

Yukon's Submission to the House of Commons Standing Committee on Finance

Unlocking the potential of the North to help make a better Canada



The Government of Yukon is pleased to share the priorities of Yukoners to the *House of Commons Standing Committee on Finance*. The plans for new federal infrastructure funding, to support the construction of essential infrastructure and facilities is welcome news for Yukon.

Accordingly we wish to highlight several projects to the Committee. We believe investments in these key projects will have positive economic and social impacts for Canada.

The Yukon Advantage

Yukon has come a long way in recent decades: we are a world leader in our government-to-government relationship with First Nations; we've built strong communities; and we have one of the world's highest mineral development potentials.

Yukon has the potential to be a major economic contributor to Canada. Reliable and expanded infrastructure will play a critical role in making this reality. Fortunately, the federal government's vision for investing in "*strategic and trade-enabling infrastructure*" as a means to stimulate the economy, provides the opportunity for Canada to support these goals.

However, the realities of northern governments make it difficult, if not impossible to participate in cost-shared programs with Canada based on a 50-50 model that currently exists for provinces. For this reason we urge Canada to maintain current ratios for infrastructure development funding at the 75-25 level for the three northern territories.

Infrastructure Development for Yukon

Yukon is looking to Canada for targeted, strategic investments in four key areas: Yukon's health care; technology; clean energy; and transportation infrastructure. The *Whistle Bend Continuing Care Facility*, *Dempster Fibre Project*, *Stewart-Keno Transmission Line Project*, and *Yukon Resource Gateway Project*. Canada's support will help unlock the potential of Yukon, which will benefit the entire country.

• <http://www.infrastructure.gc.ca/plan/cs-pc-eng.html>

Whistle Bend Continuing Care Facility - Investment: \$109.5 Million

By 2031, Yukon residents over the age of 65 are predicted to make up 23% of the total Yukon population, an increase of almost 13% from when we first started the planning process several years ago.

Present residential care facilities no longer meet the demands of our population. With our continuing care beds full, our three hospitals are struggling to meet acute care needs as long-term care clients occupy acute care beds. The wait list for placement is growing.

In response, Yukon is building a 150-bed facility. The fixed-price design-build agreement is signed, valued at \$113 million. The three-year project's total budget is estimated at \$146 million. When it's completed in 2018, the facility will help meet the need for long-term care beds in Yukon.

Government of Canada has expressed interest in supporting shovel-ready social infrastructure. In government-to-government discussions with Yukon, Canada has indicated interest in this project, we believe there is an opportunity for a federal-territorial partnership.

An important aspect of this project is that it contributes directly towards reconciliation with First Nations due to a provision in the modern treaty with Kwanlin Dün First Nation (KDFN). Under the treaty signed by Canada, Yukon and the First Nation in 2005, KDFN is entitled to benefits agreements for projects of this nature and size. These agreements are in place and will create employment opportunities for land claim beneficiaries. Further the facility will have culturally appropriate services designed specifically for First Nations elders.

Return on Investment

Using the 75-25 model of funding, Yukon is looking for \$109.5 million in infrastructure investment from Canada. The total \$146 million budget for Whistle Bend Continuing Care Facility will – through direct, indirect and induced impacts – generate 1,023 full-time equivalents (FTEs) of employment in Yukon and have an impact on Yukon GDP of \$99 million. The project will pay Yukon workers \$18 million in wages and salaries. Nationally, the project will boost Canadian GDP by \$154 million and create a total of 1,586 full-time equivalent positions.

Dempster Fibre Project – Investment: \$24 Million

The benefit of investment in the *Dempster Fibre Project* is two-fold; to reduce the risk to Northerners associated with a single connection to the outside world, and to support a developing information technology sector in Yukon.

Yukon currently relies on a single fibre optic line connecting Yukon to the world. An interruption in this line causes internet and telecommunications disruptions which impact residents and businesses. The most recent outage, which occurred in 2015, had significant negative impacts on Yukon businesses.

Yukon has been actively seeking a means of improving service reliability through the building of a diverse fibre optic connection. Based on discussions with stakeholders and the data presented in two studies, the Dempster Fibre route was chosen in partnership with Northwestel (the North's major telecommunication provider), as the best means of providing fibre optic diversity to Yukon.

The Dempster route provides complete coverage of reliable service to the south for Yukon's remote communities. It will provide redundant coverage for 87% of the population, 26 communities and emergency services in Yukon and the NWT, as well as the residents of Nunavut, as the downlink for their satellite communications network is hosted in Whitehorse.

The Dempster route is estimated to cost \$32 million (subject to the completion of a final engineering report) to construct over two years and would cost \$50-\$60 million to operate over 20 years. Northwestel would contract for the construction of the fibre and own and maintain the line going forward. The Yukon government is seeking funding partners to move forward with the project. Investment from Canada of \$24 million would help ensure the project moves forward.

Return on Investment

A 2013 government information and communications technology strategy outlines the potential for 50% sector growth, equating to an estimated \$24 million in additional GDP. The strategy also indicates that reliable broadband infrastructure is critical to this growth.

There are 595 professional, scientific, and technology companies registered in Yukon, which accounts for approximately 17% of Yukon businesses. The Yukon College provides

• subject to the completion of a final engineering report

programs to assist innovators in research and development, as well as commercialization.

