

Economic Impact

Discussion of the northern economy is always bedevilled by two related problems. In the first place, the relationships between social, cultural and economic problems of the native people are so intimate and intricate that it is not possible to separate the narrowly economic from the more broadly social. It is impossible, for example, to assess the problems of employment and unemployment in the North in isolation from the kinds of lives that the native people want to lead, or without regard to the present condition of their culture. The discussion in this chapter must, therefore, draw on that of the last and must anticipate some of the discussion in the next.

The second and more serious problem is the quality of the statistical information that is available. Louis St-Laurent once remarked that, for a long time, Canada had seemed to govern its North in a state of absence of mind. Although he was referring to the 1930s and 1940s, his judgment may cast some light on the situation today. Despite the expenditure of millions of dollars and the efforts of thousands of public servants, data on some crucial aspects of northern economic life are either simplistic or are not to be found at all. I shall in this chapter have occasion to use employment figures, but I am bound to conclude that those made available to the Inquiry by the Government of the Northwest Territories are so flawed by conceptual error that they are almost useless. I shall also, both here and in a later discussion of renewable resources, need precise information on the present and potential productivity of the land. But such information, despite the enduring importance of hunting, fishing and trapping, is inadequate.

The absence of data is, of course, an indirect consequence of policy. We have

been committed to the view that the economic future of the North lay in large-scale industrial development. We have at times even persuaded the native people of this. We have generated, especially in northern business, an atmosphere of expectancy about industrial development. Although there has always been a native economy in the North, instead of trying to strengthen it, we have, for a decade or more, followed policies by which it could only be weakened or even destroyed. We have believed in industrial development and depreciated the indigenous economic base. Indeed, people who have tried to earn a living by depending on that base have often been regarded as unemployed.

The consequences of federal policy priorities in the past go beyond the problem of inadequate statistics. The development of the non-renewable resources of a region can bring serious pressures to bear on its population: people who try to continue to live on the renewable resources experience relative poverty, and may be faced with the loss of a productive way of life. Gradually more and more people give up one kind of work, and therefore relinquish the way of life associated with it, in favour of another kind of work and life. Where this has happened, they often feel they had very little choice in the matter. If the neglected sector of the economy represents a preferred or culturally important way of life, if it is a means of self-identification and a source of self-respect, then the devaluation of that way of life can have widespread and dismaying consequences. These consequences are exacerbated if the industrialized economy offers rewards that are only short-term.

Long ago, the native people of the North developed an economy based on the seasonal harvesting of renewable resources, which

was for centuries the sole basis of their livelihood. That economy is still a vital part of their livelihood today, but the growth of industries based on non-renewable resources has created an imbalance in the northern economy as a whole. The traditional or native economy has come to be associated with relative poverty and deprivation. To the extent that a person tries to live off the land, he must often accept a low income and, in relation to the values of the white world, a lower social status than those who do not. Because success in hunting, fishing and trapping are the hallmarks of traditional native values, this imbalance may all too easily undermine the native people's whole way of life.

In this chapter, I shall refer to the total intrusive effect of the industrial economy on native society. By this process, the native people are pushed and pulled into the industrial system. The process, which is caused by several economic and social factors that will be spelled out, begins with the depreciation of a way of life and ends with the demoralization of a whole people. If a pipeline is built and an energy corridor established before the present severe imbalance in the northern economy is redressed, its intrusive effects will be total.

I do not mean to suggest that native people will not want to participate in the opportunities for employment that industrial development will create. Some native people already work alongside workers from the South. Many native people have taken advantage of opportunities for wage employment on a limited or seasonal basis to obtain the cash they need to equip or re-equip themselves for traditional pursuits. But when the native people are made to feel they have no choice other than the industrial system, when they have no control over



entering it or leaving it, when wage labour becomes the strongest, the most compelling, and finally the only option, then the disruptive effects of large-scale, rapid development can only proliferate. Eventually the intrusion of the industrial system is complete, and the consequences for the native people disastrous.

Southern views of "development" and "progress" have resulted in distorted data on unemployment; consequently, many non-renewable resource projects have been at least partially justified on the grounds that they would create jobs for the native people. Government subsidies have been sought and obtained because it seemed appropriate for government to help solve the unemployment problem. But the fact is that large-scale projects based on non-renewable resources have rarely provided permanent employment for any significant number of native people. Even in its own terms, therefore, the policy of the past two decades has not been a success, and there is abundant reason to doubt that a pipeline would or could provide meaningful and on-going employment to many native people of the Mackenzie Valley and the Western Arctic.

It is important to understand the main point of this chapter. The failure so far of large-scale industrial projects to provide permanent wage employment for large numbers of native people has led to expressions of indignation by government spokesmen and by native people. But the real danger of such developments will not be their continued failure to provide employment to the native people, but the highly intrusive effects they may have on native society and the native economy. The real failure of the past lies in a persistent refusal to recognize, and therefore to strengthen, the native economy and native skills. This

failure is evidenced by our tendency, perhaps our compulsion, to adopt solutions that are technologically complex. We, as members of an industrial society, find it difficult, perhaps impossible, to resist technological challenge. Technology and development have become virtually synonymous to us. In the North new technology or technology-for-its-own-sake may sometimes inhibit solutions. It seems easier to ship prefabricated housing units from the South than to build log cabins from local materials. When that kind of thing happens, local skills rust or remain undeveloped.

The real economic problems in the North will be solved only when we accept the view that the Dene, Inuit and Metis themselves expressed so often to the Inquiry. We must look at forms of economic development that really do accord with native values and preferences. If the kinds of things that native people now want are taken seriously, we shall cease to regard large-scale frontier industrial development as a panacea for the economic ills of the North.

This consideration of economic impact leads inexorably to the conclusion that the interests of native people are in conflict with those of large-scale industrial developers. In the short run, the strengthening of the native economy in the Mackenzie Valley and Western Arctic should take first priority; otherwise its very foundations will be undermined by the intrusive effects of pipeline construction. But, once the native economy has been strengthened, the Mackenzie Valley corridor could be developed as a pipeline right-of-way. Only by this means can we ensure that these interests will not be in conflict in the long run as well as in the short run.

In the end, it is the native people who will have to live with the economy that is

developed in the North; their interests must, therefore, be kept very clearly in mind. I do not mean by this that the white business community, or any economic interest in the Mackenzie Valley or the Western Arctic, should simply be ignored. In this chapter, I shall try to assess the impact of a pipeline on these other interests; both in estimating the consequences of a decision to proceed with the pipeline now and in estimating the consequences of a decision to postpone its construction. But we must face the fact that where interests conflict, and only one choice can be made, priorities must be set.

If we build the pipeline now, the native people's own land-based economy will be further weakened or even destroyed, and many of them will be drawn into the industrial system against their will. They strongly oppose this prospect. We must recognize now that if we remain indifferent to their opposition, that indifference will bring yet more severe deformation of the native economy, serious social disarray, and a cluster of pathologies that will, taken together, constitute the final assault on the original peoples of the North.

The Development of the Northern Economy

By North American standards the regional economy of the North is not large, complex or mature. Both its demographic base and the number of industrial sites are small. Viewed from the perspective of the hydrocarbon potential upon which hopes for its growth and elaboration are so often pinned, it is not only an economy with a brief history, it is also an area of production remote from the main markets of Canada and from the homes

Freight handling, Fort Resolution in the old days.
(Public Archives)

Northern traders and trappers:

William Firth of Fort McPherson.
(NWT Metis Assoc.)

"Slim" Semmler, trader and merchant in Inuvik.
(NFB-McNeill)

Napoleon Lafferty of Fort Resolution.
(NWT Metis Assoc.)



Economic Impact

117

of those who own and invest in its resources. In all these respects it is a frontier economy – but its frontier aspect is not quite as new as many in the South believe.

Much of Canada's history is related to the export of staples from successive geographic frontiers to serve the needs of advanced industrial centres. The great Canadian export commodities have been fish, fur, lumber, wheat, pulp and paper, minerals, and oil and gas. All of these staple industries have been created to serve the needs of the metropolis – once France, then Britain, and now the great industrial centres of Canada and the United States. H.A. Innis, in his work *Empire and Communications*, wrote:

Concentration on the production of staples for export to more highly industrialized areas in Europe and later in the United States had broad implications for the Canadian economic, political, and social structure. Each staple in its turn left its stamp, and the shift to new staples invariably produced periods of crises in which adjustments in the old structure were painfully made and a new pattern created in relation to a new staple. [p. 5ff.]

The first great staple industries in the North were the fur trade and whaling; then followed mining; now there is oil and gas. But the impact of exploration for oil and gas has not been the same as the impact of the fur trade, which depended on the Indian, the Eskimo and the Metis. The fur trade did not sever the age-old relationship between man and the land, nor did it call into question the ownership of land.

Dr. Melville Watkins, a witness for the Indian Brotherhood of the Northwest Territories, described some aspects of the fur-trade economy:

The prosecution of the fur trade depended, at least initially in each region into which the trade expanded, on the Indian as fur-gatherer.

As such the Indian was a commodity producer, not a wage-earner, and the fur trade was literally a trade, or a commercial activity, not an industrial activity. The Indian became dependent to the extent that he became vulnerable to the exigencies of the trade, but he did not have to make two critical and traumatic adjustments. ... Firstly, he did not have to become a wage-earner, and secondly, which is really the opposite side of the coin, he did not have to yield up his ownership of the land. To put the matter differently, neither his labour-time nor his land had to become themselves marketable commodities. [F23582ff.]

Dr. Peter Usher's evidence also dwelt on the characteristics of the early staple economies of the North. He pointed out that although whaling, which was extremely profitable in the Western Arctic between 1890 and 1906, brought disease to the Inuit of the area, from the strictly economic point of view,

... had the whalers simply left the country and not been replaced by outsiders ... the Eskimos could have reverted to their traditional means of livelihood and survival. [F25894]

The whalers were quickly followed into the Western Arctic by fur traders. Usher, like Watkins, emphasized that the fur trade brought relative economic stability, cultural continuity, and some real prosperity, at least to the Inuit of the Delta:

At the best of times, good trappers had far higher incomes than the average southern Canadian. The fur trade economy permitted a significant increase in regional output and wealth, although the dramatic increase in both the production of surplus and the return on it, far higher than elsewhere in the Arctic, must be balanced against the shortage of some country foods, which was the legacy of over-hunting during the whaling era. [F25895]

The fur trade economy lasted, in effect, until the 1950s. It was the fur traders who

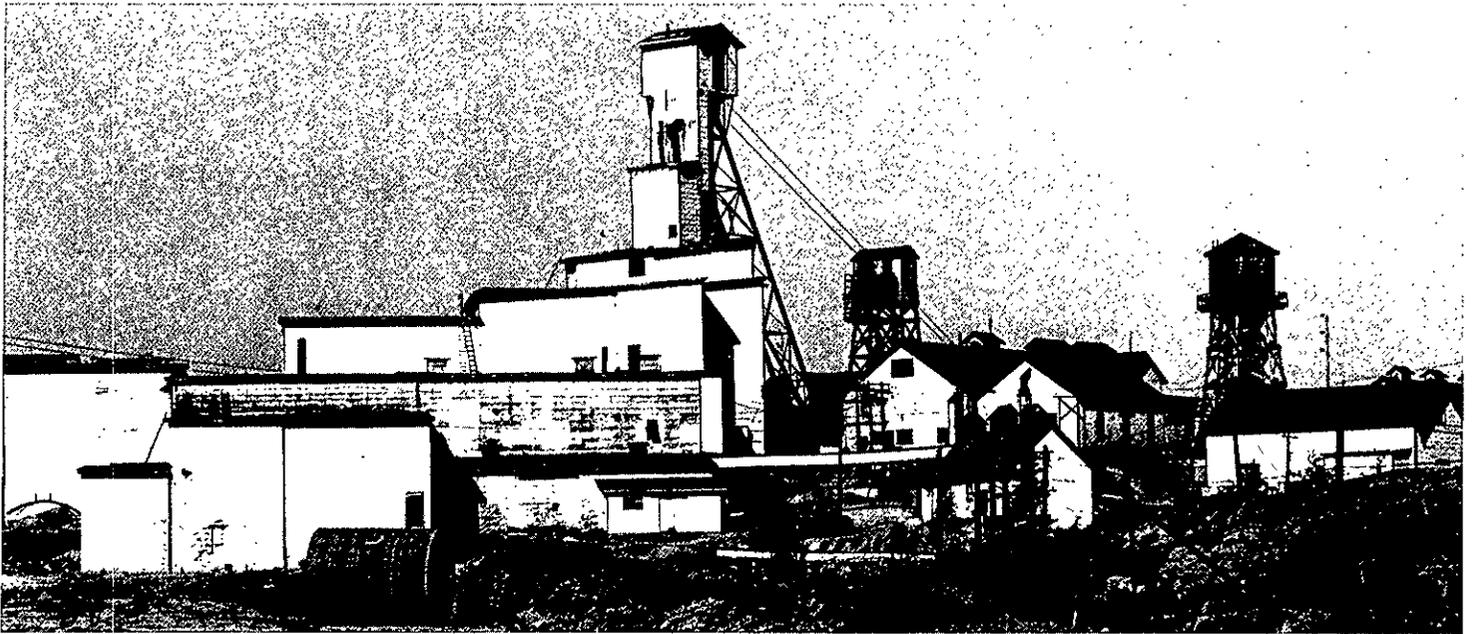
explored and established the lines of communication and transportation in the North. And it was the fur trade that brought the northern peoples within the purview of the western world's economy and into the metropolitan sphere of influence.

Even during the fur trade, however, the non-renewable resource potential of the North was important. The Klondike gold rush led to an interest in the base metals of the region. When the first great flush of enthusiasm for gold had subsided, prospecting and mining became a recognized part of northern economic life in certain areas, although they employed comparatively few people.

In the Mackenzie Valley, however, oil has, for some time, seemed to offer the prospect of economic development. In 1912, oil was found near Fort Norman and, in 1914, the geologist T.O. Bosworth staked three claims to seepages that Alexander Mackenzie had seen in 1789. In 1920, Imperial Oil drilled a well there, a year after acquiring Bosworth's claims, but according to Imperial Oil, the well did not become economic until 1932.

In the 1930s, economic activity also centered on rich mineral deposits at Yellowknife and Port Radium, and mines in the Great Slave Lake and Great Bear Lake areas have had continuing importance. In the 1960s, base metals became the focus of renewed and, at times, fervent economic interest in the Northwest Territories. Before 1964, no more than 6,000 claims were staked North of 60 in any one year. Between 1964 and 1969, approximately 90,000 claims were staked in the Pine Point and Coppermine areas alone. In 1970, the value of mineral output for both the Yukon Territory and the Northwest Territories was in the region of \$200 million.

Other activities that preceded the oil and



gas industry in the North included the construction of highways, the Pine Point railway, and the DEW Line stations. Each of these projects required the transportation of large volumes of material and supplies and large numbers of men, and each of them, as we have already seen, had some influence on the native people's cultural and economic situation. Each of them represented an advance of metropolitan and industrial interests into the hinterland.

