



Yukon Resource Gateway Project

Summary

Application for National Infrastructure
Component Funding

January 2016

Introduction

The Government of Yukon is seeking endorsement of the Yukon Resource Gateway Project (YRGP), which offers the Federal Government an opportunity to make infrastructure investments in the Territory that will deliver large and sustained economic stimulus in the immediate and long-terms.

Yukon is consistently ranked among the world's top regions for mineral development potential, yet that potential is being held back by inadequate infrastructure. This is lost economic opportunity for Canada.

Fortunately, the Federal Government's vision for investing in "strategic and trade-enabling infrastructure" as a means to stimulate the economy provides the opportunity to address this shortcoming.

In exchange for a \$248 million investment over eight years in badly needed road upgrades in mineral rich areas, the Government can stimulate:

- Over \$483.2 million increase in GDP and 4584 jobs in direct and indirect road construction impacts;
- More than \$30 billion in additional GDP and \$13 billion in labour income for Canada as mine projects proceed once improved road access is built;
- Upwards of \$2 billion in royalty revenue for the Federal Government and over \$3.5 billion in additional tax revenue for governments across Canada as mine projects become operational.

Ultimately, this is an opportunity for a once-in-a-generation, transformational investment in the future of Yukon and Canada.

The Yukon Resource Gateway Project (YRGP)

Yukon possesses a significant resource base from which to develop and expand its economy. Development of this resource base will bring benefits to the rest of Canada through direct employment, taxes, and royalty payments to the Federal Government. However, Yukon faces a challenge with the overall lack of suitable infrastructure along the "last mile" to significant mineral deposits. The potential costs of building this infrastructure are beyond the financial capacity of the Yukon Government alone.

Yukon has the potential to be – and wishes to be – a major contributor to the economic health of Canada. A reliable expanded transportation network will play a critical role in making this a reality. To start to address this critical need, Yukon has proposed the Yukon Resource Gateway Project to the Federal Government under the National Infrastructure Component (NIC) of the New Building Canada Fund.

The Federal Government's priorities are perfectly aligned with Yukon's desire to advance its economy by investing in transportation infrastructure in order to maximize future development. Specifically, the Yukon Resource Gateway Project will help to accomplish the following objectives:

- building a strong economy by building a strong middle class;
- creating opportunities for young Canadians;
- investing now in projects which our country needs;
- strengthening communities;

- skills and employment training;
- investing in Canada's north to help northern economies grow;
- a renewed relationship with indigenous peoples; and
- expanding exports and opportunities for Canadians and getting Canadian goods to market.

In addition, the project clearly meets all four criteria of the NIC:

- generating positive economic activity, with projections of over \$30 billion added to Canada's GDP resulting from a \$248 million federal investment;
- reducing potential economic disruptions or foregone economic activity by opening up the potential of what has consistently been ranked as one of the most attractive jurisdictions in the world for mining;
- generating productivity gains for the Canadian economy, with major improvements to the operating efficiency of current and planned mining operations; and
- providing benefits that extend beyond the Yukon, with thousands of jobs and billions in economic activity for the rest of Canada if the Territory's mining potential can be accessed with an improved road network.

When the Federal Government speaks of the importance of "strategic and trade enabling infrastructure" to Canada's future, you need look no further than the Yukon Resource Gateway Project.

The Yukon Advantage

Yukon has some distinct advantages that position it as an ideal location in which to invest public and private sector dollars in pursuit of long-term economic returns. These include a well-developed primary transportation network with direct tidewater port access, abundant and well-defined mineral deposits, First Nation Final Land Claim and Self-Government Agreements, established environmental assessment and permitting processes, and an enviable track record of successfully delivering public infrastructure projects under federal funding programs.

