources, and Economic Development and Tourism to return to Cabinet with the results of those negotiations by April 30, 1995 or sooner.

The Deputy Minister, Mr. Doherty, will be contacting Mr. Heron as soon as possible to arrange to meet with the Project Steering Committee to continue the discussions on the hangar facility. They will also review with him how the Dene Metis may participate in the Proposal Call for air tanker services.

I look forward to continuing to work with the Dene/Metis of Fort Smith in our efforts to maximize Northern involvement in these contracts.

Sincerely,
Original Signed By
DON MORIN
MINISTER
Don Morin
Minister

- c. The Honourable Silas Arngna'naaq, Minister, Department of Renewable Resources
- The Honourable John Todd, Minister, Economic Development and Tourism
- The Honourable Jeannie Marie-Jewell, MLA, Thebacha



Northwest
Territories Public Works and Services

Mr. Earl Jacobson
Co-Chairman
Dene Metis Holdings Limited
BOX 89
FORT SMITH NT X0E 0P0

DEC 13 1994

Dear Mr. Jacobson:

I am replying to your letter of 7 December 1994, which was received by faximile. Other work has prevented me from replying before this.

As you are no doubt aware by now, on 7 December Cabinet directed that the air tanker contracts are to be separated from the hangar negotiations, and are to be offered to Northern Air Operators through a proposal call. Subject to the receipt of acceptable proposals, contracts are to be issued for five year terms. Unfortunately, the information that you provided on 7 December was not received in time for consideration in the submission to Cabinet.

For your information, the following is the direction that Cabinet approved on 7 December.

Proposals are to be called from Northern Air Operators on the following basis:

The award of three head contracts:

- provision, operation and maintenance of two large land based tankers and two bird dog aircraft.
- operation and maintenance of two CL-215 aircraft and bird dog aircraft.
- Specifications which are performance based which allows the proponents to identify alternate types but suitable aircraft (except to the CL-215's).
- Five year terms.
- Require that should the DMHL or other contractor approved by the GNWT establish a maintenance facility associated with the air tanker program, the operators of the CL-215 would be required to have appropriate maintenance carried out at the designated facility.

Where considered to be in the interests of the GNWT or the Northern operators, allow for:

- award of one or more of the head contracts to one contractor,
- subcontracting by any of the head contractors to other Northern subcontractors portions of the work,
- consideration of other options for contracts, e.g. one contract for all bird-dog aircraft, etc.

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Buy North



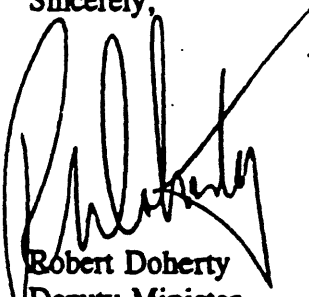
For the purpose of this proposal call, Northern Air Operator is defined as a company approved under the Business Incentive Policy as a Northern Business, and has operated fixed wing aircraft in the NWT for more than one (1) year. In the case of a joint venture, both partners must meet this requirement. Subcontractors proposed must also meet this requirement.

This action was considered necessary in order to ensure that if possible, contracts with Northern companies can be in place for next year. Five year terms was considered essential to providing companies with the scope of work needed to economically secure the resources for the contracts. As you will note, we will continue to seek effective means for linking these contracts to the hanger project.

Cabinet also directed that the Minister continue negotiations with the Dene Metis Holdings Ltd. for the provision of a hangar and maintenance facility to be established in Fort Smith. The negotiations are to be complete by April 30, 1995 and submitted to the Financial Management Board for consideration.

I do regret that we were not successful in negotiating a fully integrated contract with Dene Metis Holdings Ltd., but I want to assure you that every effort was made by the Minister, the Steering Committee and the Department to facilitate that objective within the mandate given to us by Cabinet. The project Steering Committee will attempt to meet with Mr. Heron this week to move the discussions on the hangar into the next phase. We will also want to review with him, how the DMHL and other aboriginal organizations might participate with Northern operators in the air tanker contracts.