Knowledge, technology and innovation are leading elements in Yukon's efforts toward a diversified economy. Solid, reliable technology infrastructure provides the cornerstone for the development of a knowledge economy and enabling growth in emerging diversified economic sectors and for other industries and businesses across the territory.

Yukon Resource Gateway Project – Investment: \$248 million

Yukon has already submitted the *Yukon Resource Gateway Project* (YRGP) proposal to the federal government under the National Infrastructure Component (NIC) of the New Building Canada Fund.

The YRGP focuses on upgrades to existing infrastructure in two key areas of high mineral potential, and active mining within Yukon: the Dawson area and the Nahanni Range. The economy and commodity markets are both in a low cycle, providing the ideal opportunity to make this type of strategic investment.

Yukon possesses a world-class resource base from which to significantly grow its economy. Development of this resource base will bring benefits directly to Northerners and First Nations communities. Additionally, development in this sector will benefit the rest of Canada through direct and indirect employment, taxes, and royalty payments to the federal government. However, Yukon faces a challenge with the overall lack of suitable infrastructure along the "last mile" to significant mineral deposits. The costs of building this infrastructure are beyond the financial capacity of Yukon or First Nation governments alone.

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

Return on Investment

This project holds very little risk and great economic potential. With a \$248 million investment over eight years, Canada can stimulate:

- More than \$483.2 million in GDP gains and 4,584 jobs in direct and indirect road construction impacts;
- More than \$30 billion in additional GDP and \$13 billion in labour income for Canada as mine projects proceed once improved road access is built;
- Upwards of \$2 billion in royalty revenue for the federal government and more than \$3.5 billion in additional tax revenue for governments across Canada.

We want to highlight that this is not a request for new money, but rather an application made for existing funds. That said, a commitment to this project in the federal budget would be seen as a positive sign that the federal government is willing to invest in the North.

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

The economic benefits of these projects will continue long after the construction phase is completed. Unlocking this resource potential, First Nations communities will see direct long-term benefits such as job opportunities, skills development, and education opportunities.

The direct economic impacts that will be generated will result in important contributions to the Yukon and Canadian economies. Estimated increases in GDP, labour income and full-time equivalent jobs make a compelling case for investment in the project (Figure 1.0). Potential mineral development that could follow would add billions in taxes and royalties to this figure.

Total Projected Construction Impacts of YRGP Roads Construction

Total Construction Impacts (Direct, Indirect and Induced)	GDP	Jobs	Labour Income
Total Yukon Impacts	\$268 million	2645	\$142 million
Rest of Canada	\$214 million	1939	\$120 million
All of Canada Total	\$483 million	4584	\$262 million

Figure 1.0 Source: Yukon Department of Economic Development

Stewart Crossing to Keno City Transmission Line Project – Investment 64.5 Million

Yukon has benefitted from locally generated hydro-electricity for the past half century and each year, more than 99% of the electricity generated on Yukon's electrical grid comes from its hydro facilities.

To continue to fully utilize this hydro resource and promote economic development, Yukon recognizes the importance of upgrading existing transmission infrastructure. In late 2014, it provided up to \$5.3 million to Yukon Development Corporation to complete the permitting and engineering activities required for the upgrading of the transmission line between the communities of Stewart Crossing and Keno.

The project includes 112.5 km of new transmission line to replace the 60-year old transmission line between Mayo and Keno and upgrading the entire line between Stewart Crossing and Keno from 69 kV to 138 kV. Substation work includes expanding the existing Stewart Crossing South substation and constructing a new substation between Mayo and Keno.

Yukon Energy Corporation filed a project proposal with the Yukon Environmental and Socio-economic Assessment Board in November 2015 in anticipation of a shovel ready project by spring 2017. Project costs based on preliminary engineering are estimated to be \$86 million. Based on a 75-25 cost share, Yukon would be seeking \$64.5 million for this project.

Along with improving grid reliability and signaling to the market that Yukon has transmission infrastructure necessary to provide future development with clean non-emitting energy, this project will also provide training and employment opportunities for local First Nations communities.

Return on Investment

In addition to the Bellkeno Mine, there are a number of known mineral occurrences in the region with some proponents actively discussing options for a grid connection. Access to affordable clean energy has a material impact on the assessment of potential new mining investment in Yukon. Grid-connected mines will have a significantly lower carbon footprint which will support Yukon and Canada's ambitions to support economic development while protecting the environment.

Conclusion

Yukon is not asking for a contribution from Canada. Rather, Yukon is inviting investment and partnership from Canada. This partnership would provide a positive return for Canada, Yukon, and Yukon First Nations.

The federal government's priorities align with Yukon's desire to advance its economy. Specifically, the *Yukon Resource Gateway Project*, *Dempster Fibre Project*, and *Stewart-Keno Transmission Line Project* will help to accomplish the following objectives:

- building a strong economy by building a strong middle class
- creating opportunities for young Canadians
- investing now in projects which our country needs
- strengthening communities
- skills and employment training
- investing in Canada's north to help northern economies grow
- a renewed relationship with indigenous peoples and
- expanding exports and opportunities for Canadians and getting Canadian goods to market

Therefore, we ask the *House of Commons Standing Committee on Finance* to recognize the economic potential of these projects and their suitability for the Government's proposed approach to stimulating the economy through strategic investments.

On behalf of Yukoners,

Premier Darrell Pasloski