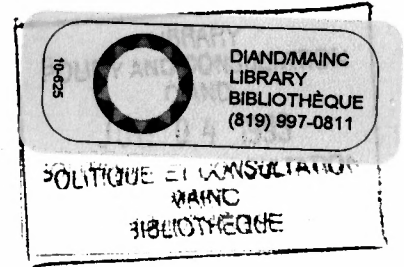


ECONOMIC VALUE OF UNCERTAINTY
ASSOCIATED WITH NATIVE CLAIMS IN B.C.

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Land Claims -
Comprehensive 556



INDIAN AND NORTHERN AFFAIRS CANADA

**ECONOMIC VALUE OF UNCERTAINTY
ASSOCIATED WITH NATIVE CLAIMS IN B.C.**

MARCH 1990

Price Waterhouse .

Price Waterhouse



March 30, 1990

Mr. Barrie Robb, M.P.A.,
Senior Fiscal Arrangements Advisor,
Indian and Northern Affairs Canada,
Les Terraces de la Chaudiere, North Tower,
Room 1109, 10 Wellington Street,
HULL, Quebec

Dear Mr. Robb:

We are pleased to present our final report of our assessment of the economic value of the uncertainty related to comprehensive land claims in B.C.

Yours very truly,

M. MacCallum,
Partner

MM:csa

Enclosure

INDIAN AND NORTHERN AFFAIRS CANADA
ECONOMIC VALUE OF UNCERTAINTY
ASSOCIATED WITH NATIVE CLAIMS IN B.C.

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INDIAN AND NORTHERN AFFAIRS CANADA
ECONOMIC VALUE OF UNCERTAINTY
ASSOCIATED WITH NATIVE CLAIMS IN B.C.

EXECUTIVE SUMMARY

- The Federal government has received 22 comprehensive land claims from Native bands in British Columbia. This report assesses the impacts and costs associated with solving or not resolving these comprehensive land claims.
- Study results are based on an extensive survey of industry and on data collected from the Department of Indian and Northern Affairs and other sources. Various senior executives responded to the survey: about 35% were either president or vice-president of their organization, another 20% were controllers or general manager of the B.C. operations, and the remaining 45% consisted of other managers and directors such as chief foresters, managers of woodlands operations, managers of corporate planning and business development and managers of exploration. This high level of cooperation from senior executives in the organization was likely obtained because of the senior level of the small team of consultants carrying out the interviews.
- Survey coverage exceeds 60% of the forest industry by product value; 37% of mining exploration and development expenditures and 65% of the mining industry's proposed capital expenditures. The survey also included a variety of companies in other industries including B.C. Hydro, B.C. Rail, Alcan and some of the major oil and gas companies.

Nature of Economic Uncertainty and Investment Premium

- Comprehensive land claims generate uncertainty for companies operating in British Columbia. Factors creating this uncertainty include: right of access to land/resources; possibility of production or shipment disruptions affecting reliability as suppliers; and the possibility of unsatisfactory compensation if a company is affected by a land claim settlement.
- Six forest products and mining companies and one other company reporting require a premium to invest in British Columbia rather than elsewhere because of uncertainties related to comprehensive claims. Currently, the premium is generally less than 1% but it is expected to increase in the future. Although the majority of the other 55 or so participants agreed that comprehensive land claims created uncertainty, they did not report adjusting the investment premium to account for this uncertainty.
- The commercial fish processing industry also recognizes uncertainty related to comprehensive land claims. However, fish processing companies do not require an investment premium to compensate for uncertainty. The industry is more concerned that claims be settled with careful consideration to biological and economic characteristics.
- Comprehensive land claims are not an issue for commercial banks in evaluating projects. However, they may be reluctant to invest in projects which are directly on Native Indian



reserves (primarily because bank loans for projects located on Native land gives banks no recourse to the land in the event of business failure).

Impact on Capital Investments

- About 50% of the respondents (28) indicated their companies have plans for major capital projects; 21 reported that their projects are planned in regions which are most likely to be affected by claims; and 14 expect to be affected to some extent by the claims. This section focuses on projects where companies expect project delays or cancellations.
- Logging operations have been disrupted by comprehensive land claims particularly in Coastal areas and the Northern region. Nevertheless, no forest products manufacturers contacted had cancelled or delayed capital projects because of comprehensive land claims. Moreover, few expect related cancellations or delays in the near future. Reasons for this lack of impact are twofold: logging can be quickly shifted to unaffected areas and supply deficiencies can be purchased on the open market. The impact of unsettled land claims on capital investment in the forest products sector could be in the range of \$100 million to \$200 million over the next few years.
- Comprehensive land claims do not impact significantly on mining exploration programs, although an oil and gas company has cancelled a seismic survey program in the last five years.
- The situation is different at the mine development stage. Four out of 11 survey participants with possible mining projects expect difficulties from unsettled land claims. Together these four projects represent \$680 million in capital expenditures. Extrapolating these results and annualizing expected impacts, we estimate that mining investments of about \$100 million a year are likely to be affected by uncertainties related to comprehensive land claims in British Columbia. This represents some 12% of annual private and public capital investment in the British Columbia mining industry. Based on survey results, about half of the projects affected are expected to experience delays of about three years. The other half are expected to be cancelled.
- Mining companies which have been operating in British Columbia for some time are not affected by comprehensive land claims at existing mine sites.

Non-productive Dead Weight Costs

- Comprehensive land claims in British Columbia result in legal costs to governments, companies, and Native organizations. Costs are estimated at some \$5 million a year. They include:
 - Federal government: about \$1 million (average of \$0.5 million for 89/90 and \$1.4 million for the coming fiscal year);
 - Native organizations: \$1 million (average of 89/90 and 90/91);
 - British Columbia government: about the same as is being spent by each of Federal Government and Native groups. However, costs in the future may change depending on the outcome of the Gitskan court case;



- Industry: anywhere between \$1.5 million and \$2 million. Companies in the survey reported about \$800,000 in legal and administrative costs: they indicated costs are expected to increase.
- In addition, all parties incur non-legal negotiation and administrative costs which are probably as much as legal costs.

Impact on Economic Rent

- The impact of mining project cancellations or delays on economic rent is estimated at about \$1 million per year. This is based on our estimate of capital expenditures which are likely to be cancelled because of comprehensive land claims and current levels of mining royalties and taxes paid to the B.C. government.
- Uncertainties related to comprehensive land claims have no measurable impact on economic rent paid in the form of stumpage and other timber taxes by the forest industry, at least in the short term.

Economic Impacts on the Provincial Economy

- Economic uncertainty surrounding comprehensive land claims will ultimately impact on the Provincial economy.
- Based on the study results, we estimate that about \$1 billion of expenditures involving up to 1,500 jobs in mining and forestry sectors are likely to be affected (although the land claims issue is not the only one to be resolved before development proceeds). The direct effects of comprehensive land claims are expected to be:
 - lost capital expenditures amounting to \$50 million annually, with another \$75 million in capital expenditures being delayed for an average of about three years (based on survey results extrapolated to total industry and estimated on annual basis);
 - up to 100 jobs a year not being created that might otherwise be.