In their historical development, the fur trade, mining, and the oil and gas industry have overlapped one another. Some capital-intensive projects, based on the exploitation of non-renewable resources, were taking place while furs were still being harvested and exported from the Northwest Territories. From the native people's point of view, however, whenever an area or a community became involved in a new staple such as mining, that staple left its mark upon their economic and social lives. The mining and petroleum industries, in particular, have raised the issues of land ownership and of wage employment, and these questions obviously bear directly on the interests of the native people.

If we return to Innis' historical view of the Canadian economy, we can see the succession of economic ventures in the North in a clearer perspective. The impact of each of the staple industries is, of course, what Innis referred to as its "stamp." And, as Watkins said in applying Innis' theory to the economic development of the North:

The impact of the proposed pipeline is simply the "stamp" of the oil and gas industry on Canada in general and the North in particular. The North is experiencing "the shift to a new staple," the result is a "period of crisis" and of "painful adjustments." [F23579]

In fact the real impact of the oil and gas

industry on the North takes us back only to the late 1960s and early 1970s. Although an exploratory well was drilled on Melville Island in 1961, only after 1968 did attention focus on exploratory drilling wherever oil reserves might be found. This surge of interest has been reflected in increased expenditure on exploration — from \$34 million in 1970 to \$230 million in 1973 — and by the fact that, by the beginning of 1973, petroleum leases covered almost 500 million acres of the Northwest Territories.

Oil exploration does not need local labour: it is the land, not the people who live on it, that has now become important. Of course this was also true of mining, but the difference between mining and the hydrocarbon industry is one of scale. The impact of mining is limited to a comparatively restricted area; the hydrocarbon industry, because of the nature of both exploration and its delivery systems, is likely to have a much greater impact.

The establishment of an economy based on mining or, more particularly, on the oil and gas industry could deprive the people who live on the frontier of their rights to their lands, and it could offer them employment for reasons that have nothing to do with their real needs. Because the oil and gas industry does not depend upon them, the native people cannot depend upon it. And if they can no longer rely upon the land for their living, they will cease to have any essential relation to any form of economic activity. The native people's assertion of their claims must, in this historical perspective, be seen as an attempt to negotiate an alternative course of economic development.

The history of the North illustrates the relation that often exists between the metropolis and the hinterland: large-scale

frontier projects tend to enrich the metropolis, not the communities on the frontier.

The pipeline project is of a piece with this pattern, but we must remember that the pipeline project is of extraordinary proportions. For example, Stelco's plant at Hamilton is the only steel plant in Canada where the pipe itself can be manufactured. Northern businessmen cannot participate in manufacturing the pipe, nor can they supply any of the machinery or equipment essential to the project. The construction of the pipeline will demand the most advanced technology, machinery and transportation systems. The project will be so huge that only companies that function on a national or international scale will be able to participate in many aspects of the work.

The development of the northern economy is sometimes viewed as a model of the political and economic formation that has taken place in other parts of the country. In this view, frontier development leads to secondary economic growth. The theory that underpins this has to do with spin-offs and multipliers, which affirm the connections between investment, investment returns, and a spreading through reinvestment of these returns into other economic activities. In this way, an economy expands, diversifies, and eventually becomes the base for towns, cities and large political entities. It was in this way that the western provinces were carved out of the old Northwest.

The necessary condition for secondary economic growth, however, is the retention of earnings and of returns on capital within the frontier region. This condition has not been met in the Northwest Territories. The profits from the fur trade and from whaling were earned in the markets of Europe and America and they generated secondary

Gold mine – Yellowknife. (DIAND)

Work crew, Norman Wells in the early days.
(Public Archives)

Oil well gusher, Norman Wells, 1921.
(Public Archives)

Drill crew, Norman Wells, 1921. (Public Archives)



Economic Impact

119

activity only in France, England and Southern Canada. Only a fraction of the profits were returned to the Indians and Eskimos. The mining industry has also taken its profits out of the Northwest Territories, and the oil and gas industry will do the same.

The present state of the northern economy shows two continuities. On the one hand, the native people are being drawn into the dominant economic modes that originate in the metropolis, and they are now faced with the possibility of large-scale industrial development that will disturb the land on which the native economy is based. On the other hand, primary economic activity in the North has been and continues to be frontier in character. Local economic formation has persistently been isolated; the returns have been taken south. The local impact of frontier development has been great, but it has not resulted in a shift towards a broadly based, self-sufficient regional economy.

In the rest of this chapter, I shall consider whether or not a Mackenzie Valley pipeline would alter or consolidate these trends.

Objectives of Economic Development

When the Honourable Jean Chrétien addressed the House of Commons Standing Committee on Indian Affairs and Northern Development in March 1972 to introduce the *Statement of the Government of Canada on Northern Development in the 70s*, he said:

Fundamental to the Government's statement is our belief that native northerners should derive early, visible, and lasting benefits from economic development. Our efforts must not only be turned to developing the natural resources of the North for the benefit of

Canada as a whole. The development of northern resources must first improve the standard of living and the well-being of northern residents. All too often the economic activity of the past was at their expense. [Introductory Remarks, p. 8]

Like Mr. Chrétien, I have found that native northerners have not in the past realized "early, visible, and lasting benefits from economic development." Will the construction of a Mackenzie Valley pipeline provide such benefits?

I can recommend some terms and conditions that would provide early and visible benefits from the construction of a pipeline to native northerners, but I do not think any terms and conditions could be imposed on any pipeline built today to ensure that native northerners would derive lasting benefits from it. Indeed, it is my judgment that the social costs of the pipeline to native northerners would outweigh any economic benefits they may derive from it.

I am speaking, as the Minister was, of native northerners and of wage employment for native northerners. I can recommend terms and conditions that would enable northern business to achieve real and substantial growth during the construction of a pipeline. But these benefits would not accrue to native northerners, except to those few – and they are very few – who possess the capital, the knowledge and the inclination to take advantage of the business opportunities that pipeline construction would offer.

We have always assumed that large-scale industrial projects, in the North as elsewhere, are good in and of themselves. Our whole economic history, which is one of earning and spending, saving and investing, encourages this belief. If a project achieves a measurable surplus or gain, such as increased profits, additional tax revenues or

higher employment, that is thought to be sufficient justification for it; no other test need be met.

This assumption should be looked at more closely. Can the pipeline project and its aftermath be subjected to any realistic cost-benefit analysis? What is the purpose of the project? In whose interest is it being undertaken? What economic gains will be made? How should the gains be shared? Is anyone likely to be hurt by it? Can the negative impacts be ameliorated?

We have already begun to ask these questions. Sometimes we asked them in the past, but we did so diffidently because of the complexity and imprecision of the concerns we were addressing. Moreover, merely by raising such questions, we implicitly suggested that curbs or limitations might have to be placed on large-scale industrial development, a suggestion that is regarded as inimical wherever the industrial system is seen as the great engine of progress.

We must take a hard look at what our objectives in the North really are. For example, it may be important to build the pipeline as quickly and as cheaply as possible. Certainly the pipeline companies would regard this as vital: rapid construction and an early flow of gas would generate income sooner. Once the capital has been borrowed, every month and year that passes before the gas begins to flow will increase the interest to be paid.

But suppose we consider the project from the point of view of its external economics – from the point of view of society's profits and losses. We might then urge that the project be delayed, that its construction phase be spread over a longer period to maximize employment and income for northerners. We might urge the building of a



smaller diameter pipeline in order to conserve gas and extend the operating phase. These measures might well reduce social costs and result in a net saving to the Government of Canada. Federal welfare and other programs for northerners and northern business could be curtailed if they did not have to respond to the boom-and-bust cycle that the market, unaided or undeterred, would set in motion.

But if one of our objectives is to provide gainful employment for native northerners, is a pipeline the best way to do it? Native people have insisted that, because the resources of the land and sea have always provided a living — and still do for many of them — ways should be sought to make that living more productive. These ways can be tried only if construction of the pipeline is postponed.

Economic Development and Self-sufficiency

Many white northerners have asserted that the northern economy could become self-sufficient if the pipeline were built. But the northern economy is the product of its history. It is paradoxical to suggest that a large-scale frontier project designed to supply energy, the modern staple, to the metropolis will result in regional self-sufficiency. The pipeline will not serve regional objectives; it will serve national and international demands for energy.

Federal policies and programs have not resulted in a regional economy in the North that will capture and regionally contain a significant proportion of the income that is generated by major private and public investment there. Most capital and consumer goods are still imported into the region, and most of the industrial labour needed is also

brought in from the South. By and large, the persons making up this imported labour force have little or no commitment to the North. They do not, generally, bank their money there or invest surplus earnings in any way that would expand employment within the region; nor do royalties, profits, or taxes stay in the North.

But federal policies have brought industrial development to the North. Mining and the oil and gas industry have responded to government initiatives by undertaking some large investment programs. Some of them, such as Pine Point, have been highly profitable. With others, investment still awaits a major return, but a large part of the cost of these ventures has been publicly absorbed. Mining companies and the oil and gas industry have found the North an attractive place in which to invest. But such federally supported investment, which has no long-term multiplier effects, will not secure the economic self-sufficiency of the Northwest Territories.

The northern economy is not going to become self-sufficient, no matter what support systems are devised for it. Indeed, there is no reason why the Northwest Territories, any more than any other region, should have a self-sufficient economy. Regional interdependence is part and parcel of Canadian economic life. Mr. Chrétien's goal, of encouraging economic development that would provide real and lasting benefits to the people of the North is one that can be rationally pursued. It is a goal that we can reach if we are prepared to diversify the northern economy by strengthening the renewable resource sector.

Perceptions of Development Priorities

Economic impact is perceived in different ways. The pipeline companies believe that a pipeline will produce great benefits to the North, although they concede that there will be some social costs. Northern businessmen see the pipeline as their long-awaited opportunity to expand. Social scientists, in general, fear that the project will greatly aggravate the region's existing social and economic problems, although some of them argue that the project is nevertheless necessary if the northern economy is not to stagnate. The native people see the pipeline as a project that will certainly impede and may finally frustrate the attainment of their goals.

In the same way, there are differing views on what the objectives of economic development ought to be. It should be evident that the present economic problems in the North are to a considerable extent, the consequences of federal policies, which have usually been moulded by southern, metropolitan interests: development has been conceived as the transformation of the northern economy from a traditional to an industrial economy. From the native people's point of view, it is questionable whether or not this can be said to be real development.

In the end, we must accept that anyone's view of the objectives of economic development in the North is value-laden. But there are, and there must be, priorities; and these priorities, if they are real, must decide between interests that are fundamentally irreconcilable. It is my judgment that the interests of the native people, as they themselves perceive them, should take priority now.

Supermarket in Yellowknife. (NFB-McNeill)

Peter Usher, advisor to Committee for Original Peoples Entitlement. (Native Press)

Mel Watkins, right, and Gerry Sutton, advisors to the NWT Indian Brotherhood. (Native Press)

Hugh Brody. (N. Cooper)



Economic Impact

121

The Mixed Economy

The development of the northern economy has successively given rise to mixtures of economic activity, to overlapping modes of production, consumption and exchange. The fur trade added a new layer of activity to the original subsistence economy. The governmental presence provided some opportunities for wage employment and transfer payments. Mining and the oil and gas industry have added industrial wage employment to the mixture of economic elements in the North.

The northern economy is often thought of as dual, consisting of a native sector and a white sector. This duality emphasizes the differences between the native way of life, with its long roots in the region's aboriginal past, and the white way of life, which represents the extension of the southern metropolis into the northern hinterland. The first is the traditional economy, based on renewable resources; the second is the industrial economy, based on the exploitation of the non-renewable resources of the frontier.

The differences between the two sectors today are accentuated by the scale and technological complexity of the industrial sector of the economy. Extractive industries located in a harsh environment and far from their markets can be economic only if they are large. This has given rise to the sharp contrast that is now coming to exist between the ways of the life preferred by most native people and the scale of industrial development. In his evidence, Hugh Brody referred to the striking contrast:

... when industry does come to the North, we find the smallest, most isolated societies

alongside some of the most costly and technically complex development projects in the world. Hence the paradox: the smallest alongside the largest, the most traditional alongside the most modern, and the most remote becoming involved with national or even international economic interests. [F25780]

This concept of a dual economy in the North may, however, be misleading. Dr. Charles Hobart and Dr. Peter Usher both pointed to changes and adaptations in traditional life; it has absorbed and now even depends upon some elements of the economy of the newcomers. Usher pointed out that this dependence upon outsiders, especially when it is reinforced by great (if at times unseen) political authority, has inevitably given rise to some flexibility in the native society. This does not mean, of course, that there are no limits to this flexibility, but this ability to accommodate to change reveals the danger in oversimplification: looked at in one way the northern economy is a dual economy, yet looked in another way, it is rather more complicated.

In fact, the native people's own idea of traditional economic activity does not correspond to the idea of an economy that is dual in nature. Neither Dene nor Inuit regard the aboriginal past, when they were isolated from and independent of southerners, as their traditional life. Ever since the first days of the fur trade, they have willingly adopted new techniques and equipment, and some of the social practices that the white man brought to the North. These elements were amalgamated into the native economy, and have to some extent become integral to the way of life that the native people are now trying to maintain and defend. At every stage there have been the dual aspects to the northern economy: the native society, with its emphasis on hunting, fishing and trapping, has stood apart from the white society

that has gradually established itself in the North. This duality has never become fixed, and it continues to evolve.

At the present time, the clash between the interests of the oil and gas industry on the one hand, and the native (though not the aboriginal) economy on the other, does invite us to see two distinct economic modes. But Dr. Melville Watkins argued that the whole idea of a dual economy erroneously emphasized a separation between the "traditional" and the "modern":

According to this view, the North is a two-sector economy, consisting of a "modern" sector and a "traditional" sector, and these two sectors are substantially separate. The "modern" sector is seen as essentially an "enclave," where "development" takes place, while the "traditional" sector is stagnant and full of problems, and is not experiencing the benefits of "development." The logic of this position is that the solution lies in moving people out of the "traditional" sector and into the "modern" sector. The transition, though painful, is necessary. At the end of the road — or in this case, at the end of the pipeline — what will be created is a one-sector "modern" economy with everybody experiencing the benefits of "development." [F23604]

There are, in reality, four sectors in the northern economy: subsistence, trading of renewable resource produce, local wage employment, and industrial wage employment. We can trace the history of the native economy along a spectrum that has subsistence activities at one end and industrial wage labour at the other. But we must bear in mind that overlapping or mixed economic forms are now integral to the native economy.

The question with which we are faced here can then be stated as, how will the mix look as a result of the pipeline?

The native economy includes a large



subsistence-harvesting component. In general, the native people harvest the renewable resources without fundamentally affecting their populations or the land that produces them. How much a man can produce and consume (and, in the case of furs and other trade items, exchange) depends upon the productivity of the land, local knowledge of the land gained through long experience of it, and the technology used. The bush and the barrens do not at present produce surpluses, but they still provide a living – or the greatest part of a living – for many families.

