

# **Alaska Highway Pipeline Project and First Nations: Linkages**

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## Alaska Highway Pipeline Project and First Nations: Linkages

### 1 Background

The Alaska Highway Pipeline route crosses the traditional territory of eight of the fourteen Yukon First Nations:

1. White River First Nation (Beaver Creek)
2. Kluane First Nation (Burwash Landing) – Southern Tutchone Tribal Council
3. Champagne-Aishihik First Nation (Haines Junction) – Southern Tutchone Tribal Council
4. Ta'an Kwach'an First Nation (Whitehorse) – Southern Tutchone Tribal Council
5. Kwanlin Dün First Nation (Whitehorse)
6. Carcross-Tagish First Nation (Carcross)
7. Teslin Tlingit Council (Teslin)
8. Liard First Nation (Upper Liard and Watson Lake) – Kaska Tribal Council

Out of the approximately 832 km of pipeline route through the Yukon, roughly 202 km is likely to end up on First Nations settlement land given the current land selections and assuming that the Foothills route is chosen.<sup>1</sup> This amounts to approximately 24% of the Yukon portion of the pipeline.

There are six channels of economic impact linkages for First Nations:

- Employment of First Nations citizens on pipeline construction and operation
- First Nation-owned businesses as subcontractors on pipeline construction
- Employment of First Nations citizens in other Yukon businesses
- Taxation
- Availability of natural gas
- Additional services and infrastructure that may be provided