INDIAN AND NORTHERN AFFAIRS CANADA

ECONOMIC VALUE OF UNCERTAINTY

ASSOCIATED WITH NATIVE CLAIMS IN B.C.

1.0 INTRODUCTION

The Federal Government requires a clear indication of the impacts and the costs associated with not resolving comprehensive land claims in the Province of British Columbia. The purpose of this study is to help in this assessment.

So far, 22 comprehensive land claims have been submitted by Native bands in British Columbia; 19 have been accepted for negotiation and another three are under review. A further seven or eight are anticipated in the near future. Only the Nisga'a Tribal Council claim has reached the negotiation stage. Specific issues addressed in the study include:

- the nature of economic uncertainty resulting from unsettled land claims;
- the value of resource sector capital projects being delayed or cancelled as a result of non-resolution of Native claims;
- investment premiums and economic rents to the Provincial Government related to projects proceeding or not proceeding;
- the non-productive legal and administrative dead weight costs incurred as a result of a failure to settle land claims; and
- the impact of these issues on the Provincial Government and the Provincial economy.

The British Columbia economy is dominated by the forest industry. Tourism, mining, commercial fishing and oil and gas, are also important. Provincial gross domestic product (GDP) and employment in forest products, mining and fishing are presented in Tables 1 and 2.

In 1987, forestry, logging, wood products manufacturing and pulp and paper manufacturing accounted for about 30% of GDP of the goods producing industries of the Province and about 10% of Provincial GDP. In 1988, the industry was responsible for 87,000 direct permanent jobs, representing about 6% of total employment in British Columbia. The multiplier effect creates at least two more jobs for each direct job. Thus 261,000 jobs in British Columbia can be attributed to the forest industry - 17% of the total Provincial work force.

Mining, oil and gas, and related manufacturing account for about 15% of goods producing GDP and about 5% of Provincial GDP. This is half the size of the forest industry in terms of GDP



contribution, but the contribution to employment is much smaller. In 1988, the mining industry (excluding oil and gas) accounted for some 14,500 full time jobs.

The fishing industry and fish processing are also important, accounting for 3% of Provincial GDP and some 11,500 full time equivalent positions (excluding 2,500 full time equivalent jobs in the sportfishing sector and 600 in aquaculture).

Services account for about 67% of Provincial GDP including health and education, tourism, accommodation and food, transportation and storage, retail trade and other services. Tourism is often claimed to be the number two industry in British Columbia although it is difficult to quantify its impacts. It is difficult to differentiate between tourism and business travel which may be related to forestry and other industry sectors.

Section 2 of this report describes the methodology used to quantify the economic value of uncertainty associated with Native claims in British Columbia. Section 3 sets out the results of our comprehensive survey of companies operating in areas of the Province likely to be affected. Section 4 assesses the deadweight legal costs associated with the claims. The next section assesses the investment premium required by some companies operating in affected areas. The report concludes with sections describing the impacts on capital projects, economic rent and on the Provincial economy.

We would like to thank Messrs. Barrie Robb and Jean-Francois Tardif of Indian and Northern Affairs Canada for their assistance with the study as well as the companies and individuals that participated to the survey.



TABLE 1

**1987 GROSS DOMESTIC PRODUCT
AT FACTOR COST BY INDUSTRY**

	millions of current dollars	% of total GDP
Forest products		
Forest and logging	\$ 1,359	
Wood products manufacturing	2,361	
Paper and allied manufacturing	<u>1,802</u>	
Subtotal	\$ 5,522	10%
Mining and oil and gas ⁽¹⁾		
Primary	1,703	
Related manufacturing	<u>1,068</u>	
Subtotal	2,771	5%
Fishing, agriculture and food processing		
Agriculture	772	
Fishing and trapping	309	
Food and beverage manufacturing including fish processing	<u>1,690</u>	
Subtotal	2,771	5%
Construction	3,129	6%
Other goods producing industries	<u>3,678</u>	<u>7%</u>
Total goods producing industries	17,871	33%
Services	<u>36,837</u>	<u>67%</u>
Total Gross Domestic Product	<u>\$54,708</u>	<u>100%</u>

Note:

(1) Includes coal, metals, industrial minerals, petroleum and natural gas, and services directly related to mining.

Source:

British Columbia Economic Accounts 1961 - 1987, Ministry of Finance and Corporate Relations
Central Statistics Bureau, Table 5



TABLE 2

**DIRECT EMPLOYMENT IN SELECTED RESOURCE SECTORS
IN B.C.**

	1988
Forest Products ⁽¹⁾	
Logging	26,700
Lumber	28,500
Plywood	4,800
Market pulp	7,700
Newsprint	4,300
Other	<u>15,000</u>
Total	87,000
Mining ⁽²⁾	14,516
Fish harvesting and processing ⁽³⁾	<u>11,450</u>
Subtotal	112,966
Service and Other Industries	<u>1,245,034</u>
Total employment in B.C.	<u>1,358,000</u>

Source:

- (1) The Forest Industry in B.C., 1988, prepared for the Council of Forest Industries by Price Waterhouse
- (2) Mining in B.C., 1988, prepared for the Mining Association of B.C. by Price Waterhouse
- (3) The Economic Impacts of Fishing in B.C. - 1987, prepared for the Fisheries Council of B.C. by Price Waterhouse



2.0 METHODOLOGY

The overall objective of the study was to produce qualitative information which accurately reflects the economic impacts and uncertainty caused by unsettled claims. A number of specific tasks were undertaken as follows:

- design and conduct of a survey of British Columbia companies and other organizations. The intent of the survey was to collect data on three main areas: economic uncertainty, investment premiums and the impacts of unresolved comprehensive claims on capital investment and existing resource base operations;
- assessment of legal, administrative and other dead weight costs associated with comprehensive claims based on discussions with the Department of Indian and Northern Affairs and the Government of British Columbia;
- comparative analysis and extrapolation of survey results to obtain total impacts on British Columbia; and
- presentation of results in this report.

The following paragraphs provide a glossary of terms, and describe (in more detail) the scope of the study, the survey methodology, the list of survey participants and the level of survey participation.

2.1 Glossary

Claims - Comprehensive. Claims based on traditional use and occupancy of land by Natives who did not sign treaties and were not displaced from their land.

Claims - Specific. Claims resulting from Native grievances relating to the administration of reserve lands and other assets under the Indian Act and other formal agreements.

Dead Weight costs. For the purpose of this analysis, dead weight costs refer primarily to legal costs associated with comprehensive land claims.

Economic Rent. The excess of total payments to a factor of production (e.g. natural resource) over and above its total transfer earnings (i.e. earnings under the next best alternative).

Economic Uncertainty. For the purpose of this study, economic uncertainty results from doubts regarding land ownership and ambiguity over:

- future government of land;
- control of future benefits deriving from production on the land;



- future ownership of and control over production;
- the possibility of disruption to production by land claimants; and
- ownership and use of economic rents from resource development.