Many native witnesses told me how they make a living from the land. At Fort Norman, Stella Mendo said:

My dad taught me how to put nets in, to hunt and to trap, he [taught me] all those ways of life in the bush . . . it was a hard life, but yet it was good in a way because we were brought up living on wild meat, fish. We get moose hide; the hide we tan it, we use it for a lot of things, for mitts. . . . After I got married I still do the same. I go out in the bush every year. Sometimes it is hard for me, and yet I still do it because I just love being out in the bush and making our living, because that is the way that I was brought up. [C913ff.]

The native economy today also includes the production of fur for the market. The Dene, Inuit and Metis view of traditional life includes all of the economic activities upon which the fur trade is based.

In some ways, wage employment has been useful to the native economy. The jobs made available by settlement growth and the government presence, along with some transfer payments, have substantially increased the flow of cash into native hands, and hunters and trappers have used this cash to improve their equipment. But in other ways wage labour has had adverse effects on the traditional life: a regular schedule of work conflicts with a hunter's

need to respond quickly to weather and to animal movements; cash tends to flow to the men who are least committed to a life of hunting, fishing and trapping; and employment in a settlement may put a man at a great distance from his hunting and trapping areas. But it seems fair to say that local and limited wage labour was included in an economic mix that was compatible with the realization of many native values and aspirations.

In the native economy, the individual or the family combines production, exchange and consumption activities, at least during certain parts of the year. But in the cash economy, which is based on production for the market, these activities tend to be divided. An individual does not consume what he produces, nor does he sell his product directly to the ultimate consumer. Specialization of activity has enabled the industrial economy to become extremely productive; surpluses are produced that, when re-invested, promote the growth of further productive and consumptive capacity. An ever higher degree of specialization is one of the basic principles on which the industrial economy operates.

In the North today, the lives of many native families are based on an intricate economic mix. At certain times of the year they hunt and fish; at other times they work for wages, sometimes for the government, sometimes on highway construction, sometimes for the oil and gas industry. But if opportunities for wage employment expand and the pressures to take such work increase, the native economy may be completely transformed. Men will then leave the small communities to work at locations from which they cannot possibly maintain a mixed economic life. Many people have expressed the fear that, if the industrial

economy comes to every settlement, if wage employment becomes the only way to make a living, then the native economy will be debased and overwhelmed.

Native people have learned to depend upon some wage labour because of the inability of the traditional economy to resist changes imposed upon it by the external economy – especially in the form of unstable fur prices. This is to some extent the result of decades of indifference on the part of authorities in the South. The first opportunities for wage labour were seized upon, but, in time, and with the persistence of southern ideas of progress, there has seemed to be no alternative to ever more wage labour. In terms of the four-fold model I have outlined, the native people have been drawn into a dependence on local wage employment, and have been prepared for absorption into industrial wage employment. Absorption into the industrial economy will tend to undermine the mixed economic life that the native people have evolved during their contact with white society. Absorption into the industrial economy can only mean displacement of the native economy: migrant workers cannot also be hunters and trappers.

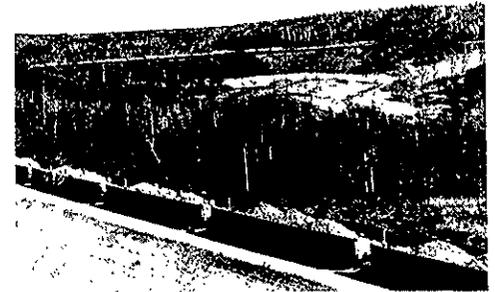
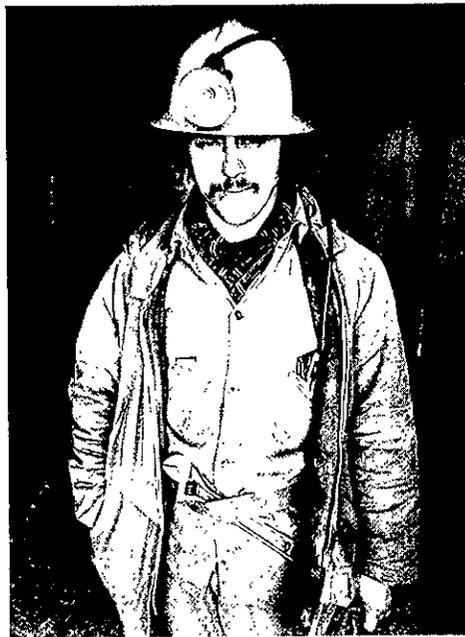
The native economy should not be preserved merely as a curiosity. The northern peoples have demonstrated before this Inquiry that their economy is not only a link with their past, but it is also the basis of their plans for the future. The continued viability of the native economy should be an objective of northern development, not its price.

Open pit mine, Pine Point. (Canadian National)

Gold miners washing up after shift. (NFB-Pearce)

Guy Dagenais at Yellowknife gold mine. (NFB-Pearce)

Lead-zinc concentrate southbound from Pine Point. (Canadian National)



Economic Impact

123

The Local Experience of Economic Development

It is self-deception to believe that large-scale industrial development would end unemployment and underemployment of native people in the North. In the first place, we have always overestimated the extent to which native people are unemployed and underemployed by understating their continued reliance on the land. Secondly, we have never fully recognized that industrial development has, in itself, contributed to social, economic and geographic dislocations among native people.

Fort Resolution and Pine Point

Fort Resolution, at the mouth of the Slave River, is one of the oldest communities in the Northwest Territories. Its population is largely Indian, but there are a substantial number of Metis. Pine Point, about 40 miles to the east, is one of the newest communities in the Territories, and it is predominantly white. The development of each of these two communities is, to a considerable extent, representative of economic development in the North.

The lead-zinc mine at Pine Point began operation in 1964, pursuant to an agreement between Cominco and the federal and territorial governments. The nature and size of the federal investment in this project gives some idea of the priorities for economic development during the sixties. In 1961, under the Roads to Resources Program, the federal government, Pine Point Mines Limited, and Canadian National Railway made an agreement whereby the government undertook to construct a railway to Pine

Point, and Cominco undertook to bring the mine into production. Total investment, including the railway, mill and hydro-electric plant, came to \$130 million. In 1962 railroad construction began; in 1963 the townsite was laid out, and in 1964 the railway reached Pine Point. In 1965 Cominco began to ship ore to British Columbia. The largest part of the government's investment was in the construction of the Great Slave Lake Railway. This investment, together with CNR's purchase of special railway cars to carry the lead-zinc concentrates, amounted to almost \$90 million. The government spent another \$9 million on the Taltson River Hydro Project to provide Pine Point and Fort Smith with hydro-electricity, and close to \$3 million to extend the Mackenzie Highway from Hay River to Pine Point. Taking into consideration the government's financial contribution to the establishment and maintenance of the town site at Pine Point, the total federal investment amounted to approximately \$100 million.

The participation by the people of Fort Resolution in the mining venture at Pine Point has been very limited. Professor Paul Deprez, in his study *The Pine Point Mine and the Development of the Area South of Great Slave Lake*, attributed their limited involvement mainly to the fact that between 1964, when the mine was opened, and 1972, there was no all-weather road between the mine and Fort Resolution, a distance of some 42 miles. Men from Fort Resolution who wanted to work in the mine had to live at Pine Point; they could not commute. The limited housing available to native people at Pine Point, combined with their own preference for living at home, kept the level of native employment low.

Deprez found it "most disturbing" that,

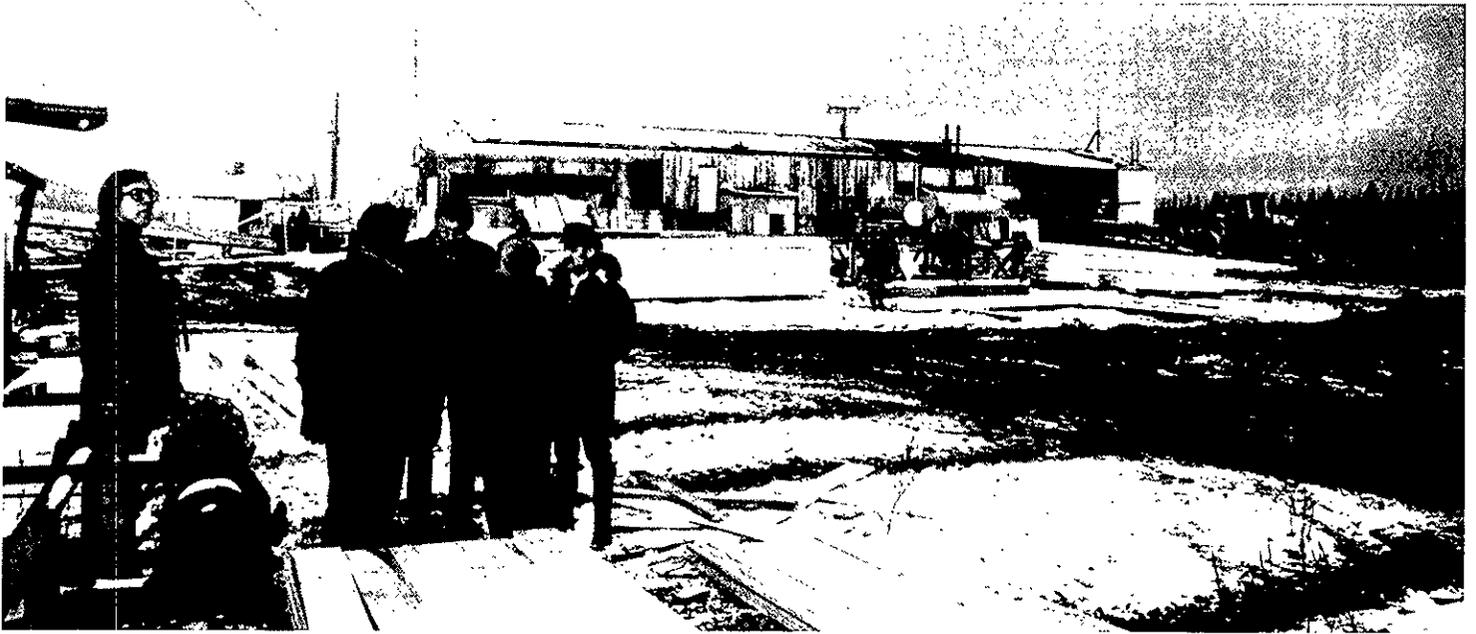
although the federal and territorial governments were prepared to spend approximately \$100 million to permit Cominco to develop the mine, they were not prepared to give any priority to the development of a link road between the mine and Fort Resolution.

In 1976, the population of Pine Point numbered about 1,800. Yet, out of a work force of 500 or more, there is a negligible number of native workers. Although Cominco supplied figures showing the number of northerners it employs, these do not reveal the number of northern natives employed. Estimates from all sources agree the number is very small. Once the complement of white workers was installed in the town, not only was there no incentive to employ native people, there was a disincentive. The presence of native employees would have altered the character of the town.

In the eyes of the people of Fort Resolution, the Pine Point mine is not simply a development in which they have not participated. It is a development that they feel threatens their land and their livelihood. At the community hearing in Fort Resolution Mike Beaulieu said:

We, the Dene people, do a lot of hunting and trapping and fishing. Our hunting has decreased a lot due to the construction of the highway, the building of the mine, and the increase of the people from the South. . . . Our traditional grounds are slowly being overtaken by these [mine] employees. There is virtually no benefit to be spoken of from the mine. [C2994ff.]

It is important to compare the Pine Point mine development with the Slave River sawmill operation in Fort Resolution. The sawmill provides employment for 30 to 35 men on a labour-pool basis. This means that a man can take time off to go out hunting or fishing, provided someone else can take his



place in the mill. In addition, during part of the spring, the mill closes down completely, because most of the men choose to hunt beaver and muskrat at that time. The operation, therefore, provides wage employment, but in a manner consistent with the maintenance of traditional economic activity; indeed it complements that activity by providing the means to buy equipment and supplies. Being community-based, the men are able to work without being separated from their families, and to participate in an endeavour that encourages community cooperation.

Father Louis Menez, the priest at Fort Resolution, pointed out, however, that the demand for the sawmill's lumber is small. The modern school building at Fort Resolution, for example, is built entirely of imported lumber. Nothing was supplied by or sought from the Fort Resolution sawmill — although the imported lumber was stored for a time in the local lumber yard. Ray Orbell, the manager of the sawmill, explained that its production capacity is three million board feet per year, but that they are unable to sell it in the Northwest Territories. He added:

It is hard for the people of Fort Resolution to understand why, when we produce only three million foot board measure, and there is 17 million foot board measure used, that we cannot sell our lumber. [C3039]

Fort Liard and the Pointed Mountain Pipeline

In 1972 a gas pipeline was built from Pointed Mountain in the Northwest Territories to Fort Nelson, British Columbia. Pointed Mountain is approximately 15 miles from Fort Liard, an Indian community of about 300. The construction phase of the Pointed Mountain project extended from late spring 1971 to August 1972, with most of the work

being carried out early in 1972. Amoco built a gas dehydration plant and an associated gas gathering system in the Pointed Mountain field; Westcoast Transmission built a pipeline from Pointed Mountain to Beaver River in northern British Columbia, which feeds Pointed Mountain gas into the main Westcoast system.

It is the only operational pipeline in the Canadian North. Its construction and current operation exemplify the pattern of economic development in the non-renewable resource sector in the North, and indicates the extent to which native people have profited, in employment and in income, from non-renewable resource projects in the past.

The direct impact of the construction phase of the project on the native economy may be summarized quite simply. Because all of the materials and equipment were purchased in the South, there were no multiplier effects associated with these expenditures in the Northwest Territories.

What about employment? Michel Scott, in his report *The Socio-Economic Impact of the Pointed Mountain Gas Field*, prepared for the Department of Indian Affairs and Northern Development in 1973, estimated that a total of between 65 and 70 native workers were employed on the project at one time or another during the construction period. Peak native employment on the project coincided with peak total employment. Towards the end of February 1972, the work force comprised 465 men, of which 60 or 12.9 percent were native persons. In general, native employment was intermittent and of relatively short duration. Native workers from the settlement of Fort Liard worked an average of 12.4 weeks during the construction period, and native workers from Fort Simpson, an average of 4.6 weeks.

Using sample data, Scott estimated that

total native income from the project was between \$50,000 and \$75,000 for Fort Liard, approximately \$40,000 for Fort Simpson, and between \$6,000 and \$10,000 for Nahanni Butte. These totals may be compared with total construction costs of approximately \$15 million.

Over 90 percent of the jobs held by native people were in the unskilled category, with their main employment being clearing and grading. Now that the gas plant is in operation, there are only eight permanent positions available, of which half are categorized as skilled and half as unskilled. All eight positions are held by personnel from the South.