Sincerely,



Robert Doherty
Deputy Minister

- c. Don Morin, Minister, Public Works and Services
- Joe Handley, Deputy Minister, Renewable Resources
- Roland Bailey, Deputy Minister, Economic Development & Tourism

DEC 13 1994

Mr. Raymond Beaver
Mr. Earl Jacobson
Co-Chairmen
Dene Metis Holdings Limited
BOX 89
FORT SMITH NT X0E 0P0

Dear Sirs:

I am replying to your letter of 24 November 1994.

Cabinet has now directed that the air tanker contracts are to be separated from the hangar negotiations, and are to be offered to Northern Air Operators through a proposal call. Subject to the receipt of acceptable proposals, contracts are to be issued for five year terms. Further, it is Cabinet's direction that we are to continue in our efforts to negotiate a contract for the provision of a hanger and maintenance facilities in Fort Smith. The Deputy Minister has advised you of the details of the Cabinet direction, in response to your letter of 7 December so I will not repeat them here.

Your letter asks for, "... a firm commitment to continue on with our negotiations..." and "... a clear definition of the term, Northern." I believe that this commitment and direction has been provided from the start and we continue to be committed. However, it was a failure on the part of the Dene Metis Holdings Limited to commit to the objectives set by Cabinet that has caused this delay and has jeopardized our opportunities for achieving those objectives. Rather than to continue to exchange such letters, and to fence over words, I suggest that the remaining opportunities be seized and that our respective officials work at bringing about what I believe we all want to see - these opportunities in the hands of Northerners.

I trust you will agree, and provide direction to that end.

Sincerely,



Don Morin
Minister

- c. Robert Doherty, Deputy Minister, Public Works and Services
Joe Handley, Deputy Minister, Renewable Resources
Roland Bailey, Deputy Minister Economic Development & Tourism

Premier says tanker base will stay in Fort Smith

Tax
new

Premier Nellie Courmoyea told the Fort Smith Dene/Metis consortium last week the proposed aircraft maintenance and tanker base will still be constructed in Fort Smith.

At a meeting in Fort Smith last Sunday afternoon Courmoyea and Financial Management Board chair John Pollard reassured a group of Fort Smith leaders and Dene/Metis Holdings construction of the facility should proceed and the call for proposals for aircraft maintenance is a separate matter.

Courmoyea said as a result of demands made by northern aviation companies, the government has asked for proposals to be tendered for air tanker services out of the hangar in Fort Smith. Pollard said at the meeting the Dene/Metis Holdings proposal that included a partnership with B.C.-based Conair did not fit cabinet's criteria for their "negotiated contract" policy.

Northern aviation companies are confident they can provide the

"This is a very specialized field and initially we will have to get people from the South."

firefighting aircraft maintenance and operation services previously provided by B.C.-based Conair Aviation in the N.W.T.

But they readily admit they lack experience with firefighting aircraft and will initially have to rely on southern expertise to meet the

GNWT's requirements for firefighting in the N.W.T.

A number of northern aviation companies are hoping to break into the firefighting market after the GNWT's recent decision to award three contracts for maintenance and operation of firefighting aircraft to northern companies.

For the past 21 years these services have been provided by Conair, at an annual cost last year of about \$5.5 million. Conair had hoped to continue providing the service in partnership with Dene/Metis Holdings out of the proposed aircraft

"I think there are a lot of capable people out there...this will be a good opportunity for a lot of businesses in the North."

maintenance and tanker base in Fort Smith.

Air Tindi president Alex Arychuck calls the decision to award the contracts exclusively to northern companies a "great idea" and says the government is right to support northern contractors. He adds Air Tindi is definitely looking at getting involved in the contracts.

Loon Air chief pilot and co-owner Terry Best agrees. "I think there are a lot of capable people out there...this will be a good opportunity for a lot of businesses in the North," he says. "We would certainly like to be involved in one way or another."

But he adds the GNWT should be able to put the tender out to the lowest bidder because the Business Incentive Policy already gives northern companies a 15-20 per cent edge when bidding for tenders.

While northern aviators seem ready to take on the challenge, they admit there is a lot to learn about the use of aircraft in firefighting. That will mean a higher annual cost to the GNWT.

Parmigan Airways vice-president George Simon says northern companies have a vast amount of experience operating and maintaining aircraft and the technology used by the GNWT's four CL215 water bombers and other firefighting aircraft is pretty straightforward.

But at the same time, some of the speciality technologies, especially in training pilots to fly the firefighting planes, will have to be acquired before any company can begin work for the GNWT. Modifying aircraft would also require some additional experience.

"This is a very specialized field and initially we will have to get people from the South," says Simon.

"But there will be lots of opportunities for local people to train and develop," in the future.

All the northern aviation companies contacted agreed Conair could still have a role to play, mainly in bringing northern companies up to speed.

But there were some doubts as to whether the company would accept such a limited role.

The proposed new regional authority in northeastern Alberta at reducing the taxes in the region and the tax rates in the region.

The replacement of the Improvement as yet undefined also give northern Alberta - including Fort McMurray - access to the assets generated by Syncrude related tar sands.

"I think the development says Fort McMurray Syncrude em. He adds there are concerns but pointing out any creation of a taxatively inviting.

At the moment Alberta, from Fort McMurray Lac La Biche of ID 18, will go into North, S regions. The C is a separate

But a new wing passage for the creation by a single region, which an ID, would April 1, 199 only ID 18 McMurray.

The move has been pushed by factors. One provincial duplication services. IDs same service including waste disposal, ga:

Revised
Extended
Health

Alberta is the only province in Canada that provides a combined optical and dental benefit program for seniors.

The revised Extended Health

Secretary of State
Training and Youth
Ottawa, (

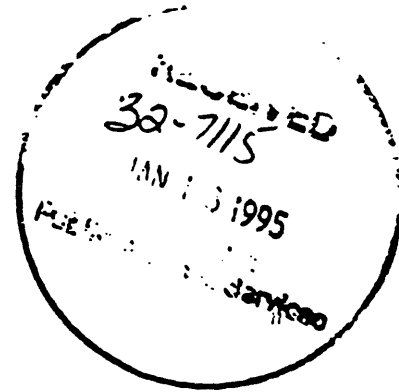
Christine... ..

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DENE METIS HOLDINGS LTD
BOX 89
Fort Smith, N.W.T.
X0E 0P0

January 18, 1995

Mr. R. Doherty, Deputy Minister
Public Works & Services
Government of the NWT
Box 1320
X1A 2L9



Dear Mr. Doherty;

Re: Negotiations Of Hanger Facilities - Fort Smith

On December 23, 1994, I telephoned you on behalf of Dene Metis Holdings Ltd. to request that we commence immediately discussions about the Terms of Reference for the construction of a aircraft hanger facility in Fort Smith. You indicated that it may be possible to do so in the following week, but you were uncertain because of the Mr. Bailey's departure for Vancouver. You also indicated you would make an effort to get the Committee of Deputies together early in the New Year to begin discussions on the Terms of Reference.

I mentioned to you that a meeting was held in Fort Smith on December 18, 1994 between the Premier, Hon. Nellie Cournoyea, Hon. John Pollard and representatives of the community, which included; the MLA, Jeannie Marie-Jewell, Mayor, D. Bevington, President of the Metis Nation, Local 50, Mr. G. Kurszewski, President of the Chamber of Commerce, Ms. Freda Martselos, Mr. Earl Jacobson, Co-chairman of DMH and myself. There were several topics discussed at the meeting which pertained to the overall decision of Cabinet in dealing with the Air Tanker provision of services and its potential impact upon the entire aircraft fire fighting program. At the time the Request For Proposal was not available, thus very few specific issues could be addressed. For example, the published newspaper advertisement about the expression of interest by the aviation operators gave the impression that only fixed winged aircraft operators could participate. The result of which left the community owned corporation, Dene Metis Holdings Ltd. totally out of the picture. Neither the Premier nor Mr. John Pollard responded to our interpretation of the advertisement. However, the Premier indicated that the Government was being pressured by various groups and thus the Government wanted to see for themselves what the operators had to offer and what they would propose to carry out the services.

The impression we got was the Premier and Mr. John Pollard, Minister Responsible for the Department of Finance, did not know specifically what was in the RFP. However, in retrospect why would the Premier or another Cabinet Minister not know what was going to be in the RFP, since the decision was made in Cabinet on December 7, 1994. It now seems peculiar that Cabinet members appeared evasive, when the Government's approach took a

total about face by leaving our Corporation out of the process. The evidence of our being left out of the provision of services for the air tanker groups can be found in the RFP Proposal Evaluation criteria.

I would like to reiterate a comment I made in the meeting of December 18, 1994 in Fort Smith. My comment was that I verbally advised both you and Mr. Foulger, DMH wanted some assurances the RFP would contain conditions which would established clear linkages between the successful proposer and itself. Conditions that would give DMH a definite opportunity to become directly involved in the provision of such services at some future date. My words have proven to fall on deaf ears, since no such conditions exists in the RFP.

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NOT So
Assuring
There!

At the December 18, 1994 meeting I mentioned to you the Premier stressed that we get on with developing a proposal for the hanger, because a Territorial election is imminent in 1995 and there is no assurance the next Government would still be committed to constructing the hanger. After I proposed that DMH is prepared to develop some schematic drawings and propose a structure because of the Premier's comments, you stated something to the effect that, you wouldn't advise me to start any type of design until the Government knows what's the results of the RFP. You also retorted that you weren't too concerned with what went on outside of your offices and that you only dealt in facts. Consequently, can you specifically advise me on behalf of Dene Metis Holdings Ltd., is the Government of the NWT prepared to negotiate the leasing of an approved hanger facility in Fort Smith from Dene Metis Holdings Ltd. before the 1995 summer construction season starts?

If so, are there Terms of Reference being developed now to meet the Government's commitment to have the successful proposer(s) carry out the maintenance activities on the CL-215 in the hanger. Furthermore, will there be opportunities for input from DMH on its complete design and when can we expect to carry out meaningful input into the process. Finally given DMH's concern over the viability of the project, the Premier's advice to us, and a desire to start construction this summer, when do you estimate the Government of the NWT will be in a position to sign an agreement in principle with Dene Metis Holdings Ltd. for the hanger, assuming its willing to negotiate the leasing of a hanger facility in Fort Smith?

In another related matter, can you provide some clarification on the following items. Item 2.4 of the "Draft Pro-Forma Contract Provision of Operation, Maintenance and Service - CI-215 Revised January 11, 1995" indicates the term of the agreement is for 5 years. Item 4.1.7 of the same Draft Pro-Forma Contract pertains to the supply of "a hanger capable of completely housing and maintaining at least one of the aircraft for winter maintenance operation....hanger facility." If items 2.4 and 4.1.7. are left in tact and are not altered to reflect the provision of a hanger by DMH, will the Government have any legal grounds to change the contract after the fact? If not, does it seem reasonable to carry out any negotiations with DMH for a hanger facility in Fort Smith at this time?

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Item 7.0 Maintenance of the same draft contract allows the proposer full flexibility to propose whatever they choose. Can it be assumed that the commentary on page 9 of 21, "The contractor shall be required to perform maintenance at this facility when it becomes available." will be more effectively linked to a future contract with a proposer as opposed to what currently exists in the Draft?

I look forward to your earliest response to the questions asked in this communique and seek assurances that the Premier's apparent commitment to establish a hanger facility in Fort Smith will not get entangled in a bureaucratic maze.

Yours truly,



J.A. Heron
Project Co-ordinator

c.c. Mr. Roland C. Bailey
Dep't Economic Develop. & Tourism

Mr. Joe Handley
Renewable Resources



Northwest
Territories Fort Smith Region

Jul

BDF

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January 23, 1995

Dene Metals Holdings Ltd.,
P.O. Box 89,
Fort Smith, N.W.T.,
XOE OPO.



BDF - Accountable advance 1994/95

Attached is cheque #FS220526 in the amount of \$35,000.00 which represents your first and final advance.

Please acknowledge receipt of cheque by signing at the bottom of this letter and returning to the undersigned.

On behalf of the Honourable Minister, John Todd the Department would like to wish success in your endeavour.

Sincerely,

Gladys Bourke

Gladys Bourke,
Finance and Administration Manager.

[Signature]

Recipient

Jan 23/95

Date