Investment Premium. For the purpose of this study, investment premium is defined as the incremental compensation required by firms considering investment in British Columbia, in order to rule out the effects of uncertainty due to unresolved Native land claims.

2.2 Scope

The scope of the study is as follows:

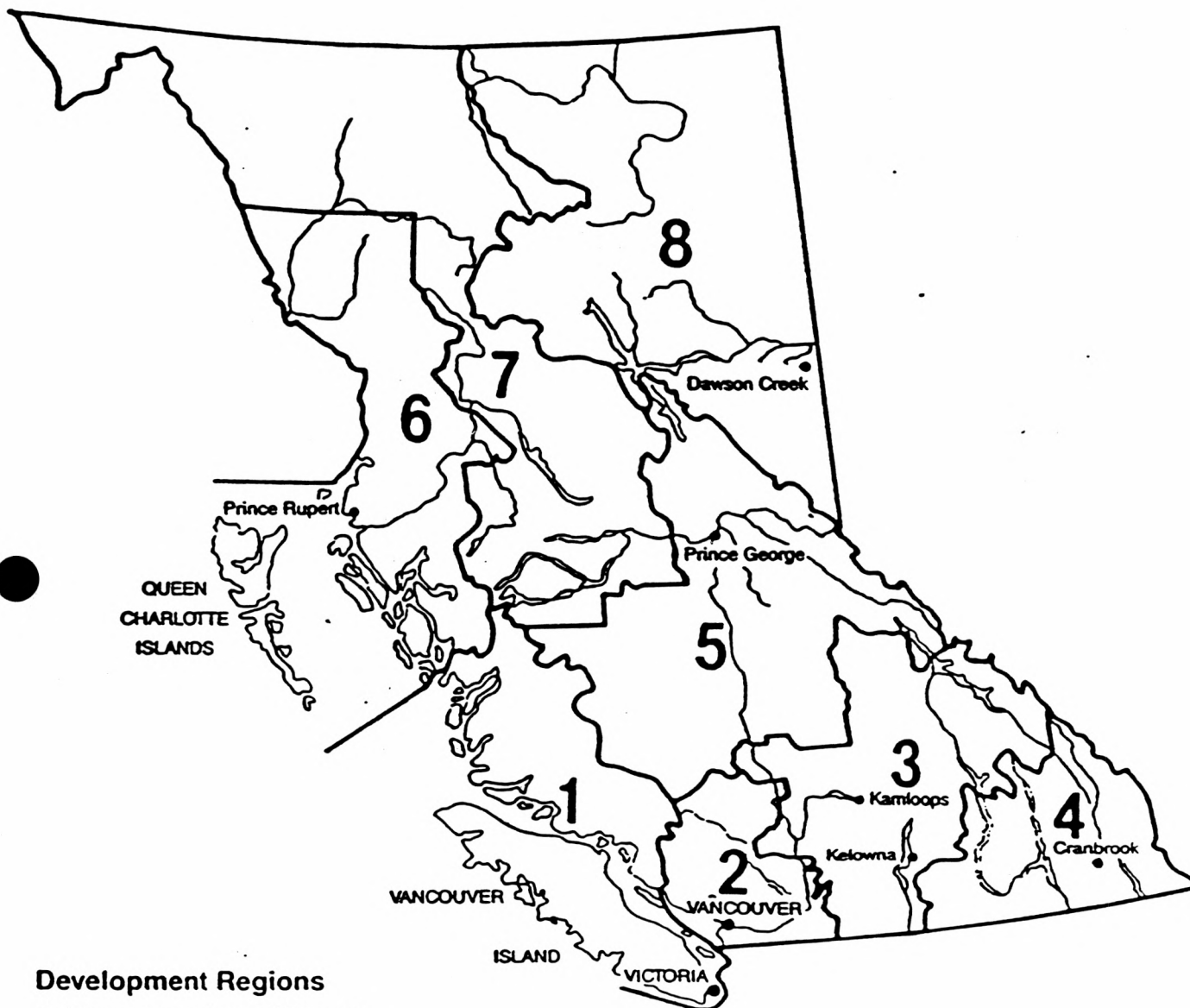
- The study considers only comprehensive land claims, not specific claims.
- The study reviews the nature and effects of economic uncertainty can result in:

The quantitative measure of this economic uncertainty can result in:

- an investment premium required by investors;
 - lower economic rents paid for use of resources e.g. stumpage or mining royalties; and
 - loss or deferral of economic activity.
- The review of economic impacts focuses on the following:
 - value of investment premium;
 - value of capital projects delayed or cancelled and estimated jobs lost; and
 - value of economic rents foregone.
 - Information was collected by means of a special survey of all major sectors of the economy:
 - the primary sectors - forestry, mining, oil and gas and the fishing industry;
 - manufacturing;
 - tertiary sectors - primarily banks;
 - industrial/professional associations;
 - regional development officers; and
 - domestic and foreign owned companies.
 - A review of issues relating to comprehensive claims was undertaken as part of the study, based on a media analysis on Native land claims carried out by the Progressive Group on behalf of Indian and Northern Affairs Canada. This review was conducted for the benefit of the team members involved in carrying out the interviews and it is not included in this report.

Where possible, the data were analyzed on a regional basis, using the eight geographic development regions defined by the Provincial Government. A map of the regional breakdown is included on the page following.

BRITISH COLUMBIA DEVELOPMENT REGIONS



Development Regions

1. Vancouver Island/Coast
2. Mainland/Southwest
3. Thompson/Okanagan
4. Kootenay
5. Cariboo
6. North Coast
7. Nechako
8. Northeast

Taken From:
British Columbia Major Projects Inventory
September 30th, 1989

Province of British Columbia
Ministry of Regional Development



2.3 Survey Description

The survey form was designed in consultation with the Department of Indian and Northern Affairs and the Price Waterhouse survey centre in Ottawa. The name of the client was kept confidential where possible to ensure that participants were not influenced in presenting their views by speculation as to how and for what purpose the results might be used.

The survey covered both the quantitative and qualitative nature of uncertainty, investment premiums and other economic impacts. Questions were asked on the following issues:

- Existing operations and how these have been affected by comprehensive land claims:
 - location of operations;
 - degree of impact in terms of project delays, road blockages, legal proceedings, injunctions, lobbying of Natives as well as related costs;
 - level of uncertainty associated with land claims and impact on operations; and
 - activities undertaken by company to mitigate future risks dealing with land claims including joint ventures with Natives, and direct negotiations.
- Planning decisions and how these may be affected by land claims:
 - size of capital projects under consideration;
 - likelihood of projects being cancelled or delayed because of comprehensive claims; and
 - impact of comprehensive land claims and related uncertainty on decisions to invest.
- Additional returns or investment premium which may be required to compensate for unsettled comprehensive land claims in British Columbia:
 - investment premium required to invest in British Columbia rather than in other provinces, the United States or other countries because of comprehensive land claims, and value of premium;
 - importance of various factors in influencing investment premium including possibility of production disruptions, anticipated legal costs, and uncertainties regarding outcome of injunctions, etc; and
 - opinion regarding who ultimately pays for the cost of uncertainty related to comprehensive land claims (e.g. company through lower profits, customers, municipal governments, provincial governments through lower stumpage/mining royalties/other, and Federal government).
- Need for governments to provide incentives to companies in order to compensate for the risks of uncertainty related to comprehensive land claims in British Columbia.