### 2 Population and Employment

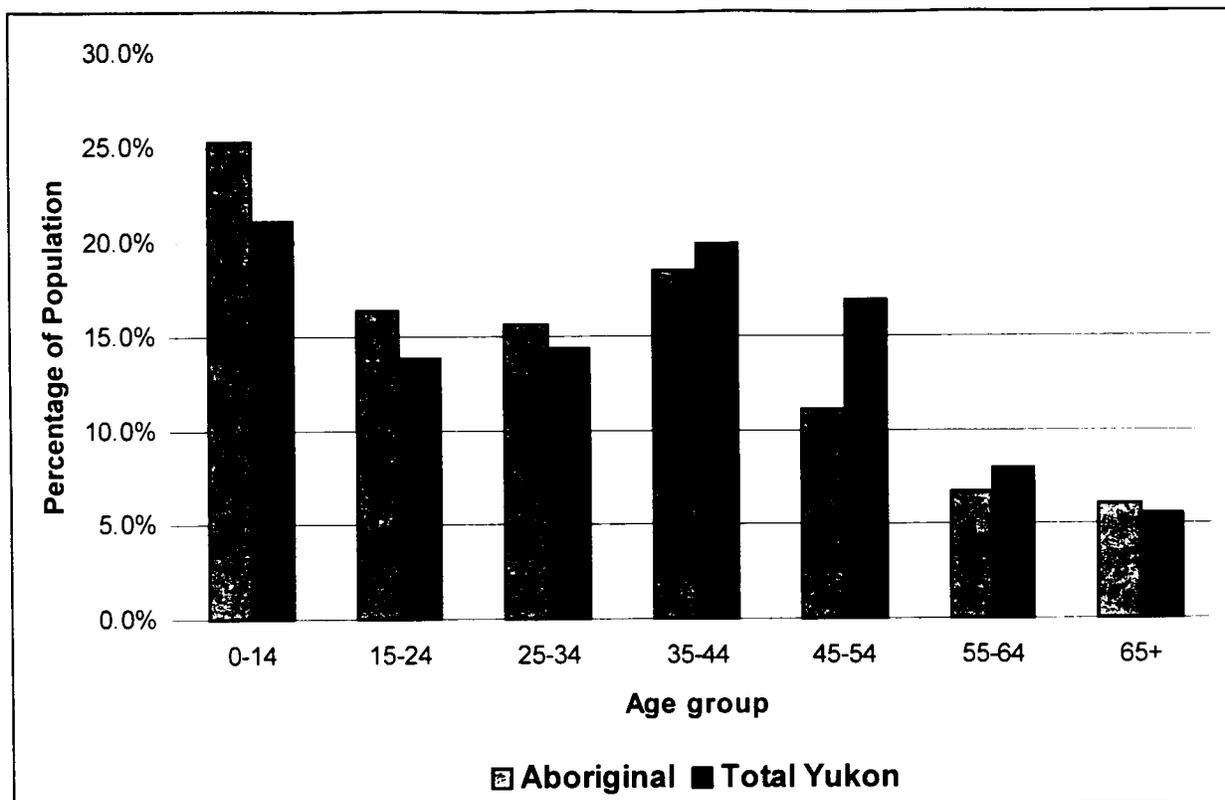
#### 2.1 Population

The 1996 Census counted 6,175 aboriginal people in the Yukon out of a total population of 30,766, or about 20% of the population. Aboriginal people tend to be younger than the general population, but also have a higher proportion of seniors, so the working age population is

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<sup>1</sup> Estimate by the Yukon government's Oil and Gas Branch.

relatively smaller. However, a relatively high proportion of citizens are in the 15-34 age group, the prime ages for initiating training and apprenticeship in skilled trades and other professions.



Source. YBS. Health Care Population, December 1999.

## 2.2 Labour Force Characteristics

Aboriginal people in the Yukon have lower incomes, lower labour force participation rates and suffer from higher unemployment rates than other Yukoners. In 1996, the average income of the Yukon's aboriginal population was \$19,312 compared to \$31,188 for non-aboriginal Yukoners.<sup>2</sup>

Aboriginal workers tend to be under-represented in the higher-paying occupations, especially in management and health care as the following table shows. On the other hand, Aboriginal peoples are over-represented in administrative occupations (mainly clerical workers) and in the manual trades. A closer look at the trades group of occupations shows that individuals are over-represented in the carpentry, heavy equipment operator and labourer occupational groups. Equipment operators and labourers are two of the four major occupations employed in pipeline construction. The other two are truck drivers and pipe fitters. Aboriginal Peoples have about the same proportion of truck drivers as the Yukon population as a whole, but there are very few First Nations individuals employed in the pipe trades in the Yukon.

Low employment and participation rates amongst Aboriginal Peoples (especially for males) will leave many opportunities in the event of a labour shortage as anticipated in the Alaska Highway

<sup>2</sup> Statistics Canada, 1996 Census Dimension series #94F0011XCB



Pipeline Project (AHPP) scenario. This will hold true even if the pipeline does not proceed as depicted in the national outlook.

Occupation Group	Yukon Total Population	Yukon Aboriginal Population
Management occupations	11.3%	8.8%
Business, finance and administrative occupations	18.2%	20.0%
Natural and applied sciences and related occupations	5.8%	4.5%
Health occupations	3.2%	1.7%
Social science, education, government service and religion	11.0%	10.8%
Occupations in art, culture, recreation and sport	2.8%	2.2%
Sales and service occupations	24.9%	23.7%
Trades, transport & equipment operators and related occupations	17.2%	20.9%
Occupations unique to primary industry	3.6%	5.6%
Occupations unique to processing, manufacturing and utilities	1.9%	1.9%

Source: Statistics Canada, 1996 Census.

### 2.3 Education and Skills

A comparison of Yukon Aboriginal education levels with the overall Yukon and Canadian levels in the 1996 Census is shown in the table below. The base population is all those 15 years or older.

