

LYSYK INQUIRY - 1977

ALASKA HIGHWAY PIPELINE

A SYNOPSIS

**PIPELINE UNIT
ECONOMIC DEVELOPMENT**

APRIL, 2000

Draft #1

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1.0 SUMMARY

1.1 Yukoners and the Pipeline

The Lysyk Inquiry found that a majority of Yukoners were in support of the pipeline if – and only if – certain measures were taken to prevent possible undesirable effects. The majority of witnesses felt that construction of the pipeline ought not to be undertaken unless and until certain other goals were achieved and certain preventative and mitigative measures were adopted to lessen possible dangers of the project.

Two small minority groups, both predominantly non – native, were either unequivocally for or unequivocally against the pipeline. However, most Yukoners, native and non-native alike, felt that the social and economic effects of the pipeline could be kept within acceptable limits.

1.2 The Impact of the Pipeline

The Lysyk Inquiry agreed with the majority of Yukoners in that the effects of the pipeline could be kept within acceptable limits, provided certain conditions were met. These conditions involved:

- Certain financial and other resources;
- Appropriate preventative and mitigative measures; and,
- Sufficient time before construction of the pipeline began to complete planning and to mobilize resources.

In terms of pipeline impact on Yukon, the Inquiry felt that

- Most of the impact would occur during the construction phase;
- The benefits and burdens of the project would not be equally shared by everyone concerned; and,
- The main benefits from the pipeline would be concentrated outside the Yukon, largely south of the 49th parallel, whereas the most significant costs, in terms of both economic dislocation and social disruption, would be experienced in Yukon.

Therefore, the Inquiry felt that the federal government should take preventative steps to effectively limit undesirable impacts. Further, that the pipeline company should provide adequate financial and other resources to Yukoners to enable them to capitalize on the economic opportunities as well as to compensate them for impacts that would detract from the quality of their life.

1.3 Conditions of Approval

1.3.1 The Yukon Indian Land Claim

With respect to the Yukon Indian Land Claim, the Inquiry felt that the proposed pipeline represented both an opportunity and a risk. The opportunity lay in capitalizing on the motivation that the pipeline would provide in assigning a high priority to the achievement of a Settlement as soon as possible. The risk would be that construction would begin before the Indian people could mobilize the financial and other resources provided by the Settlement to take advantage of the opportunities that its construction may provide.

The Inquiry recommended that the Government immediately pay into a special trust account, an advance payment of \$50 million from the monetary compensation that the Indian people would receive for the settlement of their land claim. This would give the Indian people the necessary resources to participate in the construction of the pipeline itself and to pursue other economic, cultural and social objectives that might be prejudiced by construction activities. As well, the Inquiry felt that the commencement of construction should be deferred, in large part, until the Yukon Indian Land Claim was settled.

1.3.2 Compensation Payable by the Pipeline Company

The Inquiry noted that in the 1977 report, *Reasons For Decision, Northern Pipelines* the National Energy Board, (NEB) stated, in principle, acceptance of the concept of impact compensation. Further, the NEB recommended that a sum not to exceed \$200 million should be paid to the federal government for that purpose.

However, the Inquiry pointed out that the costs of social and economic dislocations and of unwelcome lifestyle changes would occur in Yukon – not Ottawa or Canada as a whole.

Therefore the Inquiry recommended that the pipeline company pay \$200 million into a Yukon Heritage Fund and that the Fund be supplemented in the future by payment into it of a portion of the property taxes collected annually from the pipeline company. The fund would be available for purposes related to improving opportunities for Yukoners and various aspects of the quality of life.

Finally, It was also assumed by the Inquiry that the pipeline company would be required to make fair compensation to individuals who suffer economic loss because of pipeline construction.

1.3.3 A Planning and Regulatory Agency

The Inquiry recommended that a single Agency be formed which would be given the planning and regulatory responsibilities respecting engineering, social, economic and environmental aspects of the proposed pipeline.

The Agency should be established early enough so as to avoid the problems associated with the trans - Alaskan pipeline. It was felt that regulatory measures relating to environmental aspects of the Alaskan pipeline were thorough and effective but, with respect to the social and economic aspects of the pipeline, there was too little regulation, and it came too late.

The Agency should have the power to make decisions in the Yukon without having to refer to Ottawa except where there was an obvious need for consistency in dealing with the provinces, and Alaska, through which the pipeline would pass.

One of the tasks of this Agency would be to conduct another, more thorough, inquiry that would develop a final socio - economic description of the situation and would assist all parties concerned to devise suitable terms and conditions for the construction of the pipeline.

1.3.4 Deferral of Commencement of Construction

The Inquiry felt that a delay of a minimum of four years should be enough time to permit sufficient implementation and to avoid prejudice to a just settlement of the Yukon Indian Land Claim. The recommendation from the Inquiry, therefore, was that construction should not proceed before August 1, 1981.

1.3.4.1 Route Selection

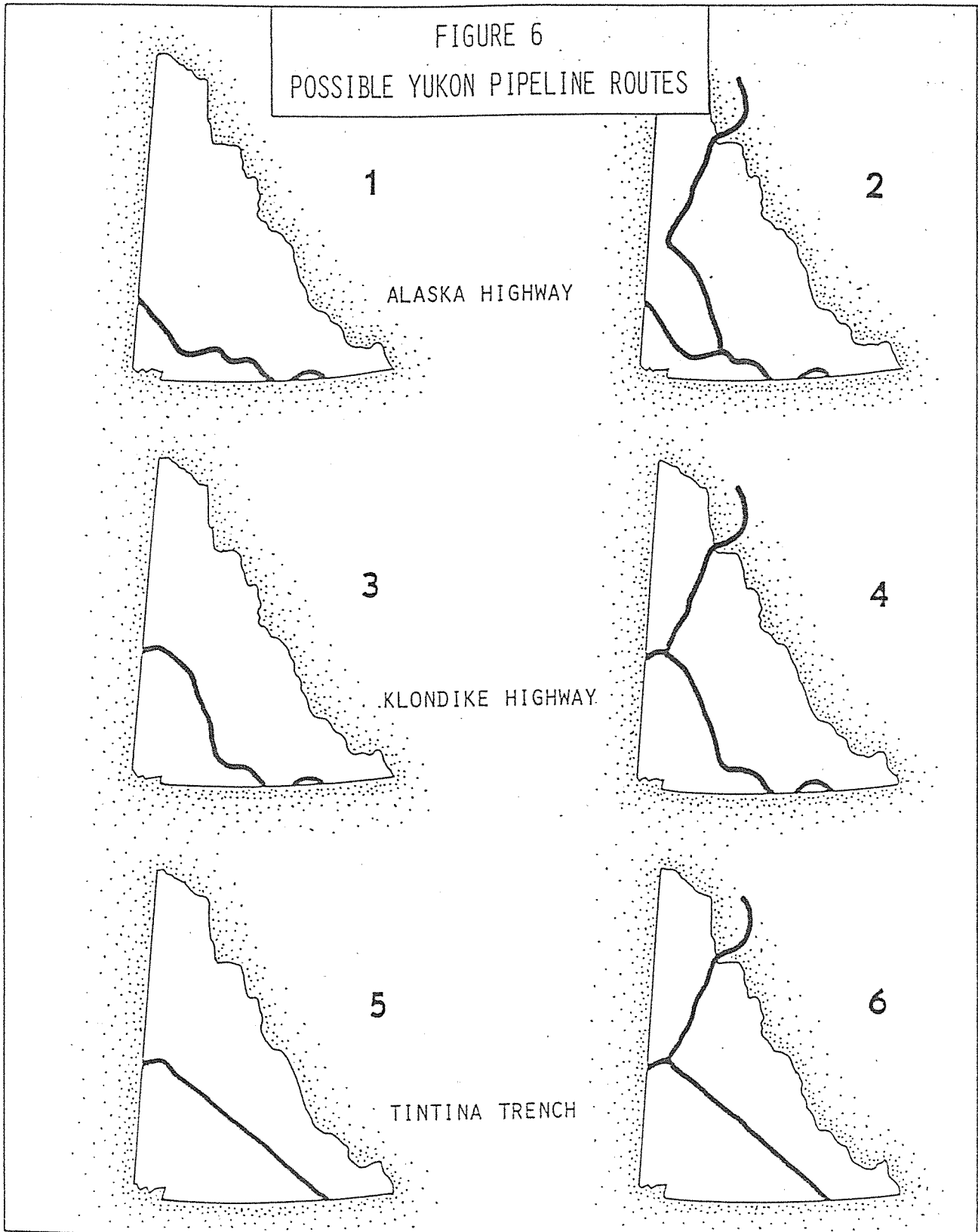
As well, this delay would serve to provide enough time to consider the selection of the route through the southern Yukon that would be the most compatible with the long-term interests of the Yukon.

Lysyk dealt with three routes through the Yukon. (see Figure 6)

One, of course, was the Alaska Highway Route proposed by the pipeline company.

A second would follow the Klondike Highway to Whitehorse and then along the Alaska Highway to BC. This was called the Dawson diversion by the NEB in its 1977 Reason for Decision and was the Board's preference over the Alaska Highway Route for economic and environmental reasons.

FIGURE 6
POSSIBLE YUKON PIPELINE ROUTES



A third would follow the Tintina Trench straight through to Watson Lake and then south into BC.

The Inquiry found that many Yukoners supported the third option, the Tintina Trench Route, but none supported the Klondike Highway Route.

Any witnesses referring to the Dempster Lateral in this Inquiry were strongly, nearly unanimously, opposed to its construction unless further studies could provide adequate assurance that a pipeline could be built along the Dempster without unacceptable costs to the people of Old Crow, to the Porcupine caribou herd, and to the delicate balance of nature in that unique area of wilderness.

1.4 Conclusion

In conclusion, the Lysyk Inquiry recommended that the Government of Canada should not give approval in principle to the proposed pipeline through the southern Yukon until:

- an advance payment from the Government of Canada toward the settlement of the Yukon Indian Land Claim was given;
- compensation from the pipeline company to the Yukon Heritage Fund was given;
- a Planning and Regulatory Agency was established; and
- the commencement of construction of the pipeline was deferred.

2.0 THE PROJECT

2.1 Background

See Attachment 1 on the following pages.