A copy of the blank survey form sent to resource companies is included as Appendix I. The survey form was modified slightly to allow us to survey economic development officers in the various regions. A copy of this other survey form is included as Appendix II.

Given the tight schedule for completion of the final report, the survey questionnaire was mainly administered by telephone. Generally, the questionnaire was first sent by FAX to the potential



survey participant and followed up by telephone. A number of participants chose to complete the survey on their own and return it to us directly.

We were usually able to speak to senior company executives involved in investment decisions and strategic planning: about 35% were either president or vice-president of their organization, another 20% were controllers or general managers of the B.C. operations, and the remaining 45% consisted of other managers and directors such as chief foresters, managers of woodlands operations, managers of corporate planning and business developments and managers of exploration. This high level of cooperation from senior executives in the organization was likely obtained because of the senior level of the small team of consultants carrying out the interviews.

We limited the number of consultants involved in carrying out the surveys to ensure data consistency and facilitate project management. About 90% of the industry surveys were administered by the project manager and a second Price Waterhouse manager specializing in the forest product industry. The partner-in-charge of the work and a senior consultant specializing in the mining sector handled the other 10%. A fifth person carried out the interviews of the economic development officers.

2.4 Level of Participation and Industry Coverage

The survey concentrated on several specific areas: companies in the resource sector, tertiary industries, industry associations and regional development officers.

Resource companies and Service sector:

About 85 resource and service companies were contacted as part of the survey and 61 responded. Companies were selected on the basis of size, geographic location of operations and industry sector with a view to obtaining a representative overview of each region and sector including: forest products, mining, fishery, energy (including oil and gas, and hydroelectric power), and services.

The following reviews survey coverage by region and by industry:

- Respondents often operated in more than one region. Each region was covered by between 17 and 25 respondents, averaging about 21 per region (Exhibit A).
- Responses were received from 30 forest products companies which collectively account for over 60% of forest industry revenues in British Columbia and some 50% of all major capital projects expected to take place in the industry in British Columbia over the next few years. For more details of the coverage see Exhibits B and C.



- 20 mining and exploration companies responded. Collectively they represent some 65% of proposed mining capital projects in British Columbia and 37% of British Columbia exploration and development expenditures. For more details of the coverage see Exhibit D.
- The views of fish processing companies were collected (at their request) primarily through discussions with the Fisheries Council of British Columbia, an association of eight major fish processing companies operating in British Columbia. These views were confirmed through discussions with three of the major companies.
- Eleven other companies in various sectors including utilities, oil and gas, and the financial and service sector also participated. Together these companies accounted for 57% of all major capital projects, outside the forest products and mining sectors, that are proposed in B.C. (excluding real estate developments and developments related to health care, education, and recreation). Further details of these investments is presented in Exhibit E.

Regional Development Officers

Regional Development Officers in each region were contacted to gain an insight into the regional impact of comprehensive claims and the general attitudes of smaller organizations not necessarily covered by the main survey. Eight regional officers were contacted and six completed the survey questionnaire.

Industry Associations

A number of industry associations were also surveyed. These included:

- Council of Forest Industries of British Columbia and other forest industry associations;
- Mining Association of British Columbia;
- British Columbia and Yukon Chamber of Mines; and
- Fisheries Council of British Columbia.

Contacting these organizations proved useful in obtaining industry contacts and in gaining a general overview of the industry position regarding comprehensive claims.

The survey results are summarized in the following section. Subsequent sections then report specifically on the results as they relate to investment premiums, the impact on capital projects and investments, the impact on economic rents and dead weight costs.



3.0 OVERVIEW OF SURVEY RESULTS

This section of the report summarizes the survey results. The views of the forest, mining and fishery sectors, the three sectors most affected by comprehensive claims are first summarized, followed by some general comments on the consolidated survey results and the survey of industry Associations and Economic Development Officers.

The majority of companies/participants agreed that the uncertainty related to comprehensive claims created some concern regarding land access, shipment disruptions and other matters. The results focus, however, on companies which reported having been, or expecting to be, significantly impacted by this uncertainty either through project delays, cancellations, or other means.

3.1 Industry analysis

Forestry, Wood Product Manufacturing and Pulp and Paper

There have been a number of disruptions to logging operations in both the Coast and Nechako regions as a result of comprehensive land claims. However, the economic impact of these disruptions to-date has been minor, represented principally, by the difference between the opportunity cost of not cutting mature timber in one area versus another. There has been no measurable downstream impact on converting operations to date: if regular fibre sources are disrupted, affected operations are generally able to obtain their fibre from other B.C. regions, and the open market.

Similarly, while a number of companies, particularly large integrated companies, reported that logging on the Coast had been affected, none of their capital projects involving conversion to solid wood products or pulp and paper had been or was expected to be affected by comprehensive claims.

One company reported significant delays in their logging program on Vancouver Island. Another reported having cancelled a logging road construction program of about \$300,000 on the North Coast. (Together these two projects represent about 40 construction jobs and some \$5 million in investment.) In addition, one logging company operating in the Queen Charlotte Islands may even be forced to shut down. Based on the survey responses, logging programs in areas other than Coastal B.C. and the Nechako region have not been as significantly affected as those on the Coast. Nevertheless, some companies expect disruptions in the future.



Since timber supply and logging programs have only been affected on the Coast and to a lesser extent in the Nechako region, the vast majority of survey respondents reported not having cancelled nor expecting to cancel or delay investment programs at their wood conversion plants. All of the operations that reported expecting project delays are located in Coastal B.C. and the Nechako regions:

- One forest products company expects some of its modernization plans, particularly in the Nechako and North Coast to be affected by comprehensive claims. Project cancellations are somewhat likely and delays are very likely, perhaps until a settlement is reached. This company reports spending between \$5 and \$10 million annually on capital projects, although not all projects are likely to be affected. The company operates throughout the B.C. Interior but comprehensive claims have only affected the North Coast and Nechako regions.
- Another forest products company operating primarily on the North Coast and Nechako reported that some of its environmental capital investment plans of about \$100 million are very likely to be delayed until settlement is reached. Cancellations are not likely however, since the company also reported that environmental issues had to be resolved in any regard.
- One forest products company on the North Coast indicated having been affected particularly regarding log supplies. While their major expansion plan in the Cariboo Region is not likely to be impacted, a \$20 million plan to modernize a sawmill on the North Coast may be affected (impact could be 40 jobs). This project is somewhat likely to be cancelled or delayed at least until the Gitskan claim is settled.
- One forest products company operating on the North Coast and Nechako region reported planning an \$80 million sawmill expansion. The company indicated its plans are not likely to be cancelled because of land claims but a delay of between one to five years is somewhat likely.