The cost of constructing a gas supply system to the community at Fort Liard was estimated to be about \$500,000, but the expense could not be justified on the basis of expected field life and market size.

Gains to the native people of Fort Liard from the project were not large, but they strongly feel that their losses, because of the project, were considerable. Harry Deneron, Chief of the Fort Liard Band, explained the feeling of his people:

Somewhere the people are getting richer and richer and the people down below, the Indian people from the lake shoreline, are getting poorer and poorer every day. When I say that the Indian people are getting poorer, I don't mean money in the pocket is going out, I mean they are losing game. When you have this sort of activity in your area, the moose, fur animals, they sort of disappear. They start going away from this area. [C1662]

Native witnesses told the Inquiry at Fort Liard that the area around Fisherman Lake, near which the gas plant and gas-gathering facilities are located, has been adversely affected by the development. Johnny Klondike, a trapper, said:

Before the pipeline came into our country I

Sawmill at Fort Resolution. (A. Steen)

Interior—Fort Resolution sawmill. (DIAND)

At Fort Liard hearing. (Native Press)

Chief Harry Deneron, second from left, with Judge Berger at Pointed Mountain gas field. (P. Scott)



Economic Impact

125

lived there and raised my family, and I used to hunt fish, meat, fur, marten, lynx and moose. ... I was hoping to raise my family until they get of age, and then they could make a good living out of that country, because there was lots of game. But now, since the pipeline came in, I am scared to go any place. I don't know where to go, because wherever I want to go, there is a seismic line, with trucks rolling back and forth on it, and planes are flying overhead and it scares the moose and the game away. Ever since they came in I couldn't make a living out of the country. This is my trouble now. There is all kinds of money made around me with the oil, and they don't give me anything. They don't think that I am a person living there. I was living there before them but they don't take that into consideration. It seems they don't care about how the kids are or how I feel. There is only one pass through the mountains where I used to trap — they are occupying that, so that doesn't give me much chance to make a living [C1667ff.]

Impact and Returns

Let us now consider the economic impact the pipeline would have in the North. I think it should be plain enough that the principal beneficiaries of either of the proposed pipelines would be southerners, not the people who live in the North. This should surprise no one. The huge sums that are to be invested in the pipeline and in gas field development are for the express purpose of transporting this northern resource to the markets of the South. Even so, Arctic Gas and, to a lesser extent, Foothills have insisted that northerners will benefit from the project: the native people will find jobs, local businessmen will get contracts, and the territorial government will receive tax revenues from the pipeline and associated economic development. I want now to consider the probable extent of

such benefits to the people of the North and to indicate what the short-run and long-run economic impacts of the pipeline are likely to be.

Short-run impacts are individual events or trends that occur while a major change is taking place. During the construction phase, the people of the Mackenzie Valley would not be aware of the full range of all the pipeline's effects, but they would be well aware of its immediate effects. If wages go up, they will receive them; if prices go up, they will pay them. The long-run impact may be thought of as the cumulative result of the short-run impacts, and it will determine what the economy of the North will be like in the future. Long-run impacts cannot usually be reversed. If we opt now for a northern economy that is dominated by the oil and gas industry, that is the economy we shall have for many years to come.

In trying to predict the impact of large-scale frontier projects, we should be realistic about the cost estimates that the companies present. Large-scale frontier projects usually cost very much more than was initially estimated. We have seen the estimated cost of the James Bay project increase three-fold, from \$6 billion in 1971 to \$18 billion in 1976. In 1970, the estimated cost of the trans-Alaska pipeline was \$900 million; today, with the project near completion, it is apparent that its cost will be approximately \$8 billion. The Alyeska Pipeline Service Company originally advised the State of Alaska that it would require some 6,000 to 8,000 workers to build the pipeline. In fact, during both the 1975 and 1976 construction seasons, 24,000 workers were employed on it.

We have seen the estimated cost of the Arctic Gas project rise from 5.6 billion in March 1974 to approximately \$8 billion today. This estimate is not, of course, the cost

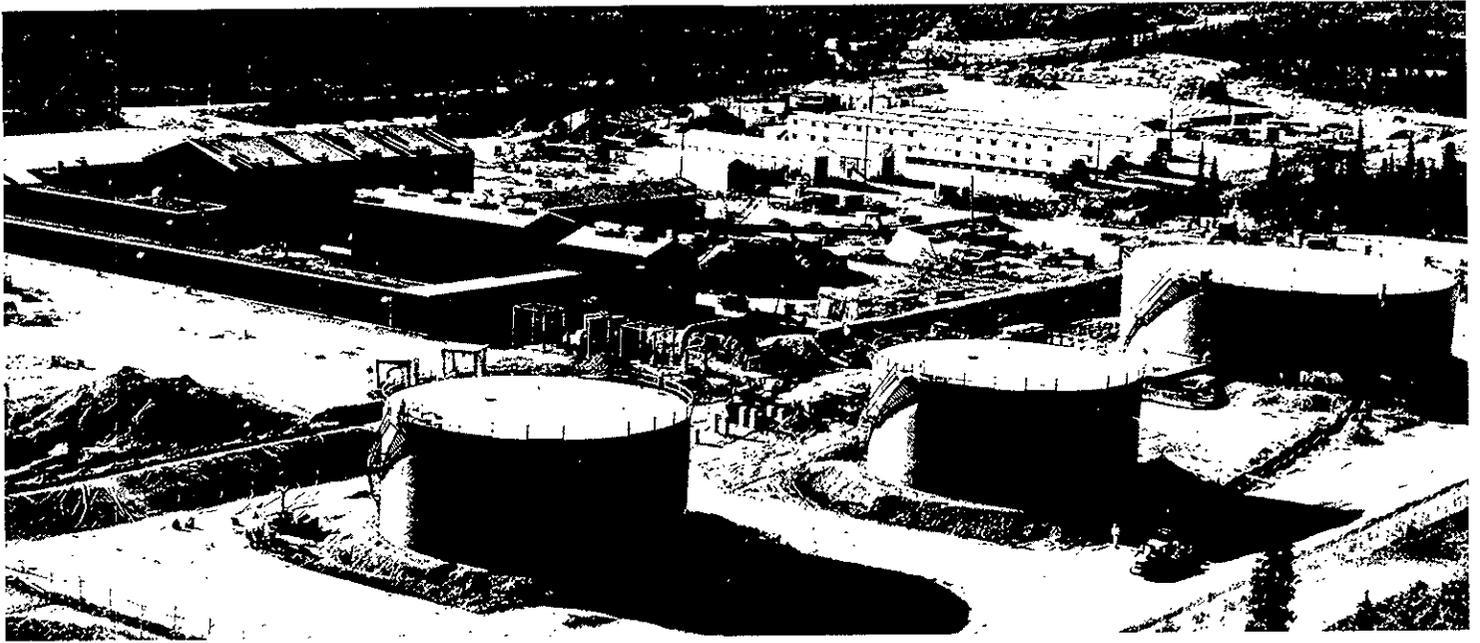
of the whole pipeline, but only of the part of it that will run through Canada. The Foothills pipeline north of 60 has undergone a similar increase, from an estimated \$1.71 billion, when it was first proposed in 1974, to over \$3 billion in 1977. Arctic Gas will be asking the Government of Canada and the Government of the United States to guarantee repayment of their borrowings, for cost overruns, and Foothills will seek a similar guarantee.

The complexity and the scale of the pipeline project will probably mean that our predictions understate the costs, the changes, and the impact of the pipeline. Its economic impact will probably be very much greater than anyone today predicts: it is likely that more materials, more workers, more money and more time will be required than present estimates suggest.

Economic Problems: Short-run

The Mackenzie Valley pipeline will be one of the largest construction projects ever undertaken. Thousands of workers will be required to build the pipeline, and yet more thousands will go North to look for work. Huge volumes of material and large numbers of machines will be moved into the North.

The majority of people who come to the North to work on the pipeline will dispose of most of their earnings in Southern Canada. But they will spend at least some of their wages in the North. Because the northern economy has limited capacity to accommodate additional demand, an increase above present spending levels will force up prices. The supply of goods and services is likely to be interrupted because existing supply lines do not easily or cheaply permit northern merchants to replace depleted stocks. The



seasonal river-based transportation system requires major stocks of commodities to be laid in each summer for the coming year. Capacity in housing, retailing, community services and local public works cannot be expanded quickly, particularly during periods of high demand.

The short-run impact of the pipeline will depend on the degree to which such matters as population flow and the surges of local demand are controllable and controlled, and on the degree to which the activities related to, and induced by, pipeline construction are able to bypass businesses and transportation capacity related to community supply in the Northwest Territories. Both Arctic Gas and Foothills have claimed that the movements of the workers and supplies they will need are controllable and that they will, in fact, be controlled. They have argued that the pipeline project will be carried out in an orderly way, and that it will entail no more than minimal pressure on communities and local suppliers. The companies recognize that there may be some problems related to the pipeline, for example, the influx of transients, but they do not think these problems will be serious, and they maintain that government should be able to manage them.

THE ALASKAN EXPERIENCE

In trying to predict the impact of pipeline construction in the Canadian North, can we learn anything from the experience of the Alyeska pipeline?

David Boorkman, an urban sociologist who gave evidence for Arctic Gas, described some of the problems the Alyeska pipeline has brought to Alaska. The principal problem has been the wave of in-migrants attracted from the Lower 48 by the prospect of high wages. In 1974 and 1975, an estimated 70,000 to 80,000 people (no one knows

exactly how many) arrived in Alaska, increasing by 20 percent the total population of the state, which in 1970 had stood at 300,000. This in-migration spawned a whole range of other problems: it disoriented the local economy, increased the pressure on public services, and led to a high rate of inflation.

Boorkman told the Inquiry that Alaska has had successive waves of in-migrants in the past. They came with the gold rushes, with the military construction during and after the Second World War, with the building of the DEW Line stations in the 1950s, and with the discovery of oil and gas on the Kenai Peninsula in the 1960s. The present surge of people into Alaska is only the latest of a series of waves of migration. Americans have always regarded Alaska as a place to make a new start or a quick fortune.

Before pipeline construction began, Boorkman had predicted that the peak in-migration during 1974 and 1975 would be around 40,000 people. In the event, about twice that number came. In explaining his underestimate, Boorkman pointed out that Alyeska had predicted that they would employ 6,000 to 8,000 workers, but in fact they had employed about 24,000 workers during peak construction.

The high pay on pipeline construction attracted qualified workers away from lower-paying jobs in both the public and private sectors of the Alaskan economy. Because of the rapid population increase, the budgets for such cities as Fairbanks, Anchorage and Valdez, and the state budget have swelled. There is a severe shortage of housing, utilities are overloaded, crime has increased (although not at a greater rate than the population), and inflation is running at double the national average.

The State of Alaska, in Boorkman's opinion, unwittingly contributed to this high rate of in-migration by its local employment policy. The Local Hire Act, passed in 1972, required that Alaskan residents be given preference for jobs on the pipeline. Union hiring halls were established in Fairbanks, and thousands came from the Lower 48 looking for work. Because there was no precise definition of Alaskan residence, they qualified as residents and were eligible to work on the pipeline. Thus, although the statistics show that a large percentage of the workers on the pipeline are officially qualified as Alaskan residents (66.7 percent at December 31, 1975), many are residents only in the sense that they are living there while working on the pipeline.

A policy designed to limit employment to Alaskan residents, even if it had been enforced, would not necessarily have stopped people coming into Alaska from the Lower 48. Alaskans might perhaps have obtained more of the jobs on the pipeline, but there would still have been a large influx of people drawn there by the prospect of a chance to make big money on the frontier. Of course many highly skilled workers would have been required, who could not have been found in Alaska. Nevertheless, construction workers constitute no more than 15 percent of the total in-migrant population. The remaining 85 percent is made up of people who came to Alaska to look for work. The unemployment rate in Alaska is, therefore, higher now than it was before the project began. Attempts to dissuade workers from flocking to Alaska were not effective: they came anyway.

We can get some idea of what would happen to a town such as Hay River, Fort Simpson or Inuvik by examining the experience of Valdez, the southern terminus of the

Pumping station under construction, trans-Alaska pipeline. (Alyeska)

Pipeline worker at construction camp, Alaska. (E. Weick)

Attaching insulation, Alyeska pipeline. (Alyeska)

Archeological research on right-of-way, Alyeska pipeline. (Alyeska)



Economic Impact

127

pipeline, a town of just over 1,000 in 1970. Dr. Michael Baring-Gould and Marsha Bennet, sociologists at the University of Alaska, told the Inquiry that the population of Valdez increased by 34 percent between 1970 and the end of 1973: it was then 1,350. By July 1975, the population of the town proper — not including construction camps and outlying communities — had increased to more than 3,500, roughly triple the population in 1973. The town and camp population together reached a peak of 6,500.

Local employment in Valdez changed from substantial dependence on jobs with the public service to dependence on pipeline construction and related activities. In 1975, for example, 135 new businesses opened in the Valdez area; they were predominantly Anchorage-based suppliers of equipment and services to the pipeline project, but there were also new stores to meet increased consumer demands. The labour market in Valdez has changed substantially in structure, almost wholly because of the influx of new residents and employers. Private sector activities such as fishing that were once significant in Valdez have become much less important. Incomes have risen: the per capita income of heads of households rose dramatically from a median of \$11,940 in 1973 to \$24,500 in 1975; the median family income rose from \$16,430 in 1974 to \$30,600 in 1975.

Several other factors in the Valdez situation warrant attention. The increases in income were not restricted to workers on the pipeline: they occurred in all occupations. Employers in general, including the city and state, were forced to raise salaries to meet local inflation and to prevent loss of personnel. Nevertheless, increases in income were greatest among the pipeline work force. Since most of the workers who moved into pipeline employment came from the less

skilled, lower paid and less permanent levels of employment within the community, the result was a levelling of incomes within Valdez between 1974 and 1975. But the disparities may return. When high-paying construction employment is no longer available, the people who now have this work will be forced back to their former level of employment and will be obliged to readjust to a lower level of income.

The state provided funds to communities such as Valdez to deal with problems created by the impact of pipeline construction. For the most part, these funds were insufficient and came too late to be of real assistance to communities to overcome their immediate problems. The funding programs were restrictive in their application, and often they did not address the problems the communities were facing in, for example, the fields of housing, health and pollution. Worse, the problems frequently could not be solved merely by the injection of cash. Sometimes there was little that a community could do with money because materials and skilled personnel were not available. Long delays between planning and implementation simply could not be avoided.

In Alaska, as a result of the pipeline boom, in-migration has caused serious shortages because of greatly increased demands for services, utilities, commodities and housing in such key cities as Fairbanks and Valdez. Prices, especially rents, have risen greatly. Alaskans who had not formerly been part of the labour force, such as married women, native people and high school students, have now entered it. Many municipal employees and people working in service jobs or for local contractors left to work on the pipeline, and they were either replaced by less qualified personnel or not replaced at all. There is a high turnover in all jobs as workers try to

make more money to meet the rising cost of living. Persons with relatively fixed incomes, for example, pensioners and state and municipal employees, sustained losses — sometimes severe — in real income.