A History of the Alaska Highway Gas Pipeline

- March 19, 1976: The National Energy Board begins its hearings into the construction and operation of a gas transmission system to carry gas from Alaska and northern Canada.
- August 30, 1976: Foothills Pipe Lines (Yukon) Ltd. makes application to the National Energy Board for a certificate of public convenience and necessity to construct a natural gas pipeline through the southern Yukon, as part of the overall system which would run through Alaska, British Columbia, Alberta, Saskatchewan and northern United States.
- At the same time Foothills makes application to the Minister of Indian and Northern Affairs for a Grant of Interest in lands in Yukon Territory for right-of-way to construct the proposed pipeline.
- November, 1976: Justice Thomas Berger completes his 30 month inquiry into the construction of the Mackenzie Valley pipeline.
- March 21, 1977: The Alaska Highway Pipeline Environmental Assessment Panel, under the chairmanship of Dr. Harry Hill, is set up to examine the potential environmental impact of the proposed Alaska Highway gas pipeline routes in the Yukon.
- April 15, 1977: Justice Thomas Berger submits volume one of his report on the construction of a Mackenzie Valley pipeline to the Minister of Indian Affairs and Northern Development.
- April 19, 1977: The Alaska Highway Pipeline Inquiry, under the chairmanship of Dean Kenneth Lysyk, is set up to investigate the socio-economic impact of the Alaska Highway gas pipeline and alternate routes in the Yukon.
- July 4, 1977: The National Energy Board recommends approval of the Alaska Highway route.
- July 27, 1977: The Alaska Highway Pipeline Environmental Assessment Panel (Hill) reports to the Minister of the Environment on the impact of the alternate pipeline routes and of the proposed Alaska Highway gas pipeline.
- July 29, 1977: The Alaska Highway Pipeline Inquiry (Lysyk) report on socio-economic impacts is filed with the Department of Indian Affairs and Northern Development.
- Sept. 20, 1977: The Agreement between Canada and the United States is signed which commits both countries to the construction of a pipeline for the transmission of natural gas from Alaska and northern Canada.
- Nov. 30, 1977: Justice Thomas Berger submits volume two of his report on the construction of a Mackenzie Valley pipeline to the Minister of Indian Affairs and Northern Development.

- December, 1977: Guidelines for the Environmental Impact Statement are issued by the Federal Environmental Assessment Review Office to Foothills Pipe lines (Yukon) Ltd.
- April 13, 1978: Royal assent is given to the Northern Pipeline Act which embodies the decision and the certificates to build the Alaska Highway gas pipeline in the Canadian national interest. The Act also authorizes the establishment of the Northern Pipeline Agency to oversee the planning and construction of the Canadian section of this project.
- May 10, 1978: Initial drafts of proposed socio-economic and environmental terms and conditions for the pipeline are released by the Northern Pipeline Agency.
- October 15, 1978: United States President Jimmy Carter's Energy Bill is passed by Congress, setting the price for Alaskan gas.
- October 26, 1978: The Northern Pipeline Agency releases the second draft of proposed socio-economic terms and conditions for the Yukon section.
- October 31, 1978: The Designated Officer of the Northern Pipeline Agency, William A. Scotland, approves the Landowner Information Book prepared by Foothills Pipe Lines (Yukon) Ltd. as suitable in form to be served on the landowners.
- Dec. 29, 1978: The second draft of proposed socio-economic terms and conditions applying to the northern British Columbia section of the project is released by the Northern Pipeline Agency.
- January 12, 1979: Foothills Pipe lines (South Yukon) Ltd. releases its Environmental Impact Statement prepared in accordance with guidelines issued by the Federal Environmental Assessment Review Office.
- February 12, 1979: The Northern Pipeline Agency and the Federal Environmental Assessment Review Office announce March 19, 1979 as the date for the start of combined public hearings on the Yukon section of the Alaska Highway gas pipeline. Messrs. Ken McKinnon and F. G. Hurtubise are named co-chairmen.
- February 16, 1979: The Northern Pipeline Agency releases the second draft of the proposed environmental terms and conditions for the Yukon section of the project.
- February 28, 1979: The National Energy Board Report on Natural Gas Supply and Demand establishes a surplus of up to 3.4 trillion cubic feet of Canadian gas available for export.
- March 5, 1979: President Carter and Prime Minister Trudeau issue a joint communiqué re-affirming the Canada/United States commitment to the Alaska Highway gas pipeline.
- March 19, 1979: Yukon Public Hearings Panel begin their review in Whitehorse. Hearings continue in the Yukon through to April 28, 1979.
- April 1979: Dome Petroleum Limited, Alberta Gas Trunk Line Company Limited and TransCanada Pipelines reach an agreement to throw their support behind the Alaska Highway gas

pipeline and combine their own gas exports with those associated with pre-building the Alaska gas line.

- May 25, 1979: Drafts of socio-economic terms and conditions for construction of the Saskatchewan, Alberta and southern British Columbia segments of the pipeline are released by the Northern Pipeline Agency.
- June 7, 1979: The Hon. Walter Baker, President of the Privy Council and Minister of National Revenue, is appointed Minister responsible for the Northern Pipeline Agency replacing the Hon. Allan J. MacEachen.
- June 29, 1979: Foothills Pipe Lines (Yukon) Ltd. files its application with the National Energy Board for the construction and operation of the Dempster Lateral.
- July 10, 1979: National Energy Board hearings begin on applications to increase gas exports to the United States.
- July 12, 1979: The United States Senate approves by unanimous consent the nomination of Mr. Jack Rhett to the Office of Federal Inspector, the American counterpart to the Northern Pipeline Agency.
- July 16, 1979: President Jimmy Carter announces he will "insist personally" that the Alaska Highway gas pipeline be built without further delay as a major step towards United States energy self-sufficiency.
- August, 1979: The Alaska Highway Gas Pipeline Project Environmental Assessment Panel sends its report to the Minister of the Environment.
- Sept. 17, 1979: The third draft of socio-economic terms and conditions and the second draft of environmental terms and conditions applying to the northern British Columbia section of the project is released by the Northern Pipeline Agency.
- Sept. 20, 1979: The Minister of the Environment releases the report of the Alaska Highway Environmental Assessment Panel on the public hearings in the Yukon on the Environmental Impact Statement submitted by Foothills Pipe lines (South Yukon) Ltd.
- October 2, 1979: The Hon. Robert de Cotret, Minister of Industry, Trade and Commerce and Minister of State for Economic Development, is appointed Minister responsible for the Northern Pipeline Agency replacing the Hon. Walter Baker.
- October 12, 1979: The second draft of the environmental terms and conditions for the construction of the Alberta segment of the Alaska Highway gas pipeline is released by the Northern Pipeline Agency.

- October 23, 1979: The National Energy Board begins public hearings on the incentive rate of return for the Canadian portion of the Alaska Highway gas pipeline.
- October 24, 1979: The Hon. Mitchell Sharp, Commissioner of the Northern Pipeline Agency, announces November 19, 1979 as the date for the start of public hearings on the socio-economic and environmental terms and conditions in northern British Columbia. W. Winston Mair is named presiding officer.
- October 30, 1979: The Northern Pipeline Agency releases the second draft of the environmental terms and conditions and related guidelines for the southern British Columbia section of the project.
- Nov. 19, 1979: The northern British Columbia public hearings begin in Fort St. John and Dawson Creek. Hearings continue through November and for the week of December 10-15.
- December 4, 1979: Foothills Pipe lines (Yukon) Ltd. submits its draft Manpower Plan to the Northern Pipeline Agency and the Canada Employment and Immigration Commission for review.
- December 6, 1979: A one day hearing is held in Grasmere, British Columbia to review the socio-economic and environmental terms and conditions for construction of the Alaska Highway gas pipeline in southern British Columbia.
- December 6, 1979: The National Energy Board approves 3.75 trillion cubic feet of additional natural gas exports to the United States over the next eight years.
- December 13, 1979: Foothills Pipe lines (Yukon) Ltd. announces plans to apply to the National Energy Board for a re-hearing of their application to export Alberta natural gas through pre-build, or early construction of the southern sections of the Alaska Highway gas pipeline.
- Canada and the United States affirm their commitment to the Alaska Highway gas pipeline project and the pre-build proposal.
- Dec. 20, 1979: The National Energy Board determines the incentive rate of return, and tolls and tariffs for the Canadian section of the project.
- January 10, 1980: The United States Federal Energy Regulatory Commission gives approval for construction of a 257 km segment of the western leg of the pre-build portion of the pipeline, extending from Kingsgate, British Columbia to Stanfield, Oregon.
- January 18, 1980: The Canadian government approves a 30 per cent increase in the price of natural gas exported to the United States. Effective February 17, the cost per 1,000 cubic feet of gas rises to \$4.47 U.S. from \$3.45.

- January 22, 1980: Foothills Pipe lines (Yukon) Ltd. announce construction of the western leg of the pre-build will begin in summer, with initial deliveries of Alberta natural gas to United States markets scheduled to start November 1, 1980.
- February 1980: The Northern Pipeline Agency receives the report of the Vancouver Women's Research Centre outlining the potential impact of the Alaska Highway gas pipeline on women and their families in northern communities.
- February 13, 1980: The Canadian Imperial Bank of Commerce agrees to finance 75 per cent of the cost of the pre-build portion of the Alaska Highway gas pipeline project in Canada.
- February 13, 1980: Pan Alberta Gas Ltd., the purchasing agent for Foothills Pipelines (Yukon) Ltd., applies to the National Energy Board for additional natural gas exports to the United States under the pre-build proposal. Pan Alberta Gas Ltd. received 1.8 trillion cubic feet of the total exports authorized by the National Energy Board in December.
- February 19, 1980: The National Energy Board begins public hearings to approve financing of the pre-build sections of the Alaska Highway gas pipeline.
- March 3, 1980: The Hon. H. A. (Bud) Olson is appointed Minister of State for Economic Development and Minister responsible for the Northern Pipeline Agency, replacing the Hon. Robert de Cotret.
- March 1980: The National Energy Board determines that pre-build is in the public interest, grants Foothills Pipe Lines (Yukon) Ltd.'s request for depreciation of pre-build facilities during the period of export of Alberta gas, and changes in the Incentive Rate of Return Structure.
- March 18, 1980: The National Energy Board begins public hearings to review natural gas exports allocated under the pre-build proposal.
- April 15, 1980: The Hon. Marc Lalonde, Minister of Energy, Mines and Resources, announces a three month freeze on the border price of Canadian natural gas exported to the United States.
- During this week Exxon, Atlantic Richfield and Standard Oil of Ohio, companies owning the Alaskan gas, agree to match the \$75 million to \$100 million already spent by the pipeline builder in Alaska, Northwest Alaskan Pipeline Co., on preliminary design and engineering work. The companies also agreed to match future costs of design up to \$500 million.
- April 19, 1980: Foothills Pipe Lines (Yukon) Ltd. is granted approval by Sen. Olson for the procurement of approximately \$20 million worth of turbo-machinery for the eastern leg of the Alaska Highway gas pipeline. Approval is also granted for the purchase of large diameter valves and fittings for the pre-build sections.