The industry is incurring legal and administrative costs and some companies require an investment premium to invest in B.C. rather than in other provinces and countries.

Mining Sector

Comprehensive land claims do not seem to impact on exploration programs undertaken in British Columbia. This is not surprising since identified economic mineral deposits would probably be used to enhance the value attached to comprehensive claims. None of the companies and individuals contacted in industry associations were aware of major exploration programs having been cancelled or delayed because of uncertainty related to comprehensive land claims. One company reported having cancelled some geological exploration in the Nechako region because of comprehensive land claims but this was seen as an isolated case rather than indicative of a general trend.



The situation is different at the development stage of mining operations. Once preliminary exploration has been conducted, Native issues and comprehensive land claims are viewed as problematic by some companies. A number of companies with mining projects planned for British Columbia expect difficulties arising from unsettled land claims. In some cases, a premium to invest in British Columbia rather than in another province or country is required to compensate for comprehensive claims.

Mining companies which have been operating in British Columbia for some time are generally not impacted by comprehensive land claims.

Fishing sector

The commercial fish processing companies chose not to participate directly in the survey because of their concern about the use of the study and interpretation of its results. The companies referred to the industry position expressed by the Fisheries Council of B.C. (FCBC) which we confirmed through discussions with several FCBC member companies.

The industry recognizes uncertainty related to comprehensive land claims. However, the industry is more concerned that claims might be settled without adequate consideration of the biological and economic characteristics of the resource.

At this time the industry is more pre-occupied with other critical and more pressing factors which are impinging on its growth, such as:

- market considerations and relatively low salmon prices;
- GATT issues dealing with the processing of salmon caught in Canadian waters;
- the allocation of salmon between recreational and commercial fisheries; and
- increased competition from aquaculture production in Norway and other parts of the world.

Based on our discussions, fish processing companies are not cancelling investment projects or requiring investment premiums to compensate for the uncertainty related to comprehensive land claims in British Columbia. The industry is incurring some legal and administrative costs through the Fisheries Council to deal with Native related issues. However, the industry sees this as a small price to pay to ensure that claims are settled without putting the commercial fishing industry and Native and non-Native commercial fishermen in jeopardy. A brief description of the industry position is offered in the position paper presented in Exhibit G. A list of member companies of FCBC is also included as part of this Exhibit.



Other sectors

A number of banks and individuals with experience in banking were interviewed as part of the project. Based on survey results, comprehensive land claims do not seem to be an issue in assessing projects, though banks may be reluctant to invest in projects on Native reserves. This is probably due in part to the fact that banks have no recourse to reserve lands as collateral in the case of business failures.

One oil and gas company cancelled a seismic program in the mid 1980's with a budget of around \$100,000 partly because of uncertainties relating to unresolved comprehensive land claims.

Two major utility companies planning major capital investments reported that comprehensive land claims will likely affect their projects in the near future. Both companies however expected their projects to experience delays of up to five years rather than cancellations. According to one company, this is partly due to governments recognizing that cooperation by Native bands in development projects will not affect eventual land claims settlements. To some extent, this last point explains why some of the hydro-electric projects, transportation plans, and other mega projects are not viewed by companies as being significantly affected by uncertainties related to comprehensive land claims.

Other respondents were very sensitive to the issue and went out of their way to avoid confrontation by undertaking impact and other studies. This particularly includes mining, hydro-electric and other companies that are planning large investment projects.

3.2 Detailed Survey Results

The industry survey results are summarized in Exhibit F and in the following paragraphs. While 61 surveys were completed, the reported statistics are based on 56 survey respondents as several questionnaires were not received in time to be included. Surveys received late were reviewed and where significant, key items and comments are incorporated into the report as well as Exhibit F.

- Of the survey respondents in the private sector, 16, or about 29%, reported being aware of comprehensive land claims having affected their operation over the last ten years. This includes nine forest products companies, four mining companies, and three companies in other sectors.
- Four companies mentioned having been affected in the Vancouver Island/Coast region, eleven mentioned the North Coast or/and the Nechako region, two mentioned the Cariboo and one reported having been affected in all regions. A copy of the maps of B.C. development regions is included as part of the methodology section (2.2).



- Legal proceedings/appeals, project delays, lobbying by Natives, road blockages, and to a lesser extent injunctions and cancelled projects were deemed important by about half of the companies which reported having been impacted by comprehensive land claims. While these factors were deemed important, it was acknowledged that Native issues are often lumped with and overshadowed by environmental matters (e.g. Stein Valley and Meares Island).
- Five companies reported having cancelled projects because of comprehensive land claims. In three cases, logging programs and related road/bridge construction were cancelled. A fourth company reported having cancelled some geological exploration in the Nechako region because of comprehensive land claims. Lastly, one oil and gas company reported having cancelled a seismic program in the mid 1980's because of land claims. The total value of the cancelled programs is in the \$5 million range involving some 50-60 jobs. One company commented that the cancellation had no immediate impact but that the consequences would be felt in two to five years.
- A number of companies reported having incurred legal and administrative costs in dealing with Natives and comprehensive land claims. One mining company reported legal costs of \$100,000, three forest products companies reported combined legal costs of about \$650,000 while another reported lost revenues of about \$60,000 in 1989 resulting from production disruptions. Another company operating in British Columbia also reported spending about \$100,000 per year in legal fees dealing with Native groups. Companies involved in the fish processing industry also incur legal costs through the Fisheries Council of British Columbia.
- Ten companies, or about 18% of all survey respondents, expect costs related to comprehensive claims to increase. Only two of these companies, both forest products companies, gave an estimate of how much of an increase was expected - one said a 30% increase, the other said costs would likely triple as more claims are pursued.
- About 55% of all respondents (31 participants) either strongly or somewhat agreed that comprehensive land claims create a strong level of uncertainty; only about 7% (four respondents) disagreed with that statement; and the balance (38% or 21 respondents) indicated that land claims are not an issue to their company.
- The majority of the respondents agree that comprehensive land claims are more of an issue in certain regions of the Province. The regions most frequently mentioned were the Nechako region (14 mentions or 25%) and the North Coast (12 mentions or about 20% of all respondents). The Northeast, Cariboo and Vancouver Island/Coast received six, five and four mentions respectively; the Lower Mainland/Southwest and Thompson Okanagan regions were only mentioned once and the Kootenay region was never mentioned (see Section 2.2 of this report for a copy of the map of B.C. Development Regions).
- The most important factor creating uncertainty is the right of access to land/resources, mentioned as very important by 31 respondents (55%) followed closely by concerns about the possibility of production or shipment disruptions affecting company reliability as a supplier. The other important factor was the possibility of unsatisfactory compensation if a company is affected by land claim settlement. About 15% of companies (nine



respondents) viewed future competition from Native groups as an important factor. Lastly, concern was raised that other government departments are not making decisions for fear of impacting land claims e.g., Environment Canada.