APPLICATION TO THE NORTHWEST TERRITORIES

The impact of the Alyeska pipeline, which has included in-migration, inflation, shortages and an increase in unemployment, shows what might happen in the Canadian North.

Wayne Trusty, an economist who gave evidence for Arctic Gas, said that construction of a pipeline in the Canadian North would not have the same impact as it had in Alaska. In the past, construction workers coming to northern Canada have not remained, whereas the workers who come to Alaska have a greater tendency to take up residence. He said that southern cities such as Edmonton will perform the functions of logistics and supply that in Alaska are performed by Anchorage and Fairbanks. Edmonton's dominant role in supplying northern construction will tend to discourage the relocation of businesses in the North and will therefore limit in-migration. Trusty thought that, although Arctic Gas would no doubt procure some goods and services locally, the basic north-south system of supply would not change markedly.

Arctic Gas say their policy will be to limit in-migration. (An in-migrant, by their definition, is someone who intends to live in the North, not someone who goes there simply to work and who will leave when the job is over.) They will limit in-migration by hiring non-resident workers only in the South, then flying them back and forth from Edmonton. The workers will have no chance to stop in the communities. Furthermore, Arctic Gas



intends to publicize information about the arduous nature and seasonality of pipeline work.

Trusty pointed out that, in the Northwest Territories, the federal government has always played the vital role in economic development. He argued that the area has always had a closed, planned economy. He meant that the federal government and its creature, the territorial government, are the principal employers and the principal source of wages, salaries and transfer payments. Because the government controls the disposition and use of land in the Northwest Territories, he felt that this tight control of the sale and use of crown land could be used to discourage in-migration.

In comparing impacts of pipeline construction in Alaska with those that may occur in the Northwest Territories, we should not overlook the fact that the Alyeska pipeline project, although it is very large, is smaller in relation to the Alaskan economy than either the Arctic Gas or the Foothills project would be in relation to the economy of the Northwest Territories. It has been suggested to me that the difference in size of the two economies would actually work to the advantage of the Northwest Territories. It is said that because its economy is rudimentary the preponderant impact of the pipeline project would necessarily have to occur outside the territorial boundaries.

The trans-Alaska pipeline project has been described as an \$8 billion pipeline grafted onto a pre-pipeline economy of \$2 billion. This disproportion between the project and the local economy would be even more pronounced in the Northwest Territories. The local economy of the Northwest Territories is very much smaller than the economy of Alaska and, therefore, less able

to absorb the kinds of impact that such large projects inevitably generate. It is probable that the kinds of economic impact that the Alyeska pipeline had in Alaska would also occur in Canada, but to an even greater degree.

The short-run economic effects of the pipeline would lead to a higher rate of local inflation than there would be if no pipeline were built. Migrants to the Mackenzie Valley and Western Arctic would compete for available accommodation: the market for private housing is small and poorly developed, and it could not easily expand to meet surges in demand. There would also be shortages of goods and services. In the communities most affected by the pipeline project, these shortages would be serious, and they would affect the daily lives of every resident in them.

There would be significant changes in the structure of the labour force. People who are not now part of the labour force would enter it to take work on the pipeline or to fill jobs left by others to work on the pipeline. As in Alaska, the distribution of income would change: workers with direct access to the main money streams associated with the pipeline would see their incomes rise much more rapidly than those without such access. People with relatively fixed incomes such as pensioners would certainly suffer because their incomes would not rise as fast as prices. The climate for local business would undoubtedly be good, but there is a real possibility that local business could not expand enough to meet demands. Sloughing off expanded capacity after completion of the pipeline project could be painful and disruptive.

I am mindful of the evidence that both pipeline companies presented on the controls they would impose on their activities and

their labour force, and I believe that the companies could exercise a measure of control over the movement of their own personnel, materials and equipment. Similarly, the pipeline contractors should be able to exercise a measure of control over their personnel, materials and equipment. But the activities of the pipeline companies and their contractors will give rise to a great number of secondary and tertiary activities, and the pipeline companies have understated the impact that these activities would have. The Alaskan experience enables us to understand a great deal about that kind of impact. It will simply not be possible to control all forms of activity. In Canada, citizens have the right to travel where they will; if any of them decide to travel North of 60, there is no legal way to stop them. Although we might wish to control the impact of the pipeline boom, it would in many ways be quite beyond direct control: we should have to accept serious short-run dislocations of the economy. I do not see any way that these effects could be prevented.

Economic Problems: Long-run

In considering the long-run impact of either the Arctic Gas or the Foothills pipeline, we must remember that, once an energy corridor is established, other pipelines would be built along it, too. New reserves of oil and gas would probably be developed, and communication and transportation systems would be further expanded. So the pipeline must be regarded as a threshold: once crossed, there is no turning back.

THE ALASKAN EXPERIENCE

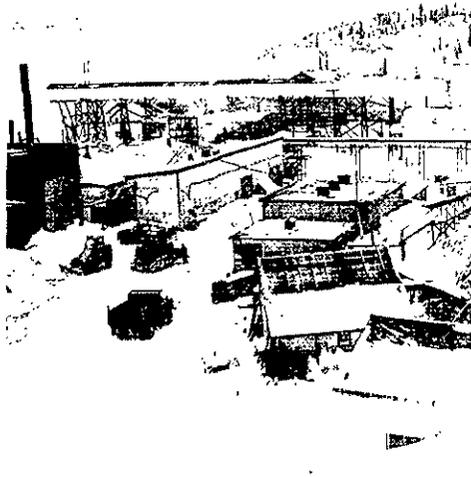
Since the discovery in 1968 of oil at Prudhoe Bay, the structure of the Alaskan economy has changed. Before 1968, military spending provided a relatively firm income base along

Yellowknife gold miners. (NFB—Pearce)

Kakisa Lake store. (GNWT)

Echo Bay Mines, Great Bear Lake. (DIAND)

A Yellowknife bar. (News of the North)



Economic Impact

129

the Fairbanks-Anchorage corridor. Many Alaskans depended on the fishing industry, which is regionally important all the way from Ketchikan in the Panhandle of southeast Alaska around to Kodiak Island and the Aleutians in the west. Forestry and pulp and paper were also important in the southeast, and there was some farming in the Matanuska Valley, near Anchorage. Government services tended to provide relatively stable employment in the urbanized centres.

The changes that have occurred in this pattern since 1968 all derive from the very large scale of industrial activity that has been associated with petroleum development: they are not the result only of the trans-Alaska pipeline. Many millions of dollars have been spent on exploration and development on the north slope. Many millions more will be spent on further exploration of Naval Petroleum Reserve No. 4 and of Alaska's outer continental shelf.

Government services have proliferated throughout Alaska. In 1969 the state received almost \$1 billion from the sale of oil leases on the north slope, and this money has now been spent to develop infrastructure that Alaskans saw as necessary to achieve parity with the Lower 48. New buildings, roads, ferries and improved social and health services have all been costly to establish and maintain. At the same time, the greatly expanded population of Alaska demands more and more of these things and, because it now earns higher incomes, it demands services of higher quality.

Oil was expected to flow long before it actually will; the government thought it would have early access to royalties and tax revenues, but building of the pipeline was delayed by environmental litigation and the negotiation of native claims, and the state's

expectations of early revenues were frustrated.

The state government is now on a treadmill. It has created services and a bureaucracy that require very large sums of money to maintain. There is only one source from which enough money can be obtained, and that is the oil and gas industry. The government must, therefore, support further oil and gas exploration and development, and pipeline construction, even though it may have misgivings about them.

Alaska's native people have been drawn into the Alaskan economy. The nature of the Alaska Native Claims Settlement Act was such that, once it was signed, the future of the native people depended on acceptance of, not opposition to, industrial development. The value of the lands they obtained under the Act depends not on their production of game, fish and fur, but on the existence under them of minerals, oil and gas. Because the native corporations were created to be profit-making entities, the native people must now become workers or businessmen if they wish to have a share in the economic future of the state.

Petroleum development in Alaska has affected every major Alaskan interest: the government, the white people, the native people, the unions, the businessmen. All of them now focus on a single activity: the continued search for, and development of, oil and natural gas. There is now less room than before for economic diversity, although military spending, commercial fishing and forestry are still important elements in the state economy. The native person who wants to continue a life of hunting, trapping and fishing is not encouraged. The land that he uses for these purposes is sought by developers, including native developers.

APPLICATION TO THE NORTHWEST TERRITORIES

Is this the experience that awaits the Canadian North? Once embarked on a program of oil and gas development, the Northwest Territories will be committed to such a course for many years. There will be little control within the Territories over the rate or the direction of such development. A relatively autonomous political entity like Alberta can exercise some real control over the rate at which its oil and gas reserves are to be used, and the extent to which the province's economic growth will be determined by the oil and gas industry. But this degree of political autonomy is possible because the province's economy is not completely dependent on the oil and gas industry. Albertans can exercise a measure of control with respect to the development of oil and gas to the extent that they have developed other industries, especially agriculture.

If the Northwest Territories (or for that matter Alberta) were to permit the oil and gas industry to develop to the exclusion of all other sorts of economic development, government would face the long-term threat of eventual economic decline. Resources like oil and gas must give out: they cannot continue forever. Alberta is fortunate in having an agricultural, as well as a petroleum, base. And the Northwest Territories, like Alberta, could also develop a firmer economic future by strengthening its renewable resource sector.

Although in many respects dependence on large-scale petroleum development would be beneficial, the control of the northern economy would not lie with northerners nor, indeed, with the Government of Canada itself, for at least a generation. Annual expenditure on the Mackenzie Valley pipeline during construction would greatly



130 NORTHERN FRONTIER, NORTHERN HOMELAND

exceed the value of the annual production of the Northwest Territories. The cumulative expenditure on all of the oil and gas projects that can be foreseen in the North would greatly overshadow every other form of economic activity in the region. Given the present state of the northern economy, a decision to build the pipeline now would severely limit the possibility of northern residents having any real control over the rate and extent of the economic growth of the region.

Returns to the Government of the Northwest Territories

In its budget for 1976-1977, the Government of the Northwest Territories, which has limited sources of revenue and is heavily subsidized by the Government of Canada, projected a total income of \$215,790,900. Of this amount, \$189,539,200, or better than 87 percent, was to come from the Government of Canada in the form of grants, loans and transfer payments.

The costs of providing increased health and social services necessitated by the pipeline will be high. Population growth and the expansion of key centres, such as Hay River, Fort Simpson and Inuvik will require substantial public funds. Normal territorial programs in the fields of health, education, welfare, recreation, game management and corrections will have to be expanded and diversified. As the Government of Alaska is discovering, the costs come first, the benefits — in the form of government revenues — come much later. What revenues, then, will accrue to the Government of the Northwest Territories over the long-term if a pipeline is built?

Potential returns to the territorial government can be estimated by applying existing

territorial tax legislation to the proposed pipeline. Under the Northwest Territories Act, the territorial government has the power to impose a property tax on pipelines: such taxes are levied under the Taxation Ordinance. During the 1975-1976 fiscal year, the Government of the Northwest Territories collected \$55,216.50 from levies on the Pointed Mountain pipeline and its ancillary facilities.

If Schedule A of Commissioner's Order 181-74 is applied to the proposed Mackenzie Valley pipeline, the annual tax revenue to the Northwest Territories for a 700-mile length of 48-inch pipeline, assessed at \$10.65 per foot (that is, at 25 mills) would amount to \$984,060. For a 42-inch pipeline over the same distance, assessed at \$9.71 per foot, the annual tax revenue would be \$897,204. These figures do not give the full picture; they do not include taxes on ancillary facilities such as compressor stations. They do, however, indicate that, if the present assessment rates are retained, the revenues that would accrue to the territorial government would be so low as to be insignificant. They would come nowhere near meeting the social costs of pipeline construction that the Government of the Northwest Territories would have to bear.

David Nickerson, a member of the Territorial Council, gave his view of the matter to the Inquiry:

The solution to this problem is obvious — the rates must be made to approach fair actual value, and I would suggest that pipelines be taxed at 66⅔ percent of such fair actual value just as are many other improvements . . . as specified in Commissioner's Order 477-73.

It would be my supposition that revenues to the Northwest Territories resulting from the operation of a pipeline system such as that proposed by Arctic Gas should on no account

be less than \$50 million per annum and that, should the Territories be unable to extract that amount by way of property taxation, it would lead us to press vigorously for some other form of taxation such as throughput taxes.

Nickerson said the pipeline company might find a throughput tax to its advantage, because taxes payable would decrease when the pipeline was not operating at full capacity. He went on to give specific figures:

As an example of the type of revenues which might be collected using such a tax, I give the following illustration: if a levy of one day's throughput for each 100 miles of pipeline were made on a pipeline 700 miles long carrying four billion cubic feet of gas per day (the volume proposed by Arctic Gas within a few years of start-up), the total government take would amount to 28 billion cubic feet. Assuming a value at the Northwest Territories border of \$1 per thousand cubic feet, in dollar terms this amounts to \$28 million. Were a certain proportion of the government's gas to be taken in kind, it could be used for electricity generation or other purposes designed to keep the cost of living in the North comparable to that in Southern Canada. [F29273ff.]

But, of course, a throughput tax could not be applied to Alaskan gas being carried to the Lower 48; such a tax would be excluded by the treaty between Canada and the United States. And the territorial government has no power to impose a throughput tax on Canadian gas being transported in the pipeline.

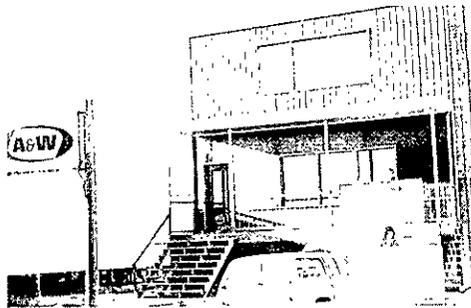
What revenues would accrue to the Government of the Northwest Territories as the result of expanded economic activity associated with the pipeline? The largest single source of additional revenue attributable to general economic growth would be receipts

Inuvik in the 1960s. (GNWT)

Inuvik business establishment. (GNWT)

Inuvik mayor, Jim Robertson. (P. Scott)

Territorial councillor, Dave Nickerson.
(News of the North)



Economic Impact

131

from the sale of liquor because the Government of the Northwest Territories has a monopoly of such sales.

There would, of course, be more cash in the hands of northerners, but the power to tax personal and corporate income lies exclusively with Ottawa.

It is clear that, unless there is a fundamental redistribution of revenues between the Government of Canada and the Government of the Northwest Territories, the deficit of the Government of the Northwest Territories, despite increased earnings from the sale of liquor, will be even greater after the pipeline is built than at present, and the territorial government will be even more dependent on the federal government than it is now.

Benefits to Northern Business

A considerable proportion of the whites resident in the North are there as representatives of large organizations that have headquarters outside the region. Public servants employed by the Government of Canada fall into that category and, given the dependence of the territorial government on the federal government, public servants employed by the Government of the Northwest Territories may also be said to fall into that category. So also do employees of the mine at Pine Point (Cominco) and of CN Telecommunications, Pacific Western Airlines, and the oil companies. Typically, such employees are in the North only temporarily.

The pipeline will probably not have a major effect on the lives of these temporary residents. They will, of course, be affected by higher prices, and they may have to wait longer for telephones and other utilities. Some of them, as in Alaska, may leave the jobs that brought them to the North for

higher paying jobs on the pipeline. But, in the main, their lives will not be greatly affected if the pipeline is built.

However, there are some white people who have lived in the North for a long time and intend to remain. They are independent tradesmen or owners of small- to medium-sized businesses in the larger communities and in some of the native villages. They have created the commercial establishment that provides the communities with many everyday goods and services. These white people would find it difficult to withdraw from their commitment to the North and would not easily avoid the effects of the pipeline. But evidence presented to the Inquiry by the Northwest Territories Chamber of Commerce, the Association of Municipalities, and many private individuals, indicated that most of these people feel that the pipeline will benefit them. They think the pipeline is necessary to growth and development of the northern economy, although they recognize that it may not be wholly a blessing. Jim Robertson, the Mayor of Inuvik, put the matter this way:

With respect to development, I could tell you what we'd like, which is no development and a standard of living twice what we have right now. I can tell you what we honestly expect is that, in order to maintain what we have, we're going to have to put up with a certain amount of development and inasmuch as we take that to be a cornerstone, you're not going to get a tax base until you get some activity. You're not going to get activity without certain adverse results. [C3703]

White people permanently resident in the North are clearly worried about some of the less desirable changes that would accompany the pipeline project. They recognize that they might find themselves torn between two sets of considerations. On the one hand, they are uneasy about many of the

effects that the pipeline might have on their families and communities. Living through the construction phase of such a project will not be easy or peaceful, as Alaskans have learned. On the other hand, northern whites, and particularly those in business, recognize that the pipeline could lead to a significant increase in their material well-being. Many of them have lived for years in the hope and, in recent years, with the expectation that a pipeline would be built.

Businessmen who have invested their savings in ventures designed to serve the northern market operate under difficult circumstances. Don Tetrault, a prominent Hay River businessman, outlined some of the problems:

Now, as far as the businessman is concerned, I am not the only one that has taken a long look at pipeline construction and how it would affect the businessmen. There are many businessmen in Hay River, Simpson, Inuvik and Yellowknife, who have taken a long look at plans, at the pipeline and how it would affect their businesses, and consequently they have expanded their businesses with larger fleets, if they're in the trucking business, larger hotel rooms or more accommodation, more camps if they're in the camp business. This has taken a considerable amount of funds, and these funds had to be generated outside the Territories to a large degree, particularly in light of the fact that ... until recently, [the territorial government's] small business loans were limited to approximately \$15,000-\$20,000. Now it has gone to \$50,000, and as far as the businessman is concerned, today they are talking about millions of dollars and hundreds of millions in construction for camps, materials: the local businessman in the Northwest Territories is restricted for borrowing on the territorial level to \$50,000, and [at] today's prices and costs, \$50,000 is very little. Consequently we have to go outside to either banking firms or the Industrial Development Bank [IDB].

This has caused considerable hardship to



132 NORTHERN FRONTIER, NORTHERN HOMELAND

many of the small companies, and they have, in turn, turned to the larger existing companies outside the Territories for assistance, either direct financial involvement in their firm, or establishing other firms or other businesses relative to their industry, but on a joint-venture basis. A good example is our own commitment whereby we got involved with another major transportation company to purchase a second vessel to be used exclusively in the oil exploration, pipeline development. This was brought about by necessity, lack of funds available through the Territories or the IDB, ... and many companies are going to have to do this and have done [so] already ... they have involved themselves with large companies outside in a form, either partnerships or joint ventures, simply because we need their money; they need our expertise assistance. In other words, we have ability to move across the country, we're familiar enough ... with manpower problems that we can cope with them satisfactorily. Maybe not [to] the satisfaction of the bankers, but to our Board of Directors' satisfaction. [C240ff.]

Many of the minor and virtually all of the important decisions that affect the northern economy are made outside the Northwest Territories. This situation causes the northern businessman frustration and difficulty; it creates uncertainty and, of course, nothing underlines this situation more clearly than the fact that the decision whether or not to build the pipeline will be made in Ottawa and Washington, D.C. Georgia Moniuk, a hotel proprietor at Norman Wells, told the Inquiry:

The business community here would love to have the opportunity to partake in this great venture, but cannot prepare due to the uncertainty of the whole thing. The businesses here have the people with ability to be of great assistance in the early planning stages of the pipeline and in the overall working program, but unless decisions are made soon, the conditions are such that many of the old northerners will pull out and leave the chaos to the

money-grabbing southerners, as they have been called many times.

The town council here, as in Inuvik, Fort Simpson and other communities, is also at a dead end, for they cannot prepare without money, without planning and without decisions. The people likewise cannot prepare for the future, for a future of what? Unprecedented boom? Or irrevocable depression? The government cannot prepare, for although everyone and everything depends on their wisdom and money, neither can be seen under the smoke-screen of uncertainty, lack of money, lack of planning, lack of personnel, lack of power, lack of direction and lack of decision.

What will be the results of a decision in favour of the pipeline? Chaos. And what will be the results of a decision against the pipeline? A depression and more chaos. [C2090ff.]

Northern businessmen are not alone in finding that they exert little influence on the course of events: businessmen in the provinces face the same problem. Northern businessmen, however, face a variety of other problems that are not usually encountered in the provinces. Local markets are small, and the connections among them are not well-developed. The supply of a commodity or service may exist in one community, and there may be a demand for it in another community nearby, but there may be no means of bridging the gap between the supply and the prospective buyers. Northern businesses are distant from sources of supply, and not only is the cost of transportation extremely high, but water-borne transportation is seasonal. Inventory costs are therefore also high. Capital markets that are normally available to southern firms are virtually absent in the North.

Many small firms in the Mackenzie Delta have made substantial investments on the strength of the high level of hydrocarbon exploration that prevailed in the early 1970s.

The recent drop in such activity there has resulted in losses, some of them considerable. Thus businessmen in the Delta are, not surprisingly, eager to see the pipeline project proceed. Without an affirmative decision soon, they fear there will be a further decline in business activity in the area. I think it is fair to say that virtually all of the businessmen in the Mackenzie Valley and the Mackenzie Delta feel that the pipeline would enable them to profit from unprecedented growth and expansion.

It is unlikely that, in the ordinary course of events, the pipeline company and its contractors would rely at all strongly on local firms, for such firms would be unable to supply the goods and services in the volumes and with the regularity that a project as large as the pipeline would require. The pipeline company, if it is to keep its schedules, will have to rely extensively on firms from the South. Nor would it be desirable for northern firms to be drawn completely into activities closely related to the pipeline. Their services would be needed by the local market.

I have no doubt that terms and conditions could be imposed on the grant of a right-of-way that would enable northern businesses to expand during the construction of the pipeline. In Volume Two of this report, I shall lay out a scheme to give appropriate preferences to northern business, along the lines of the scheme already accepted in principle by the Department of Indian Affairs and Northern Development for public expenditures North of 60. Such a scheme is essential if northern business is to take full advantage of the pipeline boom.

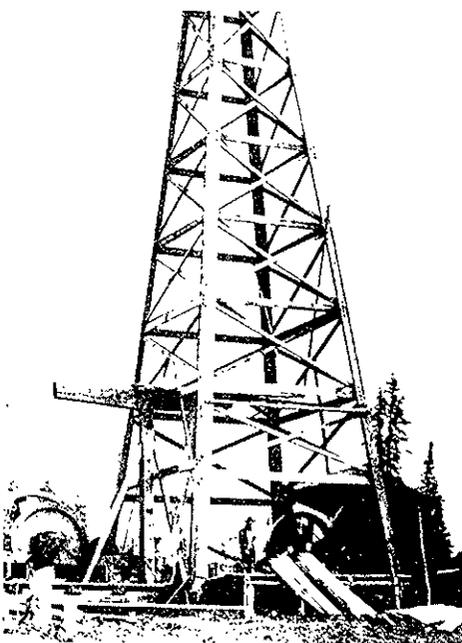
But there are hazards for northern businessmen. Construction of the Mackenzie Valley pipeline could produce a serious distortion of the small-business sector of the

Norman Wells refinery. (GNWT)

Electric light station, Fort Simpson, 1898.
(Alberta Archives)

Oil well – Norman Wells, 1921. (Public Archives)

Mine machine shop, Yellowknife. (NFB–McNeill)



Economic Impact

133

Northwest Territories. This would raise problems for orderly development of regional economic and commercial activity in the long run. Local businessmen might be drawn too heavily into ventures directly associated with the pipeline, and therefore be vulnerable to fluctuations in the fortunes of the oil and gas industry. Indirectly, this dependence could lead to uncertainty in the lives of those who work for or depend upon local businesses. The consequences of a bust are evident: persons and institutions that have become dependent upon a high level of economic activity may quite suddenly find, in the bust, that they have lost heavily. In the case of native people and of whites permanently resident in the North, these losses may be still more acute. Booms often mean that alternative sources of revenue or livelihood are curtailed or eliminated. In this way, the risks intrinsic to the effects of total intrusion are realized.

But the fear of a bust following the boom is likely to mean that every effort will be made to keep the boom going. This course would produce other, less obvious problems. Dependence upon a high level of economic activity, such as that generated by the petroleum industry, would result in the need, often acute, to keep that activity underway and expanding. Anyone who believes that his livelihood or the economy of the region can be maintained only by more exploration, followed by more development, will urge further exploration and development. This is the treadmill effect to which I referred earlier. It offers the possibility of cumulative impact of every kind, with any alternative form of economic development excluded.

Impact on the Native Economy

What is the place of the native people in the northern economy today? Many of them receive welfare, old-age pensions and family allowances, but most of them are at the edge of the capital and income flows that dominate the northern economy. Native people earning wages are engaged mainly in low paid, unskilled, casual or seasonal employment.

In 1972, Dr. Chun-Yan Kuo prepared *A Study of Income Distribution in the Mackenzie District of Northern Canada*, which revealed that in 1969-1970, the mean annual per capita cash income of whites living in the Mackenzie District was \$3,545, of Metis \$1,147, of Inuit \$840, and of Indians \$667. The study also indicated that 22 percent of the native people of the Mackenzie District received a cash income of less than \$4,000; only one percent of the native population had an income in excess of \$10,000. In contrast, 22 percent of the white families had an income above \$10,000. Mean income for white families was \$9,748; for Indian families \$2,568. There is no reason to believe there has been any significant change in the proportional distribution of income in the Northwest Territories since Kuo's study was made.

These differences in income show the extent to which the developed money economy of the North is confined to urbanized enclaves. Kuo's figures did not, of course, take into account the extent to which the native people still live off the land: income in kind is still vital to native people. If they were to be totally absorbed into the industrial system, whether employed or unemployed, they would lose their income in kind.

Such wage employment as the native people have had has not suddenly put an

end to their reliance upon country food, nor to their earnings from trapping and the sale of furs. Indeed, because wage-earners can afford to improve their equipment, a wage income can actually be beneficial to the traditional economy. But, in the longer run, the trend toward an industrial economy leads to a decline in the use of land and in the harvesting of country food.

This trend has its influence on income distribution within small communities. The native people have always shared the food they obtain from the land. Such produce is shared more readily than money, and the land is generally regarded as communal. The shift towards a money economy has created new possibilities for poverty: those in want are more likely to stay in want, and inequalities in native communities can become more marked. If income in whatever form it may take is not shared, it is possible for the average per capita income to rise at the same time the number of households experiencing poverty is also increasing. The number of poor people and a community's total cash income may rise concurrently. No assessment of the economic gains and losses of oil and gas development in the North can overlook a predictable decline in the native economy and the losses that decline will entail for virtually every native family in the North. Economic development will make native communities poorer in some ways as they become richer in others.

The impact of large-scale labour recruitment on the small communities will be felt by everyone in them: its intrusion into village social life will not be selective but total. With small-scale economic developments, persons who are particularly qualified for, or inclined towards, wage labour are selected or select themselves; with large-scale developments, all available manpower



is recruited and moved to the place of work. Because the hunters and trappers who work only occasionally are usually regarded as partially or wholly unemployed, there will be pressures exerted on them to take wage employment, with results that will be felt throughout the traditional sector of the northern economy. These pressures are intensified by the fact that the men whose lives are most firmly committed to the harvesting of renewable resources also suffer from recurrent cash problems. So it is that the persons — or even whole communities — that have the strongest cultural and personal links with the land and its resources are the ones that are most firmly pushed towards participation in industrial activities. Hence the effect of total intrusion into community life.

Of course, if the pipeline is built, it will tend to justify itself in the statistical tables. The gross domestic product of the region will increase substantially. Per capita income will rise. Consultants who now recommend the construction of the pipeline on the grounds that it will benefit the native people of the North, will be succeeded by consultants willing to support whatever conclusions government and industry are then anxious to justify.

Statistics enable you to keep the problem at one remove. When using figures, you do not have to consider the reality of what is happening on the ground; with pages of text, flow charts and graphs, you can express ideas about cash income and gross domestic product and avoid all consideration of what is really occurring among the families of the native communities.

Any community, in the North or in the South, would bear certain social costs if it were associated in any way with a project of the magnitude of the proposed pipeline.

These costs, which include urban congestion, shortage of housing, separation of families, alcoholism, violence and crime, and problems of mental health, are magnified in the North. The social and health services that are provided to deal with these ills are a spin-off from the project, and they, too, are sometimes categorized as a form of economic growth. The federal and territorial governments will provide these services, but their cost should be regarded as a debit, not a credit, in any cost-benefit analysis.

You may question why I am pessimistic about the prospect of the pipeline as a means of bringing the native people more fully into the industrial system. Can they not participate in some way or other in such a project and reap the benefits that so many people firmly believe can be realized? If the native people cannot be painlessly transformed into industrial workers, is it not, nevertheless, inevitable that they must become industrial workers, albeit painfully?

The fact of the matter is, however, that if the North continues to be regarded solely as a frontier for industrial development, there will not be an assimilation that is either more or less painful. On the contrary, the North will become the home of a demoralized, confused and increasingly angry people who believe that they have been oppressed and weakened ever since white men came to their land.

The impact on the native economy of pipeline construction in the near future would be serious, perhaps irreparable. Pipeline construction now, and all that it would bring, would impel the northern economy during the next generation or more toward further industrial development. If that shift occurs now, before the native economy has been strengthened, the very possibility of strengthening it will have been undermined.

All northerners seek a diversified economy, but the possibility of diversification, which depends upon strengthening the renewable resource sector, will be lost if we build the pipeline now.

Employment and the Pipeline

The Question of Unemployment

Jack Witty, Chief of the Employment Division, Department of Economic Development, Government of the Northwest Territories, told the Inquiry that there is a labour force of 17,000 in the Northwest Territories. This figure represents all persons, male and female, between the ages of 14 and 65, in the Northwest Territories. According to Witty, there are between 10,000 and 12,000 jobs, and he concluded, therefore, that 5,000 or more people have no jobs. Most of those employed work for the Government of Canada, the Government of the Northwest Territories, local municipal bodies, the mining industry, and the oil and gas industry, a largely white work force. When, therefore, we talk about unemployed northerners, we are talking about 5,000 or more native people in the Northwest Territories whom the government regards as unemployed.

But these calculations have an unreal flavour. The labour force figure of 17,000 comprises all persons, male and female, between the ages of 14 and 65 — including housewives, many children in school, the disabled and ill, and even able-bodied adults engaged in hunting, fishing and trapping. It can be seen at once that such a figure is an unsound basis for determining what the potential labour force really is. Calculations

A government-funded Local Initiatives Project,
Jean Marie River. (Native Press)

Pipeline welding, Alaska. (Alyeska)

Oil rig worker. (DIAND)

Pipeline research, Inuvik. (NFB-McNeill)



Economic Impact

135

derived from it obscure, rather than reveal, how many able-bodied persons are working or might actively be seeking work.

The concept of endemic unemployment among the native people of the Northwest Territories has been one of the primary justifications for the pipeline project. Official willingness to justify construction of a pipeline on the basis of an inflated figure for unemployment complements the official tendency to discount the importance of the native economy. Witty's testimony is an example of this tendency:

... there is no equality of opportunity for employment — because the employment simply does not exist. Of 67 communities in the Northwest Territories, only 9 [Yellowknife, Hay River, Pine Point, Tungsten, Inuvik, Arctic Bay, Resolute Bay, Echo Bay and Norman Wells] ... could be considered to have a substantial economic base outside government support...

The population of the 67 communities ... is estimated at 45,488 [May 1976]. The population of the 9 communities that I consider to have a reasonable degree of employment stability is 20,251 or slightly less than 50 percent of the total. [F31223ff.]

This analysis does not take into account the continuing strength of the native economy that sustains communities like Sachs Harbour, Holman, Paulatuk, Colville Lake and Trout Lake. Hunting, trapping and fishing for subsistence are simply ignored.

Of course, many native people do seek wage employment, and many of them find it. But what they seek is employment on a seasonal basis, as part of a wage-and-subsistence economic mix. Very few are seeking permanent employment in the industrial system.

Public servants who have perceived an overriding necessity to provide industrial

wage employment for the unemployed native people have also tended to regard the native economy as moribund. This perception became fixed in the 1960s, when the native economy was at its nadir because of more than a decade of low fur prices, administrative neglect, and rapid social change.

Although it is a mistake to talk about a pool of 5,000 or more unemployed persons in the Northwest Territories today, it is nevertheless true that a significant number of native persons may properly be classified as unemployed or underemployed. I do not pretend to know how many such persons there are, and I venture to say that no one knows for sure.

Even were we to assume that the number of unemployed is large, and that it will be increased by the entry into the labour market of a large school-age population, certain questions would still remain. Without increased wage employment, will the native people have to choose between a life in the North on welfare or relocation to Southern Canada? Can pipeline construction offer them opportunities for meaningful and productive employment? Or, as the native people themselves have argued in the testimony quoted in these pages, does that opportunity lie in the strengthening of the native economy?

Pipeline Employment

Northern policy-makers have concluded that the only way to supply jobs to unemployed northern people is to build a pipeline. But would a pipeline supply these jobs? I think that we can ensure that, through a scheme of preferential hiring, native people who want to work on the pipeline will be given the opportunity to do so. But let there

be no doubt about this point: the work offered them will not solve the long-term problem of native employment as it is understood by government officials.

This extract from the brief submitted by the Pipeline Contractors Association of Canada offers an insight into this difficulty:

Pipeline construction is a relatively new sector of the construction industry. It was not until the year 1947 that pipeline construction came into prospect as a major construction force in Canada. The construction of pipelines is unique by comparison to other types of construction. Work methods, techniques, specialized equipment and employee skills are peculiar to this type of construction.

The pipeline construction spread is made up of several production units or crews which are interdependent. Welding standards, to ensure quality welds with structural integrity, require intensive training on the part of employees operating welding equipment in the down-hand, stick rod, semi-automatic and fully automatic welding techniques. The specialized equipment utilized in pipeline construction is rarely, if ever, used in other sectors of the construction industry. Such equipment ... requires specially trained operators.

During the early to mid-1950s, the major pipeline construction projects in Canada were carried out by contractors of American origin. Because there were few, if any, Canadian workmen with the specialized skills for this work, it was necessary to import American personnel to the extent of approximately 90 percent of the skilled work force. [F27836ff.]

Today the highly skilled jobs in the Canadian pipeline construction industry are filled by Canadians. But this state of affairs has taken a generation to achieve.

Only now is it becoming apparent that no skilled jobs will be open to the native people. Skilled jobs on the pipeline will not be available to them because they have no training for these types of jobs and, even were they to qualify for these jobs, once the



pipeline was finished, they would have to travel to other parts of the world to pursue their specialized trade. In fact, very few native northerners have ever left the North to pursue successfully a career in the South.

There will be severe limitations on the type of work native northerners can do. During clearing and grading, some native people would operate heavy equipment and drive trucks, but most of them would be employed in cutting brush. During pipelaying, some native workers would be employed in semi-skilled jobs, but most of them would be employed in various unskilled capacities.

It is all very well for Arctic Gas to say that there will be employment for everyone, but the pipeline contractors and the unions — not Arctic Gas — will be controlling the hiring. And the unions (the Plumbers and Pipefitters, Operating Engineers, Teamsters and Labourers), in a letter to the Inquiry, dated January 14, 1977, made their view of the matter plain enough:

The Unions and the contractors have the ability to absorb new trainees into the pipeline construction industry with reasonable assurance of employment continuity depending upon the volume of pipeline work that follows the northern pipeline construction and provided that the trainees are willing to move to pipeline construction projects in various parts of Canada. Training in pipeline skills will not afford northern residents long-term employment opportunities within their own locale. Those who will wish to remain in the North must be satisfied to obtain a basic training and upgrading in pipeline skills for the term of the project. The greatest long-term employment opportunities in the territories will accrue to those residents who receive training and obtain tradesmen's qualifications in the building construction phase of the project.

The Unions agree that the Government role

should be restricted to providing guidelines to be followed in evolving a plan for their commitment to northern participation in the pipeline project as an alternative to Government-imposed stipulations. However, the unions are not willing to make any commitments with respect to northern participation at the present time for the following reasons:

- a) Unions are expecting no change in their methods of operations insofar as entry requirements and apprenticeship programs are concerned.
- b) It is felt that the situation differs between skilled and unskilled trades people, and therefore the unions cannot entertain the acceptance of new members until an actual count is made of the various skills available.
- c) Persons trained by and skilled on industrial projects are often found to be poor workers on pipeline projects.
- d) The tenure of a worker on a pipeline project is seldom lengthy enough for proper training.
- e) The chances of continuing employment in the pipeline construction industry are very low unless the worker is willing to move extensively to the various and ever-changing locations of construction activity....

The criteria for entry into the unions are based on skills possessed. The emphasis on northern manpower delivery should be directed toward plant construction, as opposed to pipeline construction, for the possibilities of longer employment and continued use of acquired skills....

The consensus of the Advisory Council is that heavy emphasis in programming northern participation must be placed on the building and construction trades, where there is at least some assurance of a continuity of apprenticeship training that is not found with the pipeline construction trades. [p. 2ff.]

The unions say that northern manpower delivery should be directed toward plant construction, as opposed to pipeline construction, for the possibilities of longer

employment and continued use of acquired skills. What they mean is that native people, in order to obtain skills that will be of lasting use to themselves and the North, should seek employment, not on the pipeline, but on the construction of the gas plants in the Delta, and presumably on the construction of the compressor stations. This statement is altogether at variance with the position taken by counsel for Arctic Gas at the close of the hearings. At that time, Arctic Gas maintained, as they have from the beginning, that pipeline construction would offer the native people an opportunity to acquire skills that would be of continuing benefit to them in the North. In my judgment, this position is not tenable. And, moreover, no evidence has been advanced to show that there will be a significant number of opportunities for native people to acquire long-term skills on gas plant or compressor station construction.

The positions available to northern natives will be unskilled; so far as semi-skilled employment may be available to them, it will consist largely of employment as operators of trucks and heavy equipment. Except on the Mackenzie and Dempster Highways, there will be no long-term requirement for any considerable number of these operators, once the pipeline is built. In fact, with the cutback in the Mackenzie Highway construction program, there is already a surplus of native heavy equipment operators.

David Boorkman gave us this picture of the employment of native people on the trans-Alaska pipeline project:

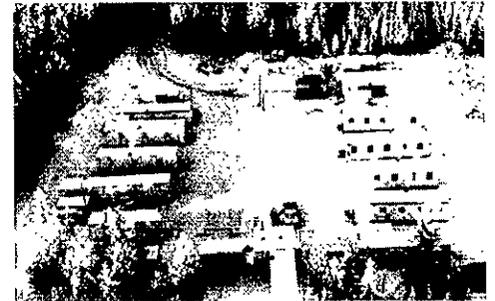
On a statewide basis, a significant number of natives have been hired by Alyeska. It has been estimated that 5,100 individual natives have worked for Alyeska and that 8,000 total jobs have been filled by natives. These totals are the result of the four major native employment programs now in effect in Alaska. [F24325ff.]

Cookhouse at gold mine, Yellowknife. (NFB—Pearce)

Learning to operate heavy equipment, Fort Smith. (Native Press)

Work Arctic employee, Alex Tambour of Hay River. (GNWT)

Hire North camp. (GNWT)



Economic Impact

137

But only a small percentage of the Alaskan native people employed have come from rural areas. No surveys of the pipeline's impact on the small villages in the state have been completed, but some statistics are available. We know that, in June 1975, the percentages of rural native people then or previously employed on the pipeline was low, ranging from over 20 percent of the total population for Allakaket to two or three percent for Nenana and Anderson. Many native people complained about the difficulty of obtaining work on the pipeline because most of the unions required them to register at the union hiring halls in Fairbanks and to be there when the call for employment was made. This requirement entailed the difficulty and expense of traveling to Fairbanks. Rural natives were also dissatisfied because they lacked information concerning pipeline employment, the union hiring hall procedures, and the relationship between the various federal, state and native organizations, including the Alaska Federation of Natives, the Bureau of Indian Affairs, and the State Department of Labor.

By learning from the Alaskan experience we can, I believe, overcome some of the problems that the native people in Alaska had in obtaining employment. But I do not want to pretend that any scheme for native preference in hiring would necessarily be wholly effective in placing native people on the job. Once construction is underway, the unions will have a measure of control over hiring that will make it likely that their own hiring rules will be enforced, rather than any procedure recommended by this Inquiry, even if it has the sanction of Parliament. But let us assume that we could ensure that thousands of native people were given work on the pipeline: What would have been achieved then?

In the past, the Adult Vocational Training Centre at Fort Smith emphasized the training of heavy-duty equipment operators. Today, many of these operators are unable to use the skills they have acquired. How much heavy equipment can there be in Sachs Harbour, Gjoa Haven or Arctic Bay? At least four or five men in Sachs Harbour know how to operate such equipment, but, at the latest report, there was only one such machine there. And, very likely, there is no need for more than one. In many villages we heard the same sort of story.

During the past two decades, northern native people have been drawn into large-scale construction projects, from the building of the DEW Line to the construction of the Mackenzie Highway. In every case, many of them acquired a range of experience and a variety of skills. But when each of these projects was completed or cut back, most of the jobs disappeared. The native people went back to their communities, possessing knowledge and skills many of them would never use again. More important still, while these major projects were underway, government administration and the industrial economy intruded with particular force into the daily lives of the native communities and greatly inhibited the normal functioning of the renewable resource economy. Following the completion of these major projects, the native people who had worked with them often found themselves left with reduced, rather than expanded, options.

Hire North

Hire North, a program established by the federal government in 1972, sought to find ways in which native people could work together as a unit and at the same time acquire the kinds of skills that are best

learned on the job. In this way, the native people could learn skills and work habits that would assist them to enter the wage economy on a permanent basis.

Hire North was given a contract, without competitive bidding, to carry out the clearing and subgrading of approximately 17 miles of the Mackenzie Highway north of Fort Simpson. The usual shift was for 30 days, at the end of which time a worker could go home to rest or he could stay on the job for another shift. By this means, Hire North provided hundreds of jobs for native men. In this sense, it was a success. In another sense, however, it was a failure. One objective of the program was to train men for employment with contractors who were constructing other sections of the Mackenzie Highway. Although most of the men, while with Hire North, had learned to operate road-building equipment, most of them were still not prepared to work with the fully experienced equipment operators and shift-bosses that the contractors employed; few native workers lasted very long with any of the contractors.

Now the Mackenzie Highway construction program has ceased, except for some work on a small part of the route. What happened to all of those native people who had learned new skills while employed by the Hire North project? The Government of the Northwest Territories was unable to tell us how many, if any, are currently employed in work that makes use of whatever skills were acquired during employment on Hire North. It seems plain that their skills are not now marketable. Probably many of them are considered to be unemployed, but no doubt some of them returned to hunting, fishing and trapping and are not really unemployed.



NORTRAN

The petroleum industry's showpiece for the training of northern native people is the Northern Petroleum Industry Training Program (NORTRAN). Funded by both pipeline companies and by Imperial, Gulf and Shell, NORTRAN was begun in 1971 to provide training in the operational phases of the industry.

Trainees are chosen on the basis of academic qualifications and job-experience levels. After an orientation course, usually at the Adult Vocational Training Centre at Fort Smith, they are sent to Alberta, where they learn to operate and maintain gas pipelines and gas plants. Housing is provided for them and their families, and they are given various kinds of extra instruction as well as on-the-job training. The program is intended to prepare them to return to the North and, in due course, take employment in operations and maintenance jobs in the petroleum industry. If the trainees should not wish to return North, or if no pipelines or gas plants are built in the North, the companies have guaranteed them permanent jobs in the South. One of the principal differences between NORTRAN and other training schemes for native people over the years is that in NORTRAN all of the trainees are supposed to be enrolled and treated as employees.

However, like the other northern training programs, NORTRAN has met with mixed success. When the program began, there were 16 trainees; in April 1976, 117 trainee positions were available, of which 109 were occupied. Of these, 93 were held by northerners. Of 224 trainees who have entered the program since its inception, 115 have dropped out. The principal reasons given for

dropping out were loneliness and homesickness, which in many cases led to excessive drinking, absenteeism and, eventually, to termination of training.

NORTRAN has nothing to do with training for employment on the pipeline itself; its training is for the 200-250 permanent jobs in operations and maintenance that will become available once the pipeline is built. The industry rightly maintains that only in operations and maintenance will there be long-term jobs or careers for northern native people in the industry. However, Barry Virtue of NORTRAN expressed his concern over whether or not NORTRAN will be able to retain its trainees, once pipeline construction, with its highly paid work, actually begins. NORTRAN is prepared to send any of its trainees to sites where they may obtain construction experience and continue their training for operations jobs, but it is recognized that many trainees may then desert the program in favour of unskilled but well paid work.

NORTRAN officials are still trying to recruit men from the Mackenzie Valley and the Mackenzie Delta, despite the fact that, out of a reported 400 applicants, they regarded only about 25 as suitable, by virtue of their academic backgrounds, for the program.

Is it going to be feasible to train northerners for skilled work in pipeline construction? The unions say it is not. They say (quite apart from their contention that their own members must come first) that such training should take place on the job. However, the last major pipeline built in Canada was the Sarnia-Montreal oil pipeline and no pipeline is at present under construction. It is, therefore, not possible at present to train any large number of northerners anywhere in Canada

for the skilled work that pipeline construction will require.

Employment and Unemployment

Except during the construction phase of a project, the petroleum industry is capital-rather than labour-intensive. Those who argue that the employment of native people on a project like the pipeline will equip them with skills that will be of lasting use to them and to the North have not made their case. What is more, that case is based on an idea of native aspirations and needs that is at odds with what so many of the native people themselves have expressed to this Inquiry. The pipeline, even if it were to provide many long-term jobs, would not solve the problems of the northern economy.

It is, perhaps, worth considering at this point the employment of native people in the government sector. At present the Government of Canada, including crown corporations, employs about 1,900 in the Northwest Territories: only about 250 of these jobs are held by natives, and their work is mainly clerical or unskilled labour. It is now 10 years since the Government of the Northwest Territories transferred its headquarters from Fort Smith to Yellowknife. Yet, in 1976, out of 3,069 people on the payroll of the Government of the Northwest Territories, only 603, or 20 percent, were native and of these 603, most worked at clerical or unskilled labour.

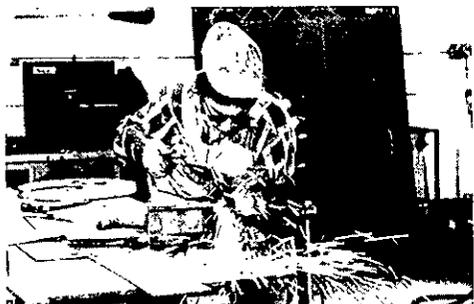
Both government and business have insisted on the importance of introducing the native people into wage employment. This has been one of the reasons for the subsidies provided to industrial development in the North. Quotas requiring a certain number of native employees have been imposed but

Native crew clearing brush on Mackenzie Highway. (GNWT)

NORTRAN trainee. (Arctic Gas)

Student at Adult Vocational Training Centre, Fort Smith. (GNWT)

Inuit touring Pine Point mine. (DIAND)



Economic Impact

139

have not, however, been met, and all concerned have expressed dismay. No one yet has been ready to examine the false assumption that lay behind the quotas. If the creation of jobs for native northerners is really a primary objective, there must be better ways of achieving it, from the point of view of northern development, than the past and present emphasis on the extraction of non-renewable resources.

In the past few years, Imperial, Gulf and Shell together have been employing about 250 native people at any one time in the Mackenzie Delta at the peak of their winter drilling season. Although the average length of employment is only nine weeks per worker, these jobs have assumed a real importance for Delta people, especially for the Inuit. It should not be forgotten, however, that there are grave social problems in Inuvik and Tuktoyaktuk, and that many of these problems are closely associated with the intrusion of the oil and gas industry into them. The most serious problem of all may, in the end, turn out to be the dependence that the native people are coming to have on industrial employment. In the absence of an alternative source of income, people may become locked into a dependence on the oil and gas industry — whatever its relation to their environment or to their culture and aspirations. They may, therefore, quickly come to the point where they feel unable to oppose further industrial development. People who are locked into an economic condition because of their dependence on it can only acquiesce in the perpetuation of that condition.

When we consider the creation of employment for northern native people, we must be quite clear, however, about the unemployment that may also be created. Policymakers in Ottawa and Yellowknife have

tended to underestimate the extent to which native northerners are gainfully employed. Men who support their families — and even have surplus to share among other families — can hardly be said to be idle. Yet, there has been a tendency — and it seems to be one that persists — to classify such persons as unemployed, the result, obviously, of equating the category “employed” with that of “wage-earner.” But, in native economic life, there are persons who, at any given time, may not be wage-earners, but who are nonetheless productively employed. I suggest that such persons should be regarded as “self-employed.”

If, however, communities in the Mackenzie Valley and Western Arctic are made to depend exclusively on industrial wage employment — if the production of country food for local consumption ceases to be an important component in the economy, then the self-employed will certainly become the unemployed. The point is simple enough: the extension of the industrial system creates unemployment as well as employment. In an industrial economy there is virtually no alternative to a livelihood based on wage employment. Those who are unable or unprepared to work for wages become unemployed and then dependent on welfare. To the extent that the development of the northern frontier undermines the possibilities of self-employment provided by hunting, fishing and trapping, employment and unemployment will go hand-in-hand.

So, employment on the pipeline for native people will be seasonal. Seasonal employment, offering native people an opportunity to acquire cash to supplement their income from hunting, fishing and trapping, can, of course, be extremely useful. In some respects the seasonal wage employment available in the Delta has been just that. The danger lies,

however, in the way that the intrusion of the industrial system leads to undermining and abandonment of the native renewable resource economy. This process has already been observed in the Delta, despite the fact that the seasonal wage employment available there (with the exception of Inuvik and Tuktoyaktuk) has, even over the past six years, been comparatively limited. The pipeline would offer seasonal employment for only two or three years. But it would intrude throughout the Mackenzie Valley and the Western Arctic in a way that would threaten the native economy to an unprecedented extent. Seasonal employment will be of little use to those who wish to maintain their own economic life: the very possibility for that economic life will have been removed.

If the Pipeline is Not Built Now

I have indicated that the economic impact of the pipeline will not bring lasting benefits to native northerners. In the next chapter, I shall outline the social costs of the project. They will be very high. And I shall have to say that construction of the pipeline now would irremediably compromise the goals embodied in native claims. All of these considerations lead inexorably to the conclusion that the pipeline should not be built now.

I speak of a postponement of the pipeline, not of its cancellation. Although the oil and gas reserves discovered so far in the Mackenzie Delta have been disappointing, the Government of Canada is committed to an exploration program of the oil and gas potential of the Beaufort Sea. The drilling



program undertaken there by Dome Petroleum will continue and, if sufficient reserves of gas are discovered, in due course a pipeline may be built along the Mackenzie Valley to deliver this resource to market.

In their final submission, Arctic Gas urged the Inquiry to address this question: What will be the impact of a decision not to build a Mackenzie Valley pipeline now? They offered their own answer: they said that without a pipeline there would be no development of business opportunities, of employment, of economic growth in the Mackenzie Valley and the Western Arctic. They were supported in this answer by the Northwest Territories Chamber of Commerce and the Northwest Territories Association of Municipalities.

Jim Robertson, the Mayor of Inuvik, on behalf of the latter Association said that at least 50 percent of the present labour force in the Mackenzie Delta is employed directly or indirectly in oil and gas exploration and development. He insisted that, rightly or wrongly, education over the past 15 years has prepared the native people to take their place in the wage economy, and that there would be no alternative to out-migration from the Mackenzie Delta, if the pipeline did not proceed.

Robertson maintained that the pipeline would provide an urgently needed tax base for the larger centres in the North. He argued that there would necessarily be a reduction in the level of local services if the pipeline were not built, because there are not sufficient funds to pay for them. He pointed out that Northern Canada Power Commission, Northern Transportation Company Limited and other crown corporations have invested money in preparation for anticipated growth. If such growth does not occur, these companies will have to recover their capital

and their operating and maintenance costs from a much smaller market than they had anticipated. Robertson said that this situation would lead to economic hardship in communities like Inuvik. He also argued that the erosion of the local tax base could have as great, if not greater, adverse impact than that predicted as a result of pipeline construction:

Without prospects of growth, capable persons in all areas of expertise together with many dedicated civil servants would again invariably have no option but to pursue their careers in geographic areas where personal fulfilment and family advancement could be obtained.

While many families, especially in the smaller communities, could continue to provide for themselves with an existence from the land, it is doubtful that many would freely elect to live off the land on a full-time basis for an indefinite period of time.

Robertson concluded:

Mr. Commissioner, the foregoing ideas are placed before you not to assume a disaster if resource development is discontinued, but to illustrate what the Association perceives could be some serious problem areas arising as a result of an indefinite moratorium on resource development. [F29713]

However the case is put, it reflects the concept that, without a pipeline, there will be no economic development in the Northwest Territories. I find this point of view an oversimplification of what might happen. It reflects a decade of insistence by political figures and spokesmen for the oil and gas industry that there can be no form of northern development except a pipeline; ergo, without a pipeline there will be no development in the North.

If the pipeline is not built, the northern economy will not come to a sudden halt. To begin with, the native economy will not be

seriously affected. The program of modernizing and expanding the native economy, which the native people have called for, can be undertaken. The mining industry will not be affected. The oil refinery at Norman Wells will not shut down. The Mackenzie River transportation system will continue to supply and resupply the communities of the Mackenzie Valley and the Western Arctic. The government bureaucracy, which is the largest employer and main source of income for both white and native northerners in the Northwest Territories, is not likely to diminish significantly in size simply because a pipeline is not built now.

Finally, a decision to postpone pipeline construction would not necessarily mean that oil and gas exploration in the North would be ended. As I said earlier, Dome's exploration program in the Beaufort Sea will continue, and exploration by independents is not likely to stop. I do not think the majors will necessarily cease drilling altogether: they would run the risk of losing their leases. In any event, if the federal government were to decide that, in the national interest, exploration should continue, Petro Canada is the instrument by which such a policy could be carried out.

Nevertheless, there would be a serious setback to Inuvik and perhaps (although this is less certain) to other Delta communities. Many northern businessmen, encouraged by spokesmen for the Government of Canada, have proceeded with their investment programs on the assumption that the Minister of Indian Affairs and Northern Development would grant a right-of-way, and the National Energy Board would grant a Certificate of Public Convenience and Necessity, to enable either the Arctic Gas or the Foothills project to proceed. Both government and the

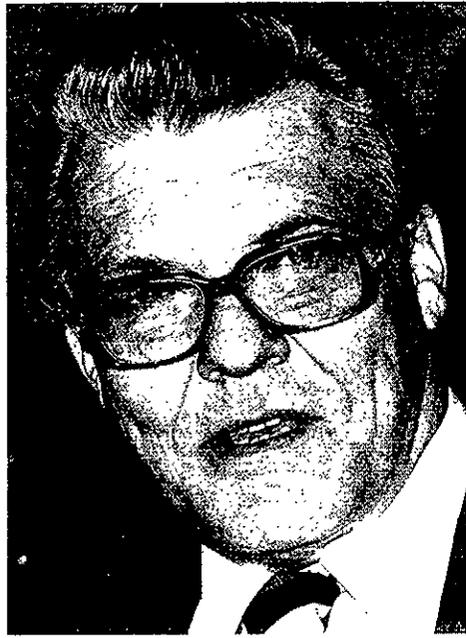
Murray Sigler, David Reesor and Gordon Erion, appearing for NWT Association of Municipalities and NWT Chamber of Commerce. (Native Press)

Territorial Councillors:

Bill Lafferty of Fort Simpson. (N. Cooper)

Mayor Don Stewart of Hay River. (News of the North)

Speaker David Searle, Q.C. of Yellowknife. (GNWT)



Economic Impact

oil and gas industry have encouraged businessmen in this belief. If the pipeline is postponed, the losses that northern businessmen would suffer would be as attributable to the raising of these expectations as to the postponement itself.

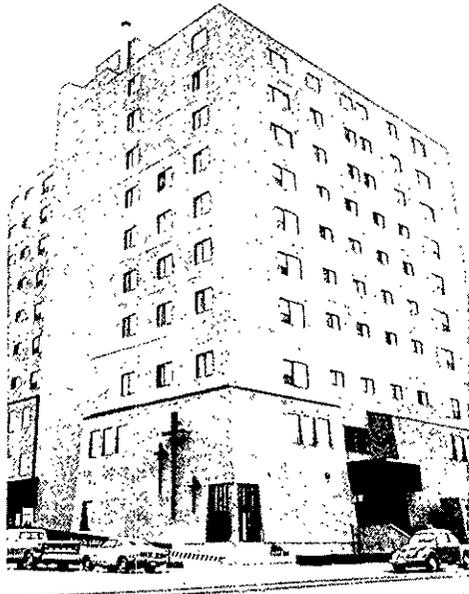
As I have said, I am proceeding on the assumption that the oil and gas in the Mackenzie Delta and the Beaufort Sea will, in due course, be delivered to the South by a pipeline. Given this assumption, the setback ought not to be as severe as many northern businessmen have predicted. Although a number of businesses may suffer from a postponement, the fact is, the decline in oil and gas activity in the Delta over the past two years has already resulted in a significant reduction in business activity.

According to John MacLeod, an economist from Inuvik, most of the businesses in Inuvik

were established between 1970 and 1973. They have operated at a very high level of activity because of the high level of exploration work that went on in the early 1970s. It is not necessary to start construction on a pipeline tomorrow to keep these businesses alive. What is necessary, according to MacLeod, is to keep the prospects for pipeline construction positive enough to maintain drilling activity. He said that these businesses would be healthy if drilling activity were maintained at its 1974 level.

Nevertheless, if expectations of ever building a pipeline are dampened, there will be a decline in business activity in the Mackenzie Delta, and some businesses may be forced to liquidate. But I do not think the decline would be as severe as Arctic Gas predict, because the drilling program in the Beaufort Sea will continue. This program

has already created an unprecedented level of economic activity in Tuktoyaktuk, a level well above that reached during the peak years of oil and gas exploration in the Mackenzie Delta in the early 1970s. We are not contemplating the end of oil and gas activity in the Western Arctic. Exploration and related activities may be more strictly controlled, and development may be spread over longer periods of time than some have recently anticipated, but investment in the North will undoubtedly continue at moderate levels. This investment will continue to generate a range of economic opportunities that may fall short of a boom, but will certainly not be anything like the recession that many white businessmen seem to fear. The business community's disappointment would be real, but many of its gloomy economic forecasts would not.



Clockwise from top left:

Holman woman and baby. (P. Scott)

Danny Smith of Inuvik working on Great Slave Lake Railway, 1968. (Canadian National)

Houses dot landscape in isolated settlement. (GNWT)

Noel Crookedhand and son, Yellowknife. (R. Fumoleau)

Judicial party at Fort Providence. 1921. William Norn, lower right, was interpreter. (Public Archives)

Newly-constructed office, apartment and church complex, Yellowknife. (News of the North)

