

SANDY POINT LODGE

August 25, 2016

To: Contaminants and Remediation Directorate (CARD), NWT Region,
Indigenous and Northern Affairs Canada

Attn: Amy Allan
Alison Heslep

Re: Gordon Lake Group Sites Remediation Project Tender (The Project)

Hello:

The following is a summary of the points I presented during our meeting on August 23rd regarding the impact of the above noted project on the Sandy Point Lodge fly-in fishing tourism business that has been in operation on Gordon Lake for more than 40 years. Sandy Point Lodge is a well-established and well maintained Tourism Lease that has an established return clientele and new customers each year that come to experience the pristine wilderness of the NWTs best fly-in Lake Trout lodges.

The exclusive tourism experience provided by Sandy Point Lodge will not be available during the GLG Sites Remediation due to the activity with equipment, boats, aircraft and personnel necessary to perform the work required during the three year schedule. The project will for all intent, shut the lodge down as a tourism business. If the lodge is to continue as a tourism operation following the project, there will be an additional impact period of up to three years to re-establish a clientele following the project. It is a fair to say that the lodge will face insolvency as a result of the GLG Remediation Project if alternative revenue is not found.

As the owner and operator of Sandy Point Lodge for the past fifteen years, I have been aware of the environmental surveys taking place and that this work would be taking place at some point, however during this survey period between 2013 and 2016 I was not contacted by any representative of AANDC to discuss the project or the timing of the tender. I am just getting up to speed with the tender documents I had no prior notice that the tender was coming out at this time.

I am now forced to spend significant time (without compensation) trying to determine a business plan in a very short period of time that will adjust to the fact that the project is happening immediately. I have been notified by the GNWT that I will have to apply for a different type of commercial Lease that will require change to the business for the provision of the lodge to the successful proponent. I will also need a plan to restore the tourism business at the end of the project.

The following is what I know for the brief time I have had to evaluate the situation the project has created for the Lodge as a business. The change of lease use means the lodge will no longer be classified

as tourism lease. Therefore it will no longer fall under the “grandfathered” clause of the land withdrawal, which is part of the Yellowknives land claim proceedings.

1. In order to pursue the opportunity to provide commercial use of the Lodge, this requires a change of use for the current lease. This will require pre engagement with affected First Nations before the application to change the use of the current tourism lease goes to the Mackenzie Valley Land and Water Board for a land use permit that will allow for more than 200 person days of commercial accommodation, more than 4,000 litres of fuel utilized on the property, and for equipment larger than 5 tons to be on the property. The application requires several improvements to facilitate, including a spill response plan and kit on site, a reviewed safety plan and wild fire response plan, a certified garbage incinerator, bear fencing, and more. I personally do not have the experience or resources to prepare the application or determine a cost to implement the requirements, but my estimate is a cost of between \$30,000 and \$50,000 to deal with the 90 to 120 day process to prepare and coordinate the pre engagement and land use permit application with the response plans required. Then the physical requirements and improvement on site to comply with the response plans.

The lodge will also lose the opportunity for tourism seed funding for business planning and marketing and capital improvement grants due to the change to the lease. This is a loss of significant GNWT support for tourism development and diversification that can be worth thousands of dollars towards tourism development.
2. The lodge has a current book asset value of \$680,000 that needs to be protected and maintained. The project will eliminate the opportunity to continue as a fly in fishing lodge offering a relaxed pristine wilderness setting where all you can hear are loons and the breeze. Additionally, the lost revenue needs to be replaced with revenue coming from the project that will net a minimum of \$110,000 per year for three years of lost earnings. We can achieve this if the successful proponent leases the lodge as a base of operation for crew accommodation and as a logistical support base. However, there is nothing in the tender that can provide assurance that the successful proponent will utilize the lodge and provide the opportunity to replace the lost earnings. I believe if we look, and talk to Government of Canada Legal representatives, we will find precedence on past Government of Canada projects of this nature wherein a business such as Sandy Point Lodge has been impacted and faced financial hardship or ruin. This precedence will allow some modification to the tender through normal tender procedures to ensure that the lodge receives the assurance required to have the proponents utilize the lodge during the project. The simple means that comes to mind is to stipulate a dry lease of the lodge for 110,000 per year and return it to the owner in the same condition it is in at the start of the lease.
3. The last piece to the business plan for the lodge to maintain during and re-establish following the project, is to set up a funding source that will pay to prepare a business plan, to pay for marketing costs to re-establish the fly in fishing clientele lost during the project, and to offset the reduced earning potential during the tourism rebuilding period after the project completion.

I will need professional planning assistance to determine a value for the re-establishment of the fly in fishing business and for the lost opportunity for earning during the rebuilding period which could be up to three years following completion of the project. Bring back a return clientele customer base does not happen in one or two years.

I trust I have outlined the issues and have presented a fair understanding of the impact that the project has on Sandy Point lodge. There is a significant capital investment impacted as well as an operating business that will lose the opportunity to continue during and following the project and to re-establish following the project.

I am writing to you to ask for your assistance to be a part of a solution that is mutually beneficial. The project has the potential to impose significant financial loss to me as the owner and operator of a tourism business, while at the same time offering an opportunity to make some adjustments that will sustain the investment and earning potential and to prepare the business for the future following the project. I hope we can find a solution and work together to make this a successful collaboration.

Please feel free to contact me via email while if you have questions during the one week period we agreed to for your research and response. I look forward to hearing from you prior to the bidders site tour on August 31st.

Sincerely

Duncan Cooke
Sandy Point lodge