- About half of the respondents have entered joint ventures with Natives (28 respondents), trained and hired Natives (20 respondents), and negotiated directly with Natives (20 respondents). However, only 9 respondents reported doing so to mitigate future risks related to comprehensive claims. As regards the fish processing industry, Natives represent a large portion of the commercial industry already, and they are partners with industry rather than opponents. To a lesser extent, this is also true of the forest products sector where Natives have been involved extensively in the industry as employees and logging contractors.
- Fourteen survey participants (almost half of those responding to the question) indicated that comprehensive land claims will likely affect their current investment plans in British Columbia:
 - Four mining companies (20% of those surveyed) identified specific projects likely to be delayed or possibly cancelled - one coal mine, one gold mine, one gold and silver mine, and one lead and zinc mine. Together these projects are worth almost \$700 million in capital investment and involve about 1200 direct jobs;
 - Three forest products companies identified logging projects which could be affected. However, while specific logging programs may be affected, these are not yet impacting wood manufacturing investments as logging in other regions is generally substituted for affected programs.
 - Three companies operating in Coastal B.C. and the Nechako expect some delay in their investment plans. One company is planning a \$20 million sawmill investment in the Nechako, another is planning \$100 million in environmental investment and a third did not specify individual projects but it indicates spending between \$5 and \$10 million per year in investment. A fourth forest products company reported their sawmill expansions could face some delays, although not very likely.
 - other companies which stand to be affected include one oil and gas company, and two companies planning hydro-electric generation projects.
- Five companies indicated that their projects may be delayed until the Gitskan court case is settled.
- The other 75% of the survey participants (some 45 respondents) do not expect comprehensive land claims to impact on their operations for a variety of reasons such as: company has been operating for many years, region is less affected or/and current investments relate to expansion of existing capacities.
- One mining company indicated that it was presently investigating opportunities in other provinces, U.S. and Chile partly as a result of comprehensive land claims.
- Lastly, about half of the participants volunteered some comments regarding various issues and ways to deal with comprehensive land claims. While these comments are interesting and are summarized in Appendix F, they represent the views of individual participants and are not necessarily representative of the industries. For example:
 - one mining company reported that the industry benefits from the difference in views between the Province and the Federal government and in the fact that B.C. does not



recognize land claims. In their view, this allows mining and exploration to proceed, contrary to the situation in Yukon, where all development is on hold,

- other companies commented that Natives may be easier and more consistent to deal with than governments; and
- another mining company reported that the uncertainty of land claims created a high degree of discomfort on financing projects. This is somewhat inconsistent with the fact that banks which were surveyed as part of the study reported that land claims are not an issue in assessing projects.

3.3 Investment Premium and Costs of Uncertainty Related to Claims

- Four companies reported that they sometimes require an investment premium and three reported they almost never require an investment premium. They include one oil and gas company, two companies in the mining sector (10% of those who responded), and four in the forest products sector (some 15% of respondents).
- While none of these companies reported the exact size of premium, five provided estimates of the value of the premium, ranging between 0-0.1% and larger than 1%. This is discussed further in Section 5 of the report.
- For these companies, the most important factors affecting this premium include future uncertainties regarding the outcome of injunctions related to land ownership or access (six respondents), the possibility of production disruption (five respondents), and future considerations regarding royalties and taxes (four respondents).
- The survey respondents generally agree that companies, employees and governments all pay the cost of uncertainty related to comprehensive land claims. The survey respondents also agree that generally this higher cost cannot be passed on to customers because the resource sectors in British Columbia sell on world markets and are price takers.
- None of the respondents reported having considered compensation for comprehensive claims when applying for Federal/Provincial Government funding. Very few respondents actually reported having applied for government incentive programs in the past.

3.4 Industry Associations and Economic Development Officers

- Six Regional Development Officers responded to the survey and contacts were made with a number of industry associations.
- The results reinforce conclusions drawn from the industry survey. Impacts differ strongly by region: the Northcoast and Nechako regions have experienced a higher degree of uncertainty than elsewhere, and have therefore experienced more of the adverse effects of unsettled comprehensive land claims.



4.0 ASSESSMENT OF DEAD WEIGHT COSTS

4.1 Costs to Government and Native Bands

This section provides an assessment of dead weight costs paid or payable by the Provincial and Federal Governments, Native bands and industry. For the purpose of this analysis, the assessment of dead weight costs focuses on non-productive legal costs although some mention is occasionally made of administrative and other non-productive costs.

The assessment of dead weight legal costs attributed to governments and Native bands is based on data collected by Indian and Northern Affairs Canada and discussions with Government officials. The information on industry costs is based on our survey data.

Table 3 sets out the dead weight legal costs attributable to the Federal Government and Native Indian bands, allocated across the seven years since 1984. Native costs are met by the Federal Government through loans and grants and they exceed direct Federal Government expenditure by some \$2 million. The table shows that Native costs are concentrated on four court cases: the Gitskan case; Meares Island; the Pasco v. CNR twin tracking injunction; and the Sparrow case. While Table 3 includes only legal costs, significant managerial and administrative costs can also be associated with Native claims. For example, negotiation costs incurred by the Natives and the Federal Government on the Nisga claim are estimated at some \$2 million.

Data on dead weight legal costs accruing to the Provincial Government are not readily available. We made various inquiries of the B.C. Ministry of Native Affairs, the Attorney General's office, and the Canadian Bar Association but none was ready/able to quantify legal costs accruing to the Province because of comprehensive land claims.

Hansard (detailing questions in the House on comprehensive claims) and the public accounts were similarly silent on actual costs attributable either to comprehensive claims in general, or to individual legal cases.

Nevertheless, general conclusions as to Provincial costs can be drawn. Legal costs to the Province can be expected to be of the same magnitude of those incurred by the Federal Government or Native bands. In the last five years the latter have been in the \$6.5 and \$8 million range. It is likely that Provincial costs are running at similar levels.



TABLE 3

**ESTIMATED LEGAL DEAD WEIGHT COSTS
ASSOCIATED WITH COMPREHENSIVE LAND CLAIMS IN B.C.
(\$000's)**

NATIVE (1)	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	Total
Gitskan			1,500	2,128	727	299	842	5,496
Loan fund							624	<u>624</u>
								<u>6,120</u>
Meares	30		674					704
Pasco		70	29	322	551	210	210	1,392
Sparrow				<u>15</u>	<u>34</u>			<u>49</u>
Total Native	30	70	2,203	2,465	1,312	509	1,676	8,265
% of Total	0.5%	1%	26.5%	30%	16%	6%	20%	
FEDERAL (2)								
Diand Exp. (Allocated proportionately)	3	5	132	150	80	30	100	500
Dept. of Justice	<u>31</u>	<u>63</u>	<u>1,670</u>	<u>1,890</u>	<u>1,008</u>	<u>378</u>	<u>1,260</u>	<u>6,300</u>
Total Federal Government	34	68	1,802	2,040	1,088	408	1,360	6,800
PROVINCIAL (3)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6,500 to 8,000

Notes:

- n/a Not available.
- (1) Data on Native costs are from the Department of Indian and Northern Affairs.
- (2) Based on data provided by the Department of Indian and Northern Affairs. Native expenses are paid for by the Federal Government through the Test Case Funding Program.
- (3) Data are not readily available on legal costs for the B.C. Government. Expected to be similar to legal costs incurred by the Federal Government and Native Bands.