- April 24, 1980: The Federal Energy Regulatory Commission approves in principle plans to construct the eastern leg of the Alaska Highway gas pipeline. This 1,800 km (1,116 mi) portion of the pipeline extends from Monchy, Saskatchewan to Ventura, Iowa.
- April 28, 1980: The Federal Energy Regulatory Commission announces a new gas import pricing policy which will cap in dollar terms the amount the United States will pay to Canada under the "take" or "pay" provisions of contracts which support the eastern leg of the pre-build system.
- April 29, 1980: The National Energy Board commences hearings to determine whether Foothills Pipe Lines (Yukon) Ltd. can meet financing conditions imposed under the Northern Pipeline Act.
- April 30, 1980: The National Energy Board recommends the government approve applications made by Pan-Alberta Gas Ltd. for licences to export natural gas to the United States and an application by Consolidated Natural Gas Limited for an amendment to its natural gas licence adding Monchy, Saskatchewan as an export point.
- April 30, 1980: Landowners of the first 124 km (77 mi) of the western leg of the pre-build segment of the pipeline in Alberta present their route objections to the Northern Pipeline Agency. The hearings are chaired by the Agency's Deputy Administrator and Designated Officer, William A. Scotland.
- May 2, 1980: Sen. Olson approves contract awards to the Steel Company of Canada (STELCO) and Interprovincial Steel and Pipe Corporation Ltd. (IPSCO) for the supply of 1.4 million tonnes of line pipe at an approximate cost of \$2 billion.
- May 5, 1980: The National Energy Board begins another set of hearings on outstanding tariff matters relating to the overall Alaska Highway gas pipeline project.
- June 2, 1980: Public hearings are held in Claresholm, Alberta to consider applications made by Foothills Pipe Lines (Alta.) Ltd. to acquire additional land rights along the route of the western leg of the Alaska Highway gas pipeline in Alberta.
- June 10, 1980: Foothills Pipe Lines (Yukon) Ltd. issues a \$6 million release order with the Steel Company of Canada (STELCO) for approximately 33 km (21 mi) of 914 mm (36 in) diameter pipe for the Flathead Ridge area of southeast British Columbia. This was the first release order under the pipe contracts.
- June 16-18, 1980: Public hearings are held in Sundre and Cochrane, Alberta on applications made by Foothills Pipe Lines (Alta.) Ltd. to acquire additional land rights along the western leg of the pre-build portion of the Alaska Highway gas pipeline.

- June 18, 1980: W. Winston Mair, presiding officer of the British Columbia public hearings, submits his report to the Northern Pipeline Agency. The report, titled Forgotten Land; Forgotten People, outlines proposals for dealing with the concerns respecting the pipeline project that were expressed by residents during the hearings.
- June 30, 1980: The United States Senate and House of Representatives unanimously approve a joint resolution which states that the Alaska Highway gas pipeline project plays an essential part in securing the nation's energy future and will receive the highest level of congressional support.
- July 3, 1980: The socio-economic and environmental terms and conditions to be applied to Foothills Pipe Lines (South B.C.) Ltd. and Foothills Pipe Lines (Alta.) Ltd. in building the Alaska Highway gas pipeline are passed by the Governor-in-Council.
- July 17, 1980: In a letter to Prime Minister Trudeau, President Carter states that the United States government has taken a number of major steps to ensure that the U.S. portion of the Alaska Highway gas pipeline is completed expeditiously.
- July 17, 1980: Sen. Olson announces federal government approval of pre-building the Canadian southern segments of the Alaska Highway gas pipeline. The government accepts United States assurances on the timely completion of the whole system within its territory, approves the National Energy Board amendment to Condition 12 of the Northern Pipeline Act with respect to financing of the pipeline, and approves a recommendation made by the Board authorizing Pan-Alberta Gas Ltd. to export additional gas through the pre-build section.
- July 22, 1980: Sen. Olson states he is satisfied Foothills Pipe Lines (Yukon) Ltd. has met the revised requirements on the financing of the gas pipeline in Canada.
- The Northern Pipeline Agency announces the acquisition of additional land rights by Foothills Pipe Lines (Alta.) Ltd. in the Sundre and Cochrane, Alberta areas has been approved.
- July 28, 1980: The Procurement Program developed by Foothills Pipe Lines (Yukon) Ltd. for construction of the Alaska Highway gas pipeline project is approved by Sen. Olson Minister responsible for the Northern Pipeline Agency.
- The Manpower Plan developed by Foothills Pipe Lines (Yukon) Ltd. for construction of the western leg of the pipeline in Alberta and southeastern British Columbia is approved by Sen. Olson.
- July 28, 1980: The Northern Pipeline Agency approves the socio-economic plans developed by Foothills Pipe Lines (South B.C.) Ltd. for construction of the gas pipeline in southern British Columbia. The plans outline business opportunities, opportunity measures, employee orientation, and public information programs.

- July 28, 1980: The Opportunity Measures Plan developed by Foothills Pipe Lines (Alta.) Ltd. for construction of the western leg in Alberta is approved by the Agency.
- The Agency also approves the plan for the protection of traditional harvesting and native cultural areas developed by Foothills Pipe Lines (Alta.) Ltd. for construction of the entire 1,312 km (755 mi) section of the Alaska Highway gas pipeline in Alberta.
- August 1, 1980: The Information Plan developed by Foothills Pipe Lines (Alta.) Ltd. for construction of the Alaska Highway pipeline in Alberta is approved by the Northern Pipeline Agency.
- Effective this date, Foothills Pipe Lines (Alta.) Ltd. has received all engineering approvals required for construction of the pre-build section of the western leg of the pipeline.
- August 5, 1980: Foothills Pipe Lines (South B.C.) Ltd. is authorized by the Designated Officer, William A. Scotland, to commence construction of the western leg of the Alaska Highway gas pipeline in the Flathead Ridge area in southeastern British Columbia.
- August 5, 1980: The Environmental Plans and Procedures Manuals developed by Foothills Pipe Lines (Alta.) Ltd. and Foothills Pipe Lines (South B.C.) Ltd. for construction of the western leg of the pipeline is approved by the Northern Pipeline Agency.
- August 8, 1980: Foothills Pipe Lines (Alta.) Ltd. is authorized by the Designated Officer, William A. Scotland, to commence construction of the western leg of the Alaska Highway gas pipeline in the area between Chain Lakes Park and the Old Man River.
- Effective this date, Foothills Pipe Lines (South B.C.) Ltd. has received all engineering approvals required for construction of the pre-build portion of the pipeline in southeastern British Columbia.
- August 27, 1980: The transfer of powers under several acts administered by other departments to the Northern Pipeline Agency is approved by the Governor-in-Council.
- Dec. 12, 1980: A Letter of Clarification is provided to the Northern Pipeline Agency of the 1979 Report of the Environmental Assessment Panel on the proposed Alaska Highway Gas Pipeline Project by Mr. Ewan R. Cotterill, Chairman of the Panel.
- March, 1981: Foothills Pipe Lines (South Yukon) Limited submitted routing documents for the pipeline in the vicinity of Whitehorse, Y.T.
- June, 1981: The Alaska Highway Gas Pipeline Project Environmental Assessment Panel held technical hearings in Whitehorse,

Y.T. on the routing alternatives in the Whitehorse-Ibex region.

- July, 1981: The Environmental Assessment Panel submitted its Routing Alternatives report to the Minister of the Environment.
- March, 1982: Foothills Pipe Lines (South Yukon) Limited submitted technical documents in March, 1982, as addenda to its 1979 Environmental Impact Statement.
- May 30, 1982: The Canadian and American Alaska Highway Gas Pipeline project sponsors announce a two year delay in the project. Operations are expected to begin in late 1989.
- June, 1982: The Alaska Highway Gas Pipeline Project Environmental Assessment Panel held technical hearings in Whitehorse, Y.T., June 7 - 12.
- September, 1982: The Alaska Highway Gas Pipeline Project Environmental Assessment Panel sends its final report to the Minister of the Environment, concluding that the preliminary environmental planning on the project is adequate.

2.2 The Proposal

The Alcan Project, as it was called in 1976, proposed to carry natural gas by pipeline from Prudhoe Bay to the continental United States. It was put forward by a consortium of companies but it would have been Foothills Pipelines (Yukon) that would be building the Yukon portion of the pipeline.

The proposed pipeline would follow the trans-Alaskan Pipeline south from Prudhoe Bay down to Fairbanks. It would then swing southeast, following the Alaska Highway across the Canadian border and through the southern Yukon into northern British Columbia, and then into Alberta where it would divide, before reaching the US again, passing through in southern Saskatchewan and southeastern BC.

This route covered 2,753.7 miles.

It was originally designed to operate at 1,260 psi with a 48 inch diameter pipe capable of carrying 2.4 billion cubic feet of natural gas per day. It was estimated that at the then current established reserves of Prudhoe Bay, the pipeline would be in operation for 25 years. Of course, further discoveries would lengthen this estimate.

At the time, the estimated cost of the proposed pipeline was \$7.3 billion.

The proposed pipeline was to be buried its entire length, rising above ground only at compressor and meter stations. Because of permafrost, the gas in the pipeline was to be chilled between Prudhoe Bay and a point about 50 miles inside the Alaska-Yukon border.

In the Yukon, the proposed route covered 513 miles and would have cost \$1.3 billion. It would enter the Yukon at Beaver Creek, run southeast across the Yukon, and enter BC southeast of Watson Lake. The pipeline's 120 foot right-of-way would have followed approximately the route of the Alaska Highway so that the road could provide access both for construction and operation.

Six compressor stations were originally proposed to be installed in the Yukon

The pipeline company planned to supply natural gas to Yukon communities from the main pipeline. The amount supplied to these communities would be replaced by gas obtained in Alberta so that the amount of gas reaching the US would be the same as leaving Alaska. Approximately 35 miles of laterals would be built as an integral part of the mainline construction program and would service eight communities – Beaver Creek, Burwash Landing, Destruction Bay, Haines Junction, Whitehorse, Teslin, Upper Liard, and Watson Lake. The estimated cost to construct the laterals would be \$2.3 million that would be absorbed into the cost of the main line.

Users would then pay a price equal to the Alberta Border price plus the cost of local distribution.

The pipeline company also proposed to contribute \$2,500 per potential residential user of gas by way of a subsidy for the construction of laterals to other Yukon communities.