Highest level of schooling	Yukon Aboriginal	Yukon	Canada
<b>Less than Grade 9</b>	13.9%	5.7%	12.1%
<b>Grade 9 to 13</b>			
without graduation certificate	27.8%	21.9%	22.7%
with graduation certificate	5.2%	8.4%	14.3%
<b>Trades certificate or diploma</b>	5.5%	4.0%	3.7%
<b>Other non-university education</b>			
without certificate or diploma	13.1%	8.7%	6.5%
with certificate or diploma	23.9%	24.8%	17.7%
<b>University with no degree</b>	7.5%	12.0%	9.7%
<b>University with bachelor's degree or higher</b>	2.9%	14.5%	13.3%

Source: Statistics Canada, 1996 Census

While the overall Yukon population is more highly educated than the Canadian average, the opposite is true of aboriginal people in the Yukon. Almost 42% of these people have not completed high school (compared with 34.8% of Canadians in general), and a very small percentage have university degrees. However, Yukon First Nations have relatively more skilled

trades people (5.5% vs. 3.7%) and a larger proportion (37.0% vs. 24.2%) of citizens with other non-university education.

## **2.4 Mobility of First Nations Workers**

Yukon First Nations citizens may benefit from the access to the US labour market enjoyed by Canadian First Nations under the terms of Jay's Treaty of 1794. Because Canada did not accept the terms of the treaty, US Native Americans do not enjoy reciprocal rights to work in Canada. During construction, Yukon First Nations workers potentially have the option to work both on the Alaskan and Canadian portions of the line.

## **3 Experience in Other Jurisdictions**

The recent (1999/2000) construction of the Alliance Pipeline from north-eastern BC through Alberta and Saskatchewan and on to Chicago provides an example of how First Nations have become increasingly successful at securing a significant economic benefit from large-scale projects. At the peak of construction in 1999, the pipeline's Canadian portion was employing just under 300 First Nations people directly — about 10% of the total employment. In addition, First Nation firms and joint venture firms were awarded \$23m worth of contracts in related work, resulting in another 107,000 person hours of employment for First Nations people. The contracts ranged from clearing and grubbing the right-of-way to hauling pipe from the steel mills to the stockpiles.

Yukon First Nations and First Nations people have also recently been gaining more direct experience with the oil and gas industry (though not specifically with the pipeline construction portion) through their involvement with exploration activities in the central Yukon and in the Mackenzie Delta in the NWT.

## **4 Business Opportunities**

The construction of a pipeline will bring sub-contracting opportunities for First Nations businesses — both those owned by the First Nations governments and those owned by their citizens. The potential opportunities will be highly varied, ranging from clearing contracts to the supply of professional services.

First Nations have considerable experience in clearing contracts and providing labour to clearing contractors and surveyors. In addition, some First Nations have had mixed experience in the past with operating construction companies. Settlement of land claims and the development of subdivisions have provided some First Nations Government and individuals with experience in street construction. Many First Nations offer employment agency type services to contractors, and a number have developed an inventory of skills of their labour force.



## 5 Taxation Issues

The Umbrella Final Agreement (UFA) as well as individual First Nation Land Claims Agreements and Self-Government Agreements deal with a number of tax issues. Under UFA provisions, Indian Act Section 87 tax exemptions (which exempt Status Indians on Reserve) disappeared in the Yukon on December 31, 1998. There are very few reserves in the Yukon, and only one, Carcross, has a settlement on it. Nevertheless, before that date, "Land Set Aside" was treated as Reserve Land for income tax purposes. As of January 1, 1999, all Yukon First Nations are subject to Federal and territorial income tax, GST, as well as property taxes on settlement land inside community boundaries.

While First Nations individuals now have to pay federal and territorial income taxes, First Nations with a self-government agreement have a tax sharing agreement with the federal and territorial governments. The First Nations receive 75% of the federal and 95% [I will confirm on Tuesday LZ] of the territorial income tax collected from individuals living on settlement land. First Nations now have to pay property taxes to the municipality (or to the Yukon government in unincorporated communities) on settlement land within community boundaries. However, this is still under negotiation with the Yukon Government and it is yet to be decided as to whether First Nations will get some pay back on their property taxes. Outside community boundaries, First Nations do not pay taxes on unimproved settlement land (without physical structures on the land) and have the power to levy property taxes on their settlement lands.

If the agreement to cap total Yukon property taxes at \$44 million in current dollars holds, then the First Nations along the route may be in a position to receive approximately \$10.5 million annually in property taxes. Most First Nations are subject to that cap as part of their self-government agreements, but Champagne-Aishihik First Nation (CAFN) is apparently not. Property taxes on CAFN land might have to be negotiated separately.

### 5.1 Royalties and Land Claims

The Yukon Oil and Gas Act (YOGA) replaced federal legislation governing oil and gas in the Yukon on transfer of responsibility for oil and gas in early 1998. YOGA was drafted in accordance with a memorandum of agreement signed by the Yukon and First Nations governments that laid out the basis for a common regime for all 15 jurisdictions (Yukon plus 14 First Nations) in the territory. First Nations have the subsurface rights to all minerals and oil and gas on Category A settlement lands.

Although YOGA is designed to provide a common regime for oil and gas, any of the Yukon's 14 First Nations can decide to create its own regulatory regime, including a royalty regime on its "Category A" settlement land. "Category A" land is so designated when Yukon First Nations own both surface and sub-surface rights.

#### 5.1.1 Sharing of Crown Royalties

Irrespective of what individual First Nations choose to set as a royalty for oil and gas production on Category A settlement lands, the Yukon government is committed to sharing crown royalties with all of the Yukon's First Nations as laid out in Chapter 23 of the Umbrella Final Agreement. Under Chapter 23, the Yukon is required to pay to the 14 First Nations 50% of the first two

million dollars in royalties collected where the crown royalties exceed any royalties collected by First Nations on Category A lands. If the difference exceeds \$2m, the Yukon will pay First Nations 10% of the additional amount.

## **6 Recommendations to Maximize Benefits**

Overall, First Nations should develop plans and strategies to deal with the pipeline construction and operation. This could be done individually, as the Kwanlin Dün First Nation is currently doing, or co-operatively as provided for by the protocol signed at the recent First Nation Oil & Gas Summit by a number of Yukon, Alaska, BC, and NWT First Nations.

### **6.1 First Nations Employment**

The construction of the pipeline will bring a wide variety of employment opportunities for Yukon First Nations citizens. First Nations citizens are relatively well placed to take advantage of the opportunities given the high proportion of skilled trades people and those with non-university education in the Aboriginal population.

To maximize the employment benefits for Yukon First Nations, the following are recommended:

1. It will be important for First Nations and their citizens to take the broad perspective and not overlook the opportunities for jobs throughout the economy during pipeline construction and operation — not just those directly linked to construction or direct support.
2. First Nations should continue their current education, training, and skills improvement programs with an emphasis on generic skills that can be applied to a variety of occupations (e.g., computer skills, numeracy, equipment operation, safety, life skills, interpersonal skills).
3. First Nations should initiate or continue discussions with unions and other training/apprenticeship providers to ensure that their citizens have access to skilled jobs. In particular, First Nations are grossly under-represented in the pipefitting trades. Initiatives such as the one between Local 310 of the United Association of Plumbers and Pipe-fitters, where individuals identified by their First Nations were given the opportunity to engage in an apprenticeship and obtain work as apprentices in Fort McMurray should be encouraged. It should be noted that many of the pipeline occupations require long periods of training and/or apprenticeship.

### **6.2 Business Opportunities**

As has now become standard in major projects, First Nations will need to negotiate impact benefit agreements with pipeline proponents and their major contractors. Impact-benefit agreements typically specify hiring and training opportunities for First Nations citizens as well as preferential treatment for First Nation-owned businesses. Often, First Nations will also include non-native local community members in impact-benefit agreements.

Those First Nations who do not have one should develop a skills inventory of their membership, to provide the information needed to maximize the benefits to their citizens.

### **6.3 Taxation Issues**

Pipeline construction and operation will increase tax revenues for First Nations governments with a land claims agreement. On the income tax side, First Nations are constrained by the tax-sharing agreement, but they might have some flexibility on property taxes on the pipeline where it runs through settlement land. It might be advantageous to have a common Yukon property tax regime for the pipeline. Negotiations to this end might be required between the Yukon Government and the affected First Nations.