4.2 Costs to Industry

The industry survey did not specifically request information on legal costs incurred as a result of comprehensive land claims but a number of companies reported associated legal costs:

- three forest products companies reported combined legal costs of \$650,000 over the last five years; the other 27 participants in the industry did not report any legal costs specific to land claims;
- two other survey participants reported combined annual costs of about \$150,000 a year while the other companies that participated in the survey reported none.

It is difficult to extrapolate industry expenditures from these data but it is likely that industry is also spending between \$1.5 million and \$2 million a year in legal costs related to comprehensive claims.

An approximate breakdown by industry of annual legal dead weight costs may be as follows:

	\$000s
Forest Products	
Coast logging	\$ 500
Other	500
Mining	250
Other*	<u>500</u>
Total	<u>\$1,750</u>

* includes some allowance for legal fees incurred on behalf of companies by various industry associations in B.C.

4.3 Future Costs

Legal costs related to comprehensive land claims have been escalating. In 1984/85 dead weight costs accruing to the Federal Government and Natives were about \$65,000 compared with some \$3 million estimated for the 1990/91 fiscal year.

Annual expenditures for Natives and the Federal Government are expected to continue at about the same level: about \$1 million for Natives and another \$1 million for the Federal Government.

Expenditures for the B.C. Government over the next ten years will depend somewhat on the outcome of the Gitskan case. Costs may be reduced to virtually zero or they may continue at the same \$1 million per year level as those incurred by the Federal Government (excluding Natives).

The responses to our survey indicate that industry believes comprehensive claims will increase significantly over the next five years. Monitoring claim status and related legal activity suggests that industry-borne legal costs will at least remain at present levels and most likely increase in future.



Similarly, overall dead weight costs, which currently total about \$5 million per year, are likely to increase in the next five years.

5.0 ASSESSMENT OF INVESTMENT PREMIUM

This section presents an estimate of the investment premium on the rate of return on investment. Seven companies, two mining, four forest products, and one oil and gas company, or about 10% of the survey participants, indicated that some kind of investment premium was required to compensate for the uncertainty surrounding comprehensive land claims. The premiums indicated were as follows:

Required Premium:	<u>Number of Companies</u>	
	<u>Currently</u>	<u>Five Years From Now</u>
Greater than 1%	1	2
Between 0.5% and 1%	4	2
Between 0.1% and 0.5%	-	3
Between 0.0% and 0.1%	2	-
None or don't know	<u>2</u>	<u>4</u>
Total Responses	9	11
No Responses	<u>52</u>	<u>50</u>
Total	<u>61</u>	<u>61</u>

An average of the above investment premium will clearly be quite trivial (approximately 0.12% for mining companies and 0.03% for forest products companies) when compared to normal hurdle rates for investment, ranging upwards from 10% after tax. Nevertheless, for those companies which do require a premium, the issue is increasing in importance as the column "Five Years From Now" indicates.

At the outset of the study, we included a number of questions relating to investment premiums in the survey and hoped to obtain more meaningful information than we did. In the end, very few companies reported requiring incremental compensation in order to rule out the effects of uncertainty related to land claims despite the majority of participants reporting that the claims create strong levels of uncertainty.

The reality is that the comprehensive land claims issue is not one that lends itself to precise measurement in an investment premium context at the present time. The fact that an overwhelming majority of companies did not respond to our question indicates that most companies simply have not addressed the issue of investment premiums.



In our view this position could alter as a result of the resolution of the Gitskan case. Even then the investment premium is likely to be considered either just a normal business risk to be recovered in a company's usual required rate of return or, on a project specific basis, it will be so overriding as to result in delays or cancellation.



6.0 IMPACTS ON CAPITAL PROJECTS

The survey identified that some nine specific mining and forest products projects and two other projects are currently at risk of being delayed or cancelled as a result of the comprehensive land claims. Another three companies said their capital investment plans might be affected without giving specific details. In addition CN Rail wants to double track its line near Ashcroft but has been prevented from proceeding with the work as a result of Natives objecting to the project. The matter is currently before the courts. However, it is not clear that this is a comprehensive claim issue or a question of riparian rights. CN Rail did not complete the survey because the case is still before the courts. Capital projects in other industries are not yet expected to be significantly impacted.

Some 50% of the respondents (28) indicated their companies have plans for major capital projects; about 21 reported that their projects are planned in regions which are most likely to be affected by claims; and about 14 expect these to be affected to some extent by the claims. This section focuses on projects where companies expect project delays or cancellations.

6.1 Impact on Mining Industry Investment

The survey sample covers an estimated 65% of the value of all capital projects expected to take place in the next few years as was described in an earlier section of the report (Exhibit D).

The survey respondents in the mining industry account for some \$500 million in proposed metal mining projects and \$550 million in proposed non-metal and coal mining projects. Of these, three of ten metal mining projects (representing \$280 million or 55% of the value of all proposed metal mining projects) are likely to be affected by comprehensive land claims. In addition, one non-metal and coal project out of three is expected to be affected. The non-metal project is estimated at \$400 million or 73% of the total value of non-metal and coal projects proposed for British Columbia. Together, affected projects planned by survey participants have an estimated capital cost of \$680 million as set out in Table 4.

Proposed mining capital projects not included in the survey include a \$400 million dollar project in the Nechako region and three smaller metal mining projects in the B.C. Interior representing some \$167 million in capital expenditures. It is difficult to assess the likelihood of these projects being affected by land claims. On the basis of the survey response, it seems reasonable to expect that one out of four of these projects stands to be affected, representing an estimated \$140 million of capital costs (one quarter of \$567 million). With the \$680 million in capital investments identified

through the survey, this brings the amount of capital investment which stands to be affected by land claims to an estimated \$820 million.

TABLE 4

IMPACT ON CAPITAL INVESTMENTS IN THE MINING INDUSTRY - SURVEY DATA

Metal Mines	Capital Investments (millions)	Percent
Capital Projects Impacted By Land Claims		
Gold Mine	\$ 120	
Lead and Zinc Mine	130	
Gold and Silver Mine	<u>30</u>	
	280	56%
Other Projects Not Impacted	<u>220</u>	<u>44%</u>
	<u>500</u>	<u>100%</u>
Non-Metal and Coal Mines		
Capital Projects Impacted By Land Claims:	400	73%
Projects Not Impacted	<u>150</u>	<u>27%</u>
	<u>550</u>	<u>100%</u>
Total		
Capital Projects Impacted By Land Claims:	680	65%
Not Impacted By Claims	<u>370</u>	<u>35%</u>
	<u>\$1,050</u>	<u>100%</u>

Note: Excludes \$567 million dollars in capital expenditures which are not accounted for by survey participants. Of these, an estimated \$140 million stands to be affected.