2.2.1 Construction Phase

Construction in Yukon was to have occurred for a total of 22 months. The Yukon portion of the project was divided into seven sections. The three most northerly sections were to be constructed over two winter seasons – January to March. The remaining four southerly sections were to be built in the two summer seasons – June to November.

A total of approximately 800 persons would be directly employed on each of the seven pipeline “spreads”.

The following was an estimate by the pipeline company of the number of persons employed on the pipeline construction each season:

- 1st summer – 2,100 total
- 1st winter – 2,000 total
- 2nd summer – 2,300 total
- 2nd winter – 1,000 total

2.2.2 Operations Phase

During the operating phase of the pipeline, the pipeline company proposed to employ approximately 200 people. Of this, 22 would be located at each of the four service centres located at Beaver Creek, Haines Junction, Teslin, and Watson lake. An addition 12 employees would be stationed at Watson Lake but would work on the northern BC portion of the pipeline.

The remaining 100 employees would work out of the head office located in Whitehorse.

3.0 ALTERNATE ROUTES

3.1 The Klondike Highway Alternative

This alternative, (see Figure 6), only came into prominence the last ten days of the NEB hearings. This route would come into the Yukon at Boundary, Alaska and then follow Highway 3 across an upland of the Klondike Plateau to the vicinity of Dawson City. From near Stewart Crossing, the route would follow the Klondike Highway south to Whitehorse. Between Boundary, Alaska and Watson Lake this route would pass near nine Yukon communities – Clinton Creek, Dawson, Stewart Crossing, Pelly Crossing, Carmacks, Whitehorse, Teslin, Upper Liard, and Watson Lake. The distance would be 613 miles long in the Yukon, as compared to 513 miles for the Alaska Highway route.

The NEB selected this route because it “would bring a major new source of energy at reasonable prices to the mining activities in the vicinity of the Klondike Highway” (1-168). As well, the NEB stated that “Environmentally, the [Dawson Route] would be in an existing transportation corridor and would avoid skirting the sensitive Kluane National Park and avoid the Shakwak Fault. It would reduce the cost of transportation of Delta gas by about 12 cents per Mcf” (1-167). The Lysyk Inquiry also pointed out that this route would pass near the sites of three potential hydroelectric developments.

Interestingly enough, throughout the Lysyk Inquiry hearings, no one expressed a preference for the Klondike Highway route.

3.2 The Tintina Trench Alternative

The Tintina Trench is a straight valley 3 to 14 miles wide, which extends for about 380 miles in the Yukon from the Pelly Mountains to the Alaska – Yukon border. A pipeline route that stayed in the Tintina Trench itself would run about 515 miles from Boundary, Alaska to Watson Lake, about the same mileage as the Yukon portion of the Alaska Highway route. If the Tintina Trench route were to follow existing roads for its entire length (Klondike Highway, Faro Road, Robert Campbell Highway) it would require about 584 miles of right - of - way through the Yukon.

It was presented to the Inquiry that an industrial corridor comprising of the pipeline, roads, railroads, and transmission lines should be considered. Most of the economical feasible ore reserves known at that time were found near the Tintina Trench and 5 potential hydroelectric sites were situated along the Tintina Trench as well.

3.3 Recommendations

The Inquiry recommended that:

- Any Government of Canada approval should be given for an undefined route within a broad zone bounded on the south by the Alaska Highway and in the north by the Tintina Trench;
- The pipeline company should be required to provide sufficient information on the two alternatives to permit an informed choice among the three routes; and,
- The Planning and Regulatory Agency inquire into (by way of public hearings) and report on the relative merits of the three routes having regard for social, economic, and environmental considerations.

4.0 EMPLOYMENT AND TRAINING

4.1 Construction Phase

4.1.1 Labour: Supply and Demand

The following was an estimate by the pipeline company of the number of persons who would be employed on the pipeline construction each season:

- 1st summer – 2,100 total
- 1st winter – 2,000 total
- 2nd summer – 2,300 total
- 2nd winter – 1,000 total

Foothills organized the required labour force into four skill classifications.

- Class 1. Skilled work, with extensive experience or qualifications in pipeline construction.
- Class 2. Skilled construction – oriented labour, not necessarily related to pipeline construction.
- Class 3. Clerical work or handling light equipment.
- Class 4. Unskilled or inexperienced labour.

Foothills estimated that 35 % of the jobs would fall within Class 1, a class that in the pipeline company's opinion, would not include any Yukoners. The rest, however, could be filled by Yukoners which would translate to approximately 1,500 jobs during the peak construction period.

Foothills, at that time, estimated that some 600 unemployed Yukoners possessed skills that could be used in pipeline construction. They assumed that few Yukoners would give up their long term current employment to take short – term jobs in pipeline construction.

Based on the experience of the Alyeska Pipeline, the Inquiry felt that the pipeline company underestimated both the number of total jobs required and the number of Yukoners who would be lured from their current employment by the attraction of higher, albeit, short – term, wages on pipeline construction.

Many Yukoners expressed the concern that jobs would not be made available for Yukoners when the construction began.

4.1.2 Hiring and Employment Policy

Foothills proposed to use a hiring policy that would guarantee preferential employment for Yukoners in all aspects of the project.

The basic principles were as follows:

- The use of Union Hiring Halls based in the south. This would stop outsiders from in – migrating to the Yukon hoping to find high – wage employment.
- The policy of Preferential Hiring of Yukon Residents. This required a definition of a Yukon Resident.
- The establishment of a single agency known as the **Manpower Delivery Service** (Service). This would ensure that all interested Yukoners may obtain work on the pipeline.
- The establishment of a policy that prohibits outsiders from applying in the Yukon for pipeline employment.

Both the Yukon Government and the pipeline unions generally agreed with this policy. The Government recommended a preferential system for pipeline employment with three levels of priority:

1. *Permanent Yukon Resident* – defined as a person who has been ordinarily resident in the Yukon for 5 years.
2. *Yukon Resident* – defined as a person who has been a resident on or before July 15, 1977.
3. *Qualified Residents of the Northwest Territories* – defined as any worker resident north of the 60th parallel.

4.1.3 Training Policy

The pipeline company made only very general comments about the training of Yukon residents in new skills for the construction phase of the pipeline.

The Inquiry felt that the pipeline company underestimated the useful role that the construction could serve to enable many Yukoners to acquire valuable skills. The only lasting benefit of the pipeline construction to the Indian people, in the Inquiry's opinion, would be the acquisition of useful skills during the construction phase.

The Inquiry, as well as the building trade unions, wanted emphasis placed on pre-job and on-the-job training programs that would be continuous and transferable to other activities in the Yukon.

4.1.4 Recommendations

1. Manpower Delivery Service

This agency would enable Yukoners to go directly from their homes to training or employment on pipeline construction. It should be independent of and function apart from existing government employment services and should encompass all pipeline and related construction work, including the activities of subcontractors, that are carried out in the Yukon.

The Service should be subject to the authority of the Planning and Regulatory Agency mentioned earlier. Its central role would be to assist Yukoners to find training and employment opportunities on a preferred basis.

A secondary role would be to approve, supervise and monitor the various programs initiated by the pipeline company to carry out specific training and employment policies spelled out in the Inquiry Report and set by the Service's policy board.

2. Definition of a Yukoner

The Inquiry recommended the following two definitions:

- For the purpose of pipeline employment, preference will be given to "Yukon Residents", defined as those persons who were resident in the Yukon on or before August 1, 1977
- For the purpose of eligibility for training programs, preference will be given to "Permanent Yukon Residents", defined as persons who have been ordinarily resident in the Yukon for five years prior to August 1, 1977.

3. Work Force Breakdown

The pipeline company should submit a detailed breakdown of the entire work force of the project by job position including projected starting date of the job and its duration, details of the skills required, and its location.

4. Community Information Program

This program should inform Yukon communities of the opportunities for training and employment on the project. It should be coupled with a broad orientation

program that would prepare Yukoners for employment on the project and inform them about such matters as union membership and life in a construction camp.

5. Southern Advertising Program

This program should be instituted to discourage southern Canadians and Americans from travelling to the Yukon without having already secured employment here.

6. Yukon Resident Registry Program

A program must be set up to register all Permanent Yukon Residents and Yukon Residents in order to refer them for employment and training positions.

7. Institutional Training Programs

These programs must be set up prior to and during the construction phase to enable Permanent Yukon Residents to gain skills that they could use during pipeline construction. The pipeline company, its contractors, and the unions should submit joint plans of procedure to the Service for approval.

8. Job Counselling

There must be adequate job counselling on the work sites to assist Yukon residents and especially Permanent Yukon Residents with any problems that might arise during camp life.

9. A Communication System

An efficient communication system must be established that will connect the Service's offices with the Yukon communities, the offices of the pipeline company, the offices of the contractors and subcontractors, the union hiring halls, and the construction camps.

10. The Preference System

This system must require that the pipeline company and all its contractors and subcontractors submit every job and on – the – job training position, including all administrative, clerical, and logistics positions to the Service. The Inquiry differed with the pipeline company on the operation of the Preference System. The company suggested that a Yukon Resident would be preferred to non – Yukon Resident when employment qualifications were *equal*, whereas the Inquiry felt that the Service should match Yukon Residents to job positions on a *preferred* basis.

11. Employment Records

The pipeline company would be responsible for keeping adequate employment records so that the Service can monitor the work force of the project.

12. Orientation Program

The pipeline company should offer an orientation program to all contractor and subcontract supervisory staff to explain the purpose and operations of the Service, and of its job – site training, cultural and counselling programs.

4.1.5 Costs

The pipeline company should bear all costs of the Service and carry out all training and employment programs.

4.1.6 Enforcement

Should the Service determine that the pipeline company, or its contractors or subcontractors, or its unions had breached the preference system agreed upon, the Service should support the matter to the Planning and Regulatory Agency who would have the power to impose sanctions on the company.

4.1.7 Timing

It was determined vitally important that the Service should begin to operate as soon as possible after the government had given an approval – in – principle permit for the construction of the pipeline across the southern Yukon.

Assessment of the skill and experience of potential trainees should begin early on in the process as well. The long – term training programs should begin soon thereafter.

4.1.8 Women in the Work Force

All employment and training positions should be open to both men and women equally.

4.2 Operation and Maintenance Phase

4.2.1 Hiring and Employment Policy

In the opinion of the Inquiry, one of the few long term benefits of the project would be the relatively few permanent jobs – slightly more than 200 – that would be required to operate and maintain the Yukon section of the pipeline. According

to the pipeline company, approximately 50% of these jobs would be made up of Yukoners.

It was the intention of the pipeline company to eventually fill all of the permanent Yukon jobs with Yukoners.

4.2.2 Training Policy

The pipeline company proposed to use Nortran, at that time an existing training program that provided on – the – job training, complemented by a variety of institutional programs over the full range of positions available on an operating pipeline. At that point in time, Nortran had concentrated on training individuals with few skills and relatively little education. The program was limited to northerners and was jointly owned and operated by Alberta Gas Trunk Line (now Nova) and Westcoast Transmission.

4.2.3 Recommendations

1. Expanded Nortran Program

The pipeline company must launch an expanded Nortran training program immediately on receipt of the approval – in – principle permit of the pipeline through southern Yukon.

2. Funding

The Nortran Program should be funded by the pipeline company but approved and monitored by the Agency. If the Agency ceased to exist after the construction phase of the project, then this responsibility should pass to the Government of Yukon.

4.3 A Project Agreement: Unions, Contractors and Foothills

The construction of this pipeline would be a unionized project and subsequently, an agreement with the unions would be negotiated. A special agreement, or several special agreements, would be necessary to cover labour relations for the pipeline as follows:

- A special project agreement was “essential in order to ensure that there will be no strike disrupting the building of this line”;
- A project agreement must be struck to set out the scope of union jurisdiction over the pipeline project; and,

- A special project agreement must be negotiated to deal with matters that are not part of the standard agreements, such as a hiring preference for Yukon workers, a Manpower Delivery Service, etc.

4.3.1 A Project Agreement for the Yukon

Foothills policy was that it would not be a party to negotiations between unions and the contractors but it would be kept informed of these negotiations. There was an inherent problem here in that any pipeline permit or approval – in – principle which would contain stipulations regarding employment and training would be given to Foothills, not the contractors. Therefore Foothills appeared ready to leave these important employment matters to a negotiating process in which it played no part.

The Inquiry felt that to avoid the problem of the pipeline company's employment and training policies being constrained by the collective bargaining process, the terms and conditions of employment must be binding and enforceable on all parties affected by them. So, to guarantee that all of the requirements of any approval – in – principle permit were adhered to by the contractors and subcontractors, the pipeline company should be required to give assurance that the stipulations of its permit were a term of all project contracts. Any violation of them should be deemed to be a fundamental breach of contract.

4.3.2 Recommendations

The Inquiry recommended that a special three party project agreement be struck among the contractors, the unions and the pipeline company.

This special agreement should reflect compliance with the stipulations of the permit and must supersede provisions in any agreement that inhibits implementation of these stipulations.

An additional requirement in the permit should be that before any union or contractor began to work on the project, a special licence should be granted from the Agency, who would be an observer at the negotiations.

As well, the pipeline company must ensure that local businesses and companies that are not unionized would still have access to the project.

5.0 ECONOMIC IMPACT

5.1 In – migration

During construction of the Alyeska Pipeline, an estimated 80,000 to 100,000 people migrated to Alaska (approx. 1/3 of the total population) looking for work. Pressures created by these in – migrants intensified the dislocations that are inevitably caused by massive projects of economic development. Local economies were destabilized, the demand for government and commercial services escalated, and the rate of inflation rose far more quickly than that of the United States as a whole.

The Inquiry was concerned that, given the small and widely dispersed population of the Yukon, its local infrastructures seemed even less capable of accommodating a large influx of in – migrants than was the case in Alaska. The history of the Yukon offered numerous examples of large, volatile, and virtually uncontrolled movements of population and of sudden growth, accompanied by short – term benefits, followed by a severe economic decline and human distress.

All witnesses presenting evidence before this Inquiry, regardless of their attitudes towards the pipeline, were unanimous in insisting that, if the project was to proceed, it must do so in a controlled and orderly manner.

To ensure orderly growth, the Inquiry felt that two controls would be essential:

1. In – migration must be restricted to those people actually required for the construction of the project; and,
2. Measures must be devised that would minimize the adverse economic and social effects on the local communities caused by the in – migrants who come to work, or look for work, on the pipeline.

5.1.1 Estimating In – migration

The pipeline company felt that most in – migrants would remain for a short time and then move on if there was no work. They compared this phenomenon to that of the Yukon's tourist season when about 300,000 people visited the Yukon annually. However, the Urban and Rural Systems Associates (URSA) offered a more trenchant criticism to the Inquiry.

Based on an investigation of in – migration to Alaska during the Alyeska Pipeline construction, the URSA panel estimated that approximately 1,800 jobs would be created elsewhere in the Yukon economy during the period of peak construction. They concluded that between 20,000 and 30,000 in – migrants would be drawn

to the Yukon during that two year period, and that the project would generate an annual average net population increase of between 6,000 and 8,000 persons in each year.

The Inquiry stated that there were three main criticisms levelled at the pipeline company's estimates. First, it was felt that the pipeline company had underestimated the labour force that would be required to complete the project. Second, the pipeline company had underestimated the effect the project would have in stimulating other sectors of the economy, and third, the pipeline company had erred in assuming that an unemployment rate of 12% in the Yukon would act as a deterrent to in – migration.

5.1.2 Manpower Requirements

It was felt that the pipeline company estimate of productivity during pipeline construction was overly optimistic considering that they used productivity rates 20% higher than the rates used for American workers on the Alaskan portion of the route.

Also, any change in route would alter the manpower requirements dramatically. The Dawson diversion and the Tintina routes are approximately 20% and 10% longer, respectively, than the Alaska Highway route.

In standing by its estimates, the pipeline company also denied that the gross underestimation that occurred on the Alyeska project, for which only 6,000 to 8,000 workers were thought to be necessary while 24,000 were ultimately required, would be repeated in this project.

5.1.3 Induced Jobs

The inquiry felt that the pipeline company, in claiming that a maximum of 420 jobs would be created in sectors of the economy other than pipeline construction, underestimated the impact of its own project on the Yukon economy. The URSA panel projected that the multiplier effect would be significantly higher than the pipeline company's estimate and that 1,800 secondary and indirect jobs would be generated during the peak employment period of 2,300 people.

It seemed certain that most of these jobs would be filled by in – migrants. In addition to these induced jobs, many Yukoners would likely transfer to the higher paying pipeline construction employment, leaving openings available for in – migrants who could not obtain employment on the pipeline.

5.1.4 Unemployment

Experience with other similar projects indicated that, despite the rapid growth in job opportunities, the number of in – migrants would initially raise the rate of unemployment above the rate that existed before the project began.

The Alaskan experience demonstrated that the unemployment alone did not deter in – migration.

5.2 Local Economy

In testimony before the Inquiry, the Yukon business community indicated strong support for the construction of a pipeline.

5.2.1 Prices and Quality of Service

During the construction phase of the pipeline, increased aggregate demands created by the project's requirements and by the requirements of in – migrants would create severe inflationary pressures, because the expansion necessary to increase supply would lag behind the growing demand.

During construction of the Alyeska pipeline, the rate of inflation in Anchorage was approximately 30% higher than the national rate. In addition to bearing the costs of expansion and inflation, Yukon residents worried that they would suffer deteriorating services. The pressure on businesses and services to meet the schedules of the largest customers would often supercede concern for meeting the demands of local smaller customers.

Also, a high rate of turnover would reduce the quality of service. The turnover of staff in Alaskan banks, for example, in 1975 was more than 100%.

5.2.2 Local Business Participation

To accomplish the objective of maximizing the participation of local businesses, the pipeline company had initiated discussions with the Whitehorse Chamber of Commerce, the Yukon Contractors Association, etc. These discussions were designed to:

1. Ensure that Yukon businessmen were aware of the opportunities to participate in and benefit from the construction and operation of the proposed pipeline;
2. Ensure that the pipeline company's purchasing policies reflected any special circumstances or needs of Yukon businessmen; and,

3. Develop a bidder's list composed of potential Yukon suppliers of goods and services to the pipeline project.

Long lead times, before construction begins, would be of greatest benefit to small businesses, for it would enable them to make long – term plans for expansion, training new employees, and stocking inventory.

5.2.3 Local Inflation

Apprehension was expressed in almost every community about the expected inflation the pipeline construction would cause. Concern at the community hearings centred around those individuals on fixed incomes, low incomes, senior citizens, and those on social assistance programs.

The pipeline company felt that local businesses could realize certain economies of scale with higher sales volumes, more efficient use of capacity, a more rapid turnover of inventory, and the ability to operate year – round. Many local businessmen supported this view and agreed that the project could be managed without runaway inflation.

However, a number of parties questioned this optimism. It was felt that price increases would affect the Yukon business and labour communities unevenly. The experience in Alaska was that, although all sections of the labour force saw their income rise during the years of pipeline construction, the wages for almost 40% of the labour force did not rise as rapidly as the rate of inflation. Government employees, office workers, and persons working in retail outlets, such as general merchandise, clothing, and food stores, and in service industries, such as hotels, were particularly affected. Individuals who lived by mixed or a land – based economy would also suffer disproportionately from inflation.

5.2.4 Recommendations

1. Compensation

The Inquiry felt that compensation should be paid to people who could not participate directly in the benefits of construction, but who suffered from inflation that it would induce. A system of compensatory payments, paid for out of tax revenues generated by the project, might be necessary.

2. Supplementary Payments

The Inquiry felt that supplementary payments to Yukoners receiving old – age pension payments, social assistance payments, and unemployment insurance compensation should be paid for out of this fund and tied to the inflation differential between Yukon and the rest of Canada.

3. Price Indexing

The Inquiry also recommended that the price of certain staple commodities or services should be controlled or subsidized.

4. Rent – Control

It was also recommended that the Yukon government should implement a rent – control program for residential premises as soon as possible.

5.2.5 Impacts on Various Economic Sectors

5.2.5.1 Mining

Although the Yukon Mine Operators Association did not actually oppose the pipeline, they refrained from supporting it, because the Association did not anticipate any direct benefits to its members from it. They expressed concerns about labour scarcities, particularly in the skilled trades, and increased transportation costs and disruptions.

5.2.5.2 Tourism

Because tourism is highly dependent on Yukon's road system and accommodation and service industry, it was felt that it would suffer during the construction of the pipeline. It would also be subject to the same inflationary pressures as Yukoners would during the project.

5.2.5.3 Transportation

The Yukon transportation industry would be used to capacity. If a pipeline was built across the southern Yukon, transportation firms would have to lay out considerable capital to equip themselves for the demands of the project.

The pipeline company planned to make extensive use of the Whitehorse airport and the smaller airports along the route. More than \$2 million would be required to upgrade airports at Beaver Creek, Burwash Landing, Haines Junction, and Teslin if the Alaska Highway route were chosen. If one of the other two routes was chosen, the same upgrading would have to be done to airports along those routes as well as extensive renovations to the Dawson airport which would become the prime staging point.

5.2.5.4 Retailers and Small Business

During construction of the pipeline, extraordinary demands would be placed on such services as banks, insurance companies, hotels, motels, and retail stores

by pipeline personnel and in – migrants. Planning would be required to enable small businesses to overcome problems caused by staff turnover and tendencies to overcapitalize.

5.2.5.5 Construction and Housing

Concern was raised that the pipeline project would result in the construction industry operating at full capacity if other major construction projects were scheduled at the same time. As a matter of policy, the Government of the Yukon announced that it would not initiate any conflicting projects during pipeline construction.

Most empty apartments were unfurnished, and the ability of existing housing to accommodate large numbers of newcomers was questionable.

5.2.5.6 Communications

Pipeline construction activities would pose special problems for the communications system; and the demand for new telephones, long distance connections, and more sophisticated equipment would tax the system. Considerable capital investment would be required to enable the communication system to cope with the demands placed on it.

5.2.6 The Land – Based Economy and the Mixed Economy

There would likely be a significant adverse effect on the people whose existence was dependent on the land. The effect of inflation was discussed earlier. In addition, competition for renewable resources, such as game and fish, would come from pipeline workers and from the increased population. The construction activity itself would also drive game away from the construction areas. In economic terms, the cumulative effect would be to increase the costs of engaging in land – based activities – more labour to obtain the same catch would have to be spent than was invested prior to construction.

The pipeline company had a policy with respect to compensation for any damage suffered by trappers. The Inquiry supported this policy as well as recommending gun – control rules on pipeline workers and other in – migrants.

5.2.7 Local Entrepreneurship

The period of increased economic activity in the Yukon would offer an opportune time for establishing new local businesses to provide goods and services, such as right – of – way clearing, trucking, and gravel supply to the pipeline project and related developments. The cooperation of the pipeline company should be obtained so that any fledgling companies would be placed on a local businesses bidders' list, so that orders would be forthcoming.

Arrangements could be made to include contracts which might be granted to groups of individuals to supply services that might otherwise be supplied by companies. This arrangement would enable broader participation by people who were committed to a mixed or land – based economy, and whose work tendencies would not be compatible with the pipeline working conditions as established in collective agreements.

Sufficient seed money should be provided to these companies through the Yukon Heritage Fund which is described further in this Synopsis.

5.3 Compensation

Many persons at the hearings expressed concern that the building and operation of the pipeline would cause physical damage to their property or livelihood. The Inquiry recommended a generalized set of procedures to ensure expeditious settlement of all claims based on specific damage to individuals or groups. The process would have the following principles:

- Independent with capacity to impose decisions binding on the individuals and pipeline company alike;
- Consultation with communities for details of procedures;
- Procedures should work expeditiously with a minimum of formality;
- Compensation to be paid whenever damage occurred that was reasonably traced to the project and was caused by either the company, its employees, contractors or subcontractors; and
- The onus would be on the pipeline company to show that a claim was not valid.

5.4 Government Revenues and Expenditures

Each level of government would require funds to plan and act to minimize the negative impacts of the project. For example, increased demand on local health services and housing construction would necessitate an expansion of territorial and municipal services. These effects would exist not only during the pipeline construction but would be felt for many years afterwards. As the Alaskan experience showed, significant government costs were incurred both before and during the construction period. However, government revenues did not appear until during or after construction.

The Inquiry felt that it might be necessary to have a scheme devised whereby tax payments could be advanced to the government during the pre - construction

period to offset pipeline – related costs at that time. As well, the Heritage Fund mentioned earlier could be a source of short – term loans.

5.4.1 The Government Structure

5.4.1.1 The Government of Yukon

The Yukon budget, although it was normally passed in the Yukon Legislature, must first have been passed by the Department of Indian Affairs and Northern Development. Revenue generated by the Territory from such sources as taxes on property, liquor and cigarettes, and licences only accounted for a portion of the annual Territorial budget. The remainder of the budget funding came from cost sharing agreements with the federal government, capital and amortization recoveries, and capital and operating grants from the federal government.

5.4.1.2 Federal Government

The federal government delivered many services to Yukoners because of its political relation with the Yukon. There was a great deal of joint Yukon and federal responsibility.

5.4.1.3 Local Government

There were only three municipalities in the Yukon at the time of the Inquiry; Whitehorse, Dawson and the town of Faro. Only the Yukon government and these three municipalities were empowered to levy general property taxes and school taxes. Four communities, Mayo, Teslin, Haines Junction, and Watson Lake, were local improvement districts. Most other Yukoners lived in what were termed as unorganized communities, in which the Yukon government administered zoning regulations, sewage system planning, and community development.

5.4.2 Revenue and Expenditure Estimates

The pipeline company estimated that pipeline – induced revenues would exceed pipeline – induced expenditures by between \$5 million and \$7 million during the years of construction. In the first three years of operation, this net gain would be \$3.9 million annually, but in succeeding years, when the pipeline company would begin to show a profit, the net gain would climb to over \$12 million.

The Yukon government was considerably less optimistic about this net gain, during both the construction phase and the operating phase. It forecast a net gain of \$200 thousand in the last year of construction, and approximately \$6.5 million annually during the operating phase of the pipeline.

The inquiry felt that before a conclusion could be drawn that pipeline – generated public revenues would be greater than the increased costs attributable to the pipeline, a more detailed analysis of the effect of the pipeline on government expenditures and revenues would be required.

5.4.3 Analysis of Taxes

5.4.3.1 General

In terms of taxation, an important problem for the legislative assembly arose from the historical dependency of the Yukon government on the federal government. The Yukon had neither a sales tax nor an income tax. Therefore, the Yukon government, in its attempts to become less dependent on the federal government, attached great importance on its ability to generate more revenue from its own taxation system.

5.4.3.2 Sales Tax

The Government of the Yukon, during the Inquiry, discussed the revenue potential of a sales tax. However, the Inquiry questioned whether the sales tax would generate significant revenue and subsequently recommended against it.

5.4.3.3 Property Tax

In the Inquiry's opinion, the most important potential source of long – term revenue from the pipeline company's project was the application of the local property tax to the pipeline.

The Yukon government made forecasts of revenue from a property tax on the pipeline and other property of the company based on the Alberta Assessment Manual.

The Inquiry felt that more valid method of assessing the pipeline for property tax purposes would be a taxation value based on the cost of its production, which, in the case of a pipeline, is the cost of construction. This was the approach used by the Alaska State Government for the Alyeska Pipeline and would probably be the approach taken in an evaluation of the Alaska section of the natural gas line.

The inquiry was concerned that taxing the pipeline at a rate less than the rate at which Alaska would probably be taxing the same pipeline could only result in an undue tax saving by the pipeline company, and ultimately, by the American consumer. No benefit would go to the Yukon resident from a preferential tax treatment of a pipeline that primarily serves non – Yukon consumers.

5.4.3.4 Recommendations

1. A Detailed Study

A detailed study, taking into account inflation, all possible social and economic impacts, in – migration, and the capacities of existing government departments should be undertaken once a route is selected. The taxpayer in the Yukon should not subsidize the pipeline company or the American consumer.

2. Taxation Policy

The taxation policy should be similar to that of Alaska's and therefore the pipeline and related facilities should be assessed at approximately 30 % of their actual construction costs.

3. Yukon Heritage Fund

Commencing in the first year that gas flows through the pipeline, one – half of the property tax received should be paid to the Yukon Heritage Fund. Before that time, all revenues should go to the Government of the Yukon.

4. No Sales Tax

If these recommendations are followed, the government should not find it necessary to implement a sales tax.

5.5 Gas Supply to the Communities

The geographical location of the Yukon was reflected in the fact that the per capita consumption of electricity was much higher than the average Canadian consumption. Fuel oil was the staple source of heat for many homes in the Yukon and it was also used to generate electricity. Some Yukoners continued to use wood as their primary heating fuel.

5.5.1 The Proposal

The pipeline company planned to supply natural gas to Yukon communities as an integral part of the main pipeline. The amount supplied to these communities would be replaced by gas obtained in Alberta, so that the amount of gas reaching the United States would be the same as leaving Alaska.

Eight communities; Beaver Creek, Burwash Landing, Destruction Bay, Haines Junction, Whitehorse, Teslin, Upper Liard, and Watson Lake, would be served by laterals constructed at the same time as the mainline. The cost of these laterals

would be added to the total cost of the project and shared among all consumers of the natural gas.

Approximately 35 miles of lateral would be constructed at a cost of \$2.3 million and the users of the gas would pay a price equal to the Alberta Border Price plus the cost of local distribution. The communities or the Yukon government would be responsible for constructing local distribution lines to deliver the gas to individual consumers.

The pipeline company also proposed to contribute \$2,500 per potential residential user of gas by way of a subsidy for the construction of laterals to other Yukon communities.

There would be considerable savings by substituting natural gas for fuel oil and electricity in all the communities, except Whitehorse, where the difference in cost between electricity and gas was not significant. The pipeline company said that, if the Tintina Trench route were chosen, it would not be economical to build a lateral to supply gas to Whitehorse because of the competition from electrical power.

5.5.2 Electricity, Fuel Oil and Wood

The pipeline company proposed to effect large savings in fuel oil costs for the users in four communities along the Alaska Highway: Beaver Creek, Watson Lake, Teslin, and Destruction Bay. Fuel oil prices were very high in these communities, and electricity in them was generated by fuel oil.

Smaller savings were predicted for fuel oil users in Whitehorse and Haines Junction. The pipeline company admitted that there would be no incentive for the Whitehorse consumer who heated with electricity to convert to natural gas.

There was also evidence that in at least two of the communities, Upper Liard and Burwash Landing, natural gas would not be competitive with wood, the existing fuel source.

The Inquiry felt that, in essence, the pipeline company's proposal was to transport natural gas to American consumers. There was no economic incentive for the pipeline company to encourage the consumption of natural gas in the Yukon. The value of the supply of gas to the Yukon, in the Inquiry's opinion, was unlikely to be of material, long – term benefit to Yukoners, contrary to what many Yukoners thought.

Nevertheless, the Inquiry felt that the pipeline company should be required to build the proposed laterals and the proposal to subsidize potential users should be made a condition of the grant of a right – of – way.

As well, the pipeline company should be required to supply natural gas to all users, industrial or otherwise, using a base price of the Alberta Border Price.

5.6 Electrification of the Pipeline

To offset the negative impact of the pipeline project on the mining industry, the pipeline could be used as a toll to stimulate hydroelectric development. One of the potential stimulants for a hydroelectric development would be the guarantee of a base – load demand for power from the compressor stations along the pipeline route.

The Inquiry suggested that the Northern Canada Power Commission should undertake further study to determine whether or not electricity could be supplied to the pipeline at a rate competitive with the cost of the gas that would be saved. The study should assume that the pipeline company could convert its compressor stations to electricity, and that the conversion would be done if the Northern Canada Power Commission could supply electricity at any given station at a stipulated price.

6.0 SOCIAL IMPACT

6.1 Yukon Communities

In assessing the social impact of the proposed pipeline, the Inquiry felt that it was impossible to ignore the varied origins and characteristics of the Yukon settlements. Similarly, to understand the communities themselves, it was necessary to take into account the perspectives of their residents, and to understand the complexity of the attitudes and activities that shaped their lives.

6.1.1 The Changing Population

One of the subjects most commonly addressed at the community hearings was that of previous experience of developments in the Yukon, and the changes or disruptions they had caused to people's lives.

The Inquiry felt that it was important to examine briefly the relation between past developments and past population increases and declines in the Yukon. This would provide a context in which to place predictions concerning the possible effects of construction – related in – migration as well as some background to the attitudes that Yukoners held toward these developments.

6.1.2 Attitudes Towards Development

The different impacts of Yukon's major developments had left people with differing views about future development. One of the themes that ran steadily through the testimony at the hearings was that no previous development had been regarded as an unmixed blessing. Even those who felt that the overall result of boom – or – bust developments had been positive, took into account some of the negative effects.

For some communities and some observers, the overall effect of past developments had been good, and they were confident that they could use their experience of the past to help them profit more fully from any future developments. Others expressed their feelings that past developments had, on balance, had a negative effect on them and their communities. Yet, they too, stressed the need to learn from past experience and to carefully plan for the future.

One of the conclusions that the Inquiry made is that, although Yukoners differed with one another about the effects of the proposed pipeline, they differed in degree rather than in substance.

6.2 Assessing the Pipeline's Impact

6.2.1 The Importance of Information

The Inquiry was told frequently during the hearings that the all – pervasive problem in attempting to assess the social impact of the proposed pipeline was the almost total lack of base – line information. The failure to accumulate and use basic data would have long – range implications because without an accurate indication of past trends, analyzing current trends would become difficult, if not, impossible.

6.2.2 Information About Subsistence

It seemed probable to the Inquiry that, to provide for themselves and their families, some – perhaps many – Yukoners engaged in various resource harvesting activities in the course of the year. Unconventional methods of research would be necessary to accurately accumulate this information. It was the Inquiry's assertion that investigation of this subject might well have supported the claim that subsistence hunting was more heavily relied upon than anticipated by government sources.

6.2.3 The Applicant's Proposal

According to the pipeline company's plan, workers would be recruited in southern Canada, flown to the Yukon and then bussed directly to the work camps. These would be located away from existing communities and would be almost completely self – contained, with facilities for routine medical treatment, alcohol counselling programs, and recreation. The camps would include taverns from which non – employees would be excluded. The workers would not be allowed to bring their families with them, their vehicles would be prohibited from the camps, and, when on rest leave, they would be bussed directly to the airport for transport south.

However, it was found that workers on the Alyeska pipeline staged a successful rebellion against camp life and won the right to live in the city. With union support, they even gained housing subsidies.

Further, by the pipeline company's estimates, some 600 workers would be Yukoners who would be more inclined to live at home and commute by automobile to the camps.

Also, the self – contained camp concept only would apply to pipeline company employees and primary contractors, not to the workers of secondary or indirect employment. These people would not be subject to the camp containment policy.

Accordingly, the containment policy was regarded as a desirable, but only a partial, mitigating force on social impact.

Therefore, it was felt that preparations and projections should take account, not only of southern construction workers, but also of those from the Yukon who might have been directly employed on the project; of those holding or seeking secondary and indirect employment, whether they are Yukoners or outsiders; of dependents of these people; and of the impact of a whole range of economic problems, such as inflation, that the construction phase would create.

6.3 Social Impact

Researchers who had studied the impact of the Alyeska Pipeline on Alaskan cities told the Inquiry that many of the problems that occurred there during the period of construction had been evident before construction began. For the Yukon, the Inquiry felt that in – migration and the pressures associated with pipeline construction would certainly increase the strain on existing facilities.

As well, it was felt that efforts to identify social problems requiring new solutions would be seen as a low priority in the face of pipeline demands. To lose these initiatives for the entire three – year construction phase would have serious long – term consequences.

6.3.1 Health and Welfare

It was felt that the pressure on medical facilities would increase because of increased industrial and traffic accidents as well as pre – employment medical examinations.

A survey conducted in Fairbanks during the Alyeska Pipeline construction indicated that the economic gains of Fairbanks families were earned by spending more time at work and less time together as a family or in recreational activities. There is evidence that the trade – offs involved some form of malaise and ill health. Two of the most striking indicators were that the admissions of new patients to the mental health clinic increased between 40% and 50% in one year and that the total number of divorce actions increased 100% in the same year.

The Fairbanks North Star Borough also found that social services had to deal with an increased number of children left alone for long periods at a time.

The inquiry recommended that steps be taken to provide adequate day – care centres in the Yukon in anticipation of pipeline construction.

6.3.2 Education

Many Yukoners expressed concern about the continuing ability of their communities to provide quality education. Witnesses from many of the smaller communities were hopeful that, as a consequence of the project, their population would increase sufficiently to warrant more grades being offered in the local schools.

6.3.3 Housing and Community Planning

The pipeline company's position was that there was sufficient slack in local rental accommodation, and enough lots under development to meet the anticipated housing demand of their personnel and other workers employed on the project.

However, the URSA panel submitted evidence that many southerners would be accustomed to higher standards of accommodation than they would readily find in Whitehorse, and that, in the area of high quality housing, Whitehorse was lacking. At the opposite extreme, would be the transients, who would put acute pressure on the limited number of available low – cost facilities such as hostels and camp grounds.

The Alaskan experience demonstrated that the volunteer sector was hard hit by the demand for emergency accommodations of the compassionate type. The Yukon government recognized that assistance to the volunteer sector, as well as direct government involvement, would be necessary to plan and provide transient shelter.

The inquiry felt that reliance on trailer parks and other short – term measures could be beneficial but should not be permitted to distort long – term community planning and development.

6.3.4 Socio –legal Services

6.3.4.1 Alcohol and Related Problems

Alcohol abuse and related problems were already very grave in the Yukon. Witnesses at the Inquiry were extremely skeptical of the pipeline company's use of construction camps as a way of curtailing worker – community interaction, or of southern – hire as a means of preventing an influx of workers in search of jobs, or of numerous transients.

Widespread concern surfaced that failure of either of these policies would result in alcohol – related disruptive incidents in nearby communities, including sexual exploitation of females, and that, in general, the alcohol – related problems of Yukoners would be exacerbated whether or not they were directly employed in pipeline construction.

6.3.4.2 Crime

The pipeline company acknowledged that there was a correlation between economic activity and crime. Cause for concern would be the expected increase in crime that would be generated by workers away from camp during leisure and by the general effects of a boom economy on the Yukon community. More cash, more young in – migrants, and increased use of drugs and alcohol would all lead to an increase in crime. The crime rate in Yukon at the time of the Inquiry was already four times that of the national average.

6.4 Conclusions and Recommendations

The Inquiry felt that the pipeline company's predictions of negative impact on Yukon communities from pipeline construction was unrealistic and low.

However, the inquiry was impressed by the fact that, although Yukoners agreed with the Inquiry in this regard, they did have the confidence that, with time to plan carefully, many of the negative impacts of the proposed development could be contained and mitigated.

The identification of problems that require long – term solutions should not remove the necessity to decide upon priorities among existing, planned, or desired social programs, nor should it remove the need to integrate crisis – oriented planning with the long – range programs.

1. Yukon Impact Information Centre

The inquiry suggested the formation of a Yukon Impact Information Centre to establish a sound database for the assessment of social and economic impacts on the Yukon. This Centre would be funded by the Yukon Heritage Fund and would be independent of any government or company.

7.0 YUKON INDIAN LAND CLAIM

NOTE: The Inquiry devoted several pages to the explanation of the background and status of the Land Claim that, because of the passage of time, has become irrelevant and will not be repeated here. For information concerning this section in the Report please refer to pages 105 to 121.

7.1 The Views of the Indian Communities

The Inquiry found that the Council for Yukon Indians did not take a stand against pipelines in general, nor did it express any general opposition to the development of the Yukon economy. It was concerned with priorities and participation as well as the preservation of certain traditional ways of life. The Inquiry found in the hearings in the Indian Communities that there was widespread support for the Council's position.

7.2 The Question of Prejudice

It was suggested to the Inquiry that the construction of the pipeline before the settlement and implementation of a land claim would prejudice a just settlement of that claim. The Inquiry felt that, to avoid significant further prejudice to the settlement of the claim at that time, it would have been necessary not only that a settlement precede the construction of the pipeline but that a settlement be effected as soon as possible.

7.3 Recommendations

1. Selecting Land

To facilitate land selection, the then present constraints on land grants in the Yukon should be continued for three years after the Inquiry's Report.

2. Avoiding Prejudice

To avoid prejudice by delay and to ensure that the Indian people of the Yukon have adequate financial resources to proceed with the selective implementation of a settlement, the Inquiry recommended that a sum of \$50 million be deposited in a trust fund. This fund would constitute an advance payment to the Indian people of the Yukon.

3. Delaying Construction of the Pipeline

To allow for a just settlement of the land claim, the Inquiry recommended that construction of the pipeline be delayed for a further four years.

8.0 DEMPSTER LATERAL

The Dempster Lateral was a name given to the pipeline that would, someday, connect gas supplies from the Mackenzie Delta/Beaufort Sea area to a main pipeline that would run through central or southern Yukon. It was to follow the Dempster Highway from Inuvik down to the mainline tie - in point near Whitehorse.

The Inquiry was surprised at the remarkable degree of consensus at the hearings with regard to the Dempster Lateral. Almost everyone agreed that construction along the Dempster Highway would not be desirable, either at that point in time or in the foreseeable future.

8.1 Dempster Lateral or Maple Leaf Line

The Dempster Lateral came into being when, in July 1975, the National Energy Board requested that the pipeline company withdraw its application for the Maple Leaf Line (along the Mackenzie Valley) and file an application for the Dempster Lateral on or before July 1, 1979. This was a condition for allowing construction of a main pipeline across the southern Yukon.

8.2 The Dempster Highway

The Dempster Highway was conceived in the 1950s to encourage the economic development of the Yukon and Northwest Territories. At the time of construction, there was serious concern for the effect that traffic along the highway would have on the Porcupine caribou herd and also concern for the substantial social and economic effects it would have on the surrounding communities.

8.3 The People of Old Crow

The Old Crow people felt that the northern Yukon should be protected from activities related to industrial and resource development.

The Inquiry found that they were "rightly and deeply concerned about the effect that any economic development might have on their land and their way of life." They foresaw the highway and its associated developments as a prelude to doom. The Lateral was considered a more generalized threat. They were concerned about the effects of the highway on the Porcupine caribou herd.

8.4 The Porcupine Caribou Herd

The Inquiry was often reminded that other herds were not able to maintain their population levels when disturbed by economic developments within their range. The Inquiry felt that the only reason that the Porcupine caribou herd had

maintained a healthy and relatively stable population was because of its isolation from industrial development and over-hunting.

8.5 Industrial Corridor

The construction of a pipeline along the Dempster Highway raised the broader question of the parallel development of an industrial corridor. A paper submitted by the Yukon government suggested that appropriate and, if necessary, strict regulation of traffic and other activities along the highway would protect the herd. However, great uncertainty as to whether such protection was possible still remained.

The Inquiry felt that use of the highway and development along the highway should not be permitted until there was clear evidence that the Porcupine caribou herd would not be endangered, and even then, traffic increase and development should proceed very cautiously.

8.6 The Value of Wilderness

The Inquiry was moved by the appreciation that Yukoners had for their wilderness and wildlife and of the pride that they had of the land they lived in. The Inquiry was convinced that the feasibility of a pipeline along the Dempster might be affected by the importance placed on wilderness values as a goal for land management in the northern Yukon.

8.7 Recommendations

1. Environmental and Economic Studies

The Inquiry recommended that five years be given to research pertaining to environmental, economic and social studies before the Dempster Lateral could be seriously considered as an alternative to a pipeline along the Mackenzie Valley.

2. The people of Old Crow

The Dempster Lateral should not be thought of as an alternative to the Maple Leaf Line until compelling evidence demonstrated that the people of Old Crow, and their way of life, would not be casualties of the project.

9.0 PLANNING AND REGULATION

9.1 The Planning and Regulatory Agency

Central to the concerns of Yukoners was the need to create a strong and effective regulatory agency if the pipeline was to be built across the southern Yukon. The people of the Yukon, through the Inquiry, placed the responsibility squarely on government to devise and implement a regulatory structure that would be capable of controlling the project. Similarly, the belief by the Inquiry that the social, economic, and environmental impacts of the proposed pipeline could be kept within acceptable limits was advanced only in the belief that the government would move at once to establish such a regulatory agency.

Therefore, The Inquiry recommended that a **Planning and Regulatory Agency** be formed whose central responsibility would be to ensure that the pipeline would be built safely.

9.1.1 A Single Agency

The Agency must represent all federal and regional government interests, as well as the interests of all Yukoners, and it must be able to respond immediately to problems as they arise. The government of Canada should establish a single regulatory authority to regulate and control all of the technical, environmental, social, and economic aspects of the proposed pipeline project.

9.1.2 Scope and Function

The most critical power vested in the Agency and reserved exclusively to it should be the power to review, comment on, and approve policies.

The Agency would also carry out four primary control functions to discharge its mandate adequately. They were as follows:

1. Preliminary Design Review

Design review must be a flexible and on – going process that involves all interested parties with the opportunity to intervene to define their priorities on the project.

2. Final Design Review

The Agency's final review would follow the pipeline company's submission of design based on all revisions agreed upon previously with third party intervention as part of the process.

3. Permission to Construct

The Agency would give on – site permission to construct once its representatives were satisfied that all filed design specifications had been met.

4. Surveillance and Monitoring of Construction

The Agency would undertake traditional on – site inspections to ensure that all applicable regulations and stipulations were followed.

5. Additional Functions

The Agency would also be responsible for other functions such as the Manpower Delivery Service, the in – migration policies, base line data deficiencies, and many others.

9.1.3 The Second – Stage Inquiry

The terms of reference of the Inquiry made it clear that, if approval – in – principle was granted for a pipeline across the southern Yukon, there would be a second stage inquiry in order to prepare a final socio – economic impact statement upon which specific terms and conditions could be developed for the construction and operation of the pipeline.

The environmental aspects of the proposal would be covered in the tasks assigned to the Environmental Assessment Panel.

The NEB also directed the pipeline company to undertake further studies of the expected impact of the pipeline, and, in particular, to assemble social, economic, and environmental information related to a possible route along the Klondike Highway.

To avoid a proliferation of inquiries in the southern Yukon over the years following the Inquiry, the Inquiry recommended that all of these tasks be assigned to the Agency.

As a result of this, the Agency should be required to study the choice of pipeline route through the Yukon, and then present detailed social, economic, and environmental impact statements on the route that was chosen. Further, the Agency should be required to recommend a set of terms and conditions for the construction of the pipeline.

9.1.4 Participation

There would be adequate guarantees of participation by Yukoners in all aspects of the regulatory process. The Agency would be most successful if it could combine the expertise of its staff and researchers with the expert knowledge of Yukoners. Participation in the Agency should be institutionalized in four ways:

1. The membership of the Agency's highest decision – making level should be composed of four or five persons; an appointee of the federal government, a member of the NEB; and two or three appointees of the Yukon government, one being from a list given by the Yukon Indian people.
2. Participation should be used to arrange for the appearance of interested parties before the Agency so that any and all interests can be heard.
3. Yukon must be represented at all levels of the Agency's staff.
4. The agency should be given the discretionary powers to create advisory councils, composed of representatives on interested parties, to respond to particular problems and situations.

9.1.5 Funding of Participants

It was found to be essential that parties who wished to participate in a decision would not be hindered by their inability to command the necessary financial support. Funding should start early, should encompass all communities, and should be the Agency's responsibility to decide on the eligibility and level of funding.

9.1.6 Funding of the Agency

The Inquiry felt that the pipeline company should not be required to fund the Agency. The responsibility for funding the Agency should rest with the federal government, not the Yukon Government.

9.1.7 Location

The Inquiry felt that the Agency should reside entirely in one building in Whitehorse.

9.1.8 Structure and Staff

The Agency, in addition to its senior board, would require a chief executive officer, who would be responsible for the administration of the Agency and its staff. To ensure high quality staff the Inquiry suggested that a third party

contractor be engaged to provide the support services that the Agency would require.

9.1.9 Access to Information

Unless interested parties had comprehensive access to information related to the design and control of the project, they would not be able to participate meaningfully in decisions. There must be a continuous and comprehensive flow of information about the project and its regulation to the communities of the Yukon.

9.1.10 Enforcement and Remedies

The agency must be able to engage sufficient field staff to monitor all aspects of the construction activity. It must be able to ensure full compliance with the terms, conditions, and stipulations of the project.

A range of realistic enforcement measures must also be developed for cases in which, by accident, neglect, or willful act by the pipeline company or its contractors violate or threaten to violate the terms and conditions, acts, regulations, or ordinances related to the construction of the pipeline.

9.1.11 Appeals

There must also be a method of appeal to, or review by, the Northern Pipeline Commissioner.

9.1.12 Timing

It was thought to be important that the Agency be structured, and its schedule organized, so that formal public reviews and public hearings could be completed before construction itself exerted the pressure of urgency.

10.0 COMPENSATION

Having studied the probable social and economic impacts of the proposed pipeline, the Inquiry concluded that the project would have a negative impact on life in the Yukon. Therefore, the Inquiry proposed that an equitable distribution of burdens and benefits be achieved by compensating Yukoners through a Yukon Heritage Fund.

The Inquiry felt that the Heritage Fund was a recognition of two things.

First, there would be a substantial negative impact on the quality of life, and on the natural environment of the Yukon. Secondly, Yukon was being asked to provide the assets of its location, and its social and administrative infrastructure, to a project from which it would not benefit in any substantial way.

The benefits to Yukoners of the proposed pipeline were thought to be relatively limited, and short term. The inquiry concluded, therefore, that the Yukon and its people ought to be compensated for the unquantifiable detrimental effects.

10.1 The Yukon Heritage Fund

The National Energy Board in its Reason for Decision, had suggested that consideration should be given to the provision for special funding for northern communities that were adversely affected by the project in both the short – term and the long – term (5-226). The creation of the Heritage Fund, which would provide benefits to Yukoners for a generation or more, seemed to the Inquiry the most suitable way of providing long – term, tangible benefits to the people of the Yukon.

10.1.1 Objectives

The Yukon Heritage Fund, supplemented by the interest it would generate, could be used to preserve the historical legacy, to foster the richness of cultural diversity, to protect the natural assets, and to create new opportunities for the residents of the Yukon.

The Inquiry felt that the Commissioner should appoint a broad – based, non – partisan working group to develop terms of reference for the Fund. One of the first concrete uses, in the Inquiry's opinion, would be the formation of the Yukon Impact Information Centre mentioned in section 6.4, page 38 of this synopsis.

10.1.2 Structure

The income from the Heritage Fund should be used in two complementary ways:

First, for projects and programs designed to benefit the Yukon as a whole; and,
Secondly, for projects and programs designed to benefit individual communities.

The Inquiry recommended that the Fund be structured on a two – level, parallel basis to reflect these two levels of activity.

10.1.3 Funding

The Inquiry recommended that the initial capitalization consist of \$200 million to be paid by the pipeline company in installments of \$25 million each year for eight years with the first payment to be made immediately upon receiving the approval – in – principle of the corridor. As mentioned earlier, the Inquiry also felt that the Heritage Fund should receive 50% of the annual property taxes derived from the pipeline.

10.1.4 The Treaty

The Inquiry was informed that the Transit Pipeline Treaty between Canada and the United States might have restricted the range of financial compensation that could have been paid to the Yukon. Advice was provided to the Inquiry to the contrary. However, if further legal opinions proved otherwise, then the Inquiry felt that the ratification of the Treaty be postponed until clarification was obtained.

10.1.5 Equity Participation

The Inquiry recommended that the pipeline company's offer of equity participation to Yukoners be upheld and that the pipeline company be required to make available sufficient shares in the first offering of equity in the financing of the pipeline to meet the demands of all Yukoners who wished to participate.