The Project

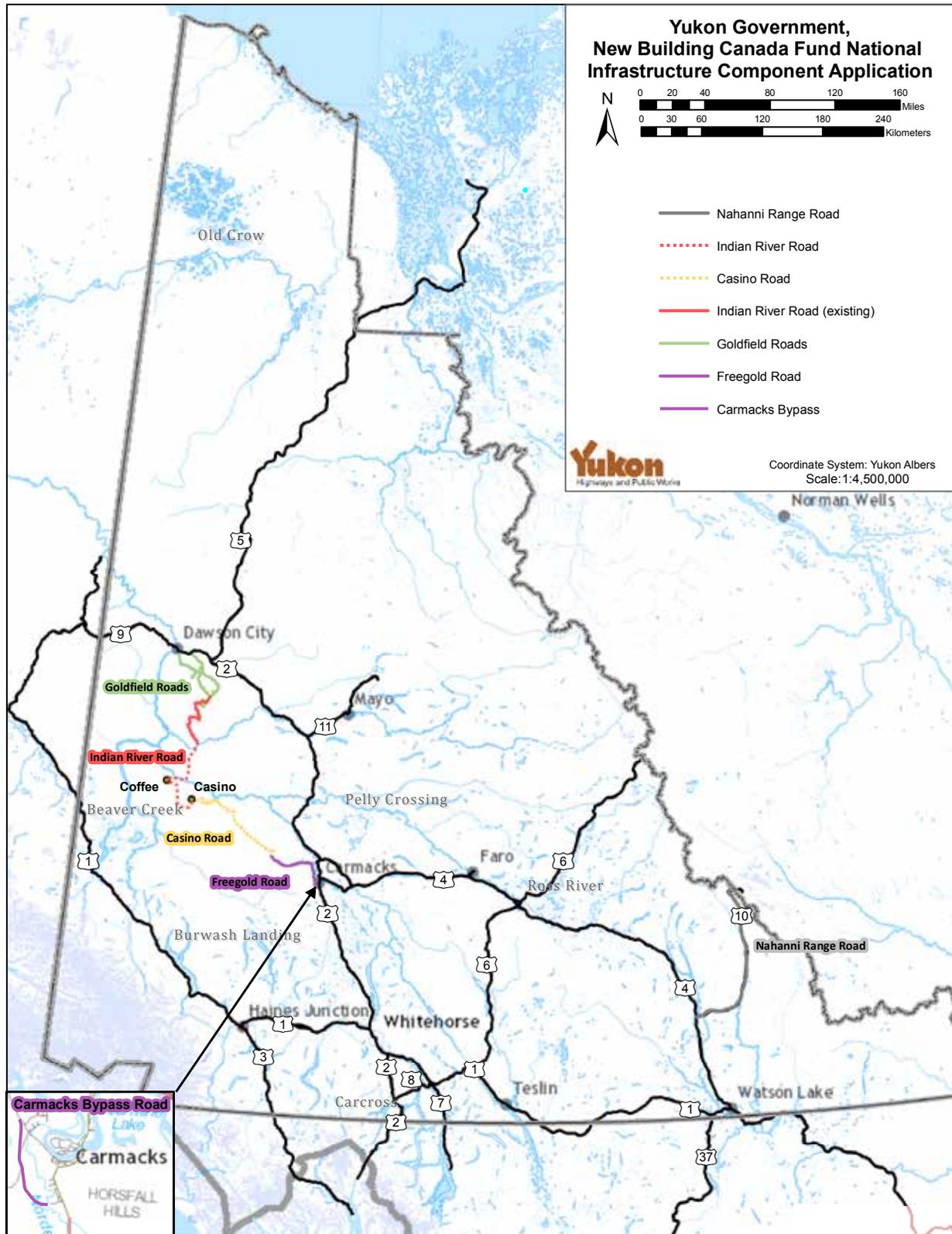
The YRGP will provide needed upgrades of existing infrastructure to two key areas of high mineral potential and active mining within Yukon. These areas include the Dawson Range and Nahanni Range.

The Dawson Range component of the Project will include upgrades to four separate road systems that will provide improved access to a significant area of mineralization in the central Yukon on existing public roads and resource-related access trails from southern and northern access points.

The northern portion of Dawson Range access includes upgrades to the existing Goldfield Roads as well as improvements to the Indian River Road to Coffee Creek. The southern portion of the Dawson Range access will include upgrades to the existing Freegold Road including construction of a bypass route around the community of Carmacks, as well as upgrades to the Casino Road. The final component of the Dawson Range access will be new road construction between the Casino and Coffee terminus points.

The Nahanni Range component of the YRGP involves upgrades to the existing Nahanni Range Road from its junction with the Campbell Highway to the Yukon/NWT border.

Overview of Project Components



Source: Yukon Transportation Engineering Branch

Funding

It is important to note that the proposed investment by the Canadian Government in the YRGP is not new money. The project will access existing allocations under the NIC.

Funding of the YRGP is envisioned as a partnership between Canada, Yukon and industry with each sharing costs, risks and benefits. Through the current slated end of the New Building Canada Fund in 2024/25 an estimated total of \$468,845,000 could potentially be invested in the project (all \$ figures 2014). Of this total amount, industry would commit an estimated \$108,660,000 (23%), Yukon would commit \$112,004,000 (24%), and Canada would commit the remaining \$248,179,000 (53%).

Yukon Resource Gateway Project – Estimated Project Cash Flow All Expenses By Source											
Funding Source	Cash Flow by Fiscal Year (\$000)										
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Industry	4,530	1,358	1,218	10,556	30,100	20,300	20,300	20,300	0	0	108,662
Government of Yukon	925	1,355	4,368	19,381	25,150	18,640	17,625	17,280	7,200	80	112,004
Government of Canada	0	1,777	10,914	49,283	52,630	40,100	37,055	36,020	20,280	120	248,179
Total	5,455	4,490	16,500	79,220	107,880	79,040	74,980	73,600	27,480	200	468,845

Return on Investment

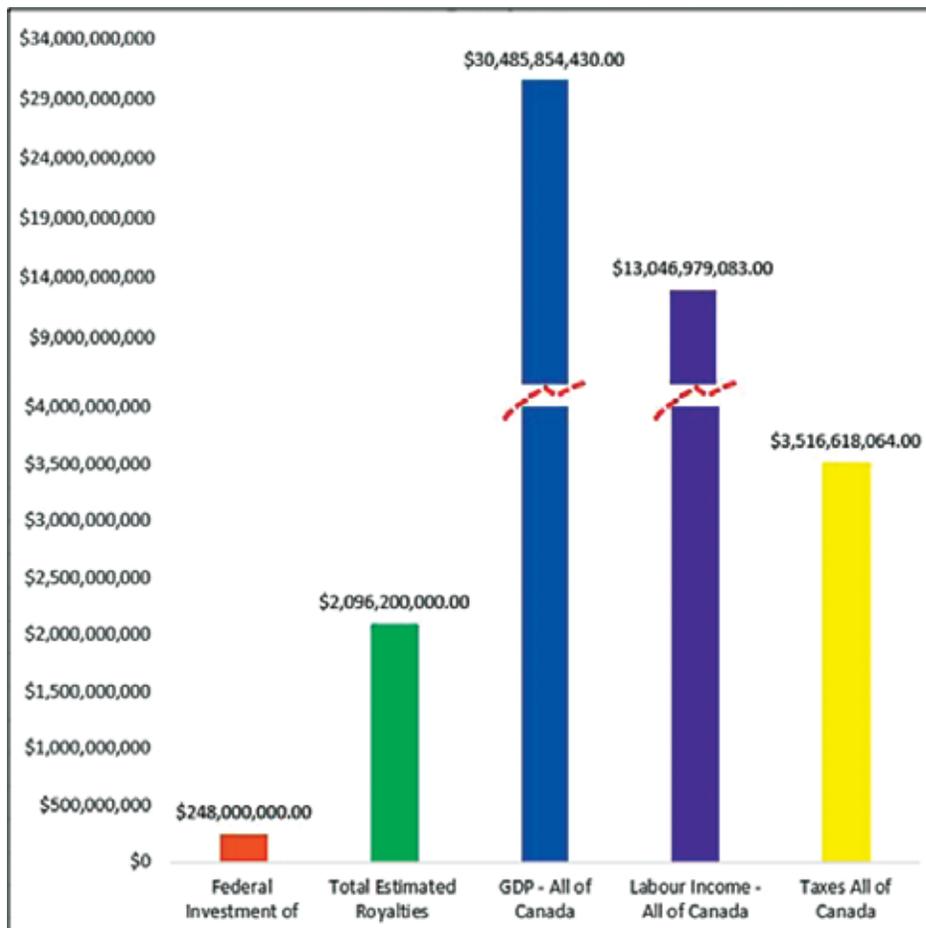
One of the most important outcomes of the YRGP will be economic growth in Yukon First Nations and communities. The project provides significant opportunity for Yukon First Nations to secure long-term economic benefits through construction and road maintenance activities and Yukon is committed to working with First Nations to maximize those benefits. Training and capacity development that will occur as part of the project can be leveraged into additional opportunities in the resource sector through direct employment, contracting or provision of support services.

The direct economic impacts that will be generated by the YRGP are significant and will result in important contributions to the Yukon and Canadian economies. Estimated increases in GDP, labour income and full time equivalent jobs make a compelling case for investment in the project

Total Projected Construction Impacts of Yukon Resource Gateway Project Roads			
Total Construction Impacts (Direct, Indirect and Induced)	GDP	Jobs	Labour Income
Total Yukon Impacts	\$268,700,000	2645	\$142,300,000
Rest of Canada	\$214,500,000	1939	\$120,500,000
All of Canada Total	\$483,200,000	4584	\$262,800,000

Should three major mining projects (Coffee, Casino, Selwyn) currently in planning or environmental assessment and directly associated with the YRGP come into production over the next several years, the potential economic impacts are substantial not only with increases to GDP and labour income but also potential tax and royalty revenue in the billions of dollars. Any tax and employment increases associated with these projects will also be realized in other Canadian jurisdictions as a component of the workforce and materials needed to build and operate these mines will originate outside of Yukon.

Total projected impacts of Casino, Coffee and Selwyn mining projects



Source: Casino Mining Corporation, Kaminak Gold Corporation, Selwyn Chihong Mining Ltd. Yukon Department of Energy Mines and Resources

When one considers that there are several additional mining projects within the project corridor in exploration and pre-feasibility assessment, the potential for sustainable economic gains well beyond the three cited examples is significant.

Further, development of these mineral regions is expected to spur additional private sector investments in port facilities and Liquefied Natural Gas (LNG) distribution capacity in northwestern B.C. Access to LNG, made possible by Yukon mineral development, has the potential to transition back-up and primary electrical generation in Yukon communities from diesel to a cleaner burning fuel and provide an alternative energy source for other industrial applications.

Conclusion

Ultimately, the Yukon Resource Gateway Project is about:

- fulfilling the Territory's economic and export potential;
- significantly increasing the productivity of Yukon's mining sector;
- generating long-term economic opportunities for Yukon communities and First Nations;
- improving road safety for all users; and
- setting Yukon on a path to economic self-sufficiency.

The YRGP was conceived as a critical step in unlocking the potential of the north. Completion of this project will not guarantee resource development activities will automatically follow and those that are proposed will be judged on their own merits from an environmental and socio-economic perspective. However, not dealing with the general lack of suitable transportation infrastructure will continue to limit the ability for resource projects to move forward and will continue to limit Yukon's ability to fully contribute to the Canadian federation.

Yukon is not asking for a contribution from Canada. Rather, Yukon is inviting investment from Canada; investment that will provide a positive return for Canada, Yukon, Yukon First Nations and Yukon communities.