Within the British Columbia context, mining projects generally take between five to ten years from initial investigation to operation depending on various factors including project size, environmental considerations, the required infrastructure, and market conditions. Assuming an average exploration and development period of eight years which seems reasonable within the B.C. environment, the annualized impact of \$820 million is estimated at about \$100 million.

According to the survey respondents, about one half of the affected projects might be cancelled because of unresolved comprehensive land claims and the other half might be delayed by one to five years (or an average of three years). Thus, we estimate that some \$50 million of annual capital investment may be lost because of the comprehensive land claims and the other \$50 million may be deferred three years. However, by and large, projects affected have not yet reached the stage of maturity that the land claims issue is the only issue still remaining to be settled prior to the decision to proceed. Other issues still to be resolved include product markets, technical and financial feasibility.

6.2 Impact on Forest Industry Investment

The forest industry is in the midst of a \$5.5 billion capital expenditure program according to the B.C. Ministry of Regional Development. Project expenditures by sector and region are presented in Exhibit C. Our survey shows that very few of these projects will be affected by the comprehensive land claims issue. At worst it would appear that about \$100 million to \$200 million of projects could be delayed by between one and five years, or an average of three years. This finding is consistent with the industry view that the logging sector has sufficient flexibility to change its logging locations to accommodate delays caused by Native road closures and other action.

6.3 Other Industry

According to the survey data, capital projects in other industries (excluding CN Rail) are not currently impacted by comprehensive land claims:

- While the fish processing industry recognizes the uncertainty related to Native claims, there are other critical and more pressing factors which are currently impinging on its growth.
- Survey respondents in other industries reported that they did not expect any of their projects to be affected by comprehensive land claims although many reported that land claims added risks and uncertainty to the operating environment of the Province. As mentioned earlier, according to one company, this is partly due to Governments recognizing that cooperation from Native bands towards project developments will not prejudice their eventual land claims.



Should the hydro-electric potential in the north west of the Province ever be considered for development the land claims issue could be an important one.

7.0 IMPACTS ON ECONOMIC RENT

This section reviews the impact of uncertainty related to comprehensive land claims on economic rent paid for the use of natural resources in British Columbia.

Economic rent may be affected by the uncertainty related to comprehensive claims in several ways:

- governments may compensate companies for uncertainty related to comprehensive land claims through Government incentives or by reduced resource royalties or other fees;
- uncertainty can result in resource based projects being cancelled; projects which would otherwise have resulted in economic rent like stumpage or mining royalties being paid to Governments; and
- uncertainty can delay projects thereby postponing economic rent paid to governments.

The industry survey, conducted as part of this study, dealt with the need for Governments to provide incentives to industry in order to compensate for the uncertainty related to comprehensive land claims in B.C. Survey results suggest that no Government incentives have been awarded with a view to compensating for the uncertainty related to land claims. About 15 survey respondents (or some 25% of all participants) reported having received some form of Government incentive in the past. However, none of the incentives were to compensate for any uncertainty related to comprehensive claims.

Previous sections of the report discussed the magnitude of the impact of uncertainty on capital projects in B.C. The following paragraphs describe how these impacts translate into economic rent lost to Governments.

7.1 Mining Industry

In B.C., the mining industry pays royalties and mining taxes to the government. These depend on profitability and/or volumes and vary by type of project. A summary of mining taxes and royalties paid by the industry in 1988 is set out in the following table.

TABLE 5

DIRECT MINING RELATED TAXES PAID TO B.C. GOVERNMENT, 1988

	Millions
Mining Tax	\$ 3
Mineral Resource Tax	11
Mineral Land Tax	8
Coal Royalties	<u>25</u>
Total	<u>\$47</u>

Source: Mining in British Columbia - 1988, prepared by Price Waterhouse on behalf of the Mining Association of British Columbia.

As shown above, in 1988, the mining industry in B.C. paid an estimated \$47 million in taxes and royalties as compensation for the resources. This represents 22% of an estimated \$177 million of direct taxes and payments by the industry to the Provincial, Federal and Municipal Governments (excluding about \$220 million in payroll taxes and related payments to the Federal and Provincial governments).

The impact on investments of uncertainty related to comprehensive land claims has been estimated at about \$100 million on an annualized basis. Half of this amount, representing investments worth about \$50 million, can be expected to be delayed by an average of about three years while the other half may be cancelled. This annualized impact of about \$100 million a year represents some 12% of annual capital expenditures by the mining industry in British Columbia and about 2% of the asset base of the industry (based on Statistics Canada data and the above-mentioned Mining Association of British Columbia study).

Ultimately, investments affect income and cash flows which in turn impact on royalties and taxes. At existing rates the impact on royalties and taxes would be in the order of \$1 million per year. Half of these taxes and royalties would be lost to the Province due to projects being cancelled and the other half would be delayed for an average of three years.



7.2 Forest Industry

In the forestry sector, some logging programs are being affected by comprehensive land claims, particularly in Coastal B.C. However, at present, affected wood conversion plants either purchase required wood in the open market or substitute logging programs in other regions such that the impact on stumpage fees paid to the Province is minimal if any at all. Forest industry investment that could possibly be delayed (discussed earlier in Section 6.2) consists primarily of modernization expenditures, rather than the construction of additional capacity. Consequently, delays in such expenditures should not have much impact on economic rent. However, economic rent will be affected in the longer term, if timber is removed from the annual allowable cut as a result of land claims.

There is no indication that the Province is doing otherwise than collecting as much economic rent as it would collect if comprehensive land claims were settled. Indeed, in the forest sector, stumpage rates and licence fees are at or close to an all-time high.

7.3 Other Sectors

As described earlier, survey data suggest that, capital projects in industries other than mining are not yet impacted by comprehensive land claims.

The survey showed that investment projects in other sectors including the fishing industry, the oil and gas sector, and the utility sector are not being impacted by comprehensive claims. Accordingly, economic rents for the use of natural resources in these sectors are not likely to be affected by uncertainty related to comprehensive claims, at least for now. There was an indication that certain future projects could be delayed, which would result in lost future revenues to the Province.



8.0 ECONOMIC IMPACTS ON BRITISH COLUMBIA ECONOMY

Uncertainty surrounding settlement of the land claims issue will ultimately have an impact on the Provincial economy. Based on the analysis of the survey results this section estimates what that impact will be.

It is estimated that almost \$1 billion of currently proposed mining and forest industry investments could be affected by the non-settlement of comprehensive land claims, although land claims are generally not the only issue to be resolved before development can proceed. The economic impacts of such delays or cancellations could be summarized as follows:

- \$50 million of capital expenditures could be lost each year.
- \$75 million of capital expenditures could be delayed, resulting in both lost opportunities and continued operation of less than efficient plants.
- Some 100 jobs stand not to be created each year because of the economic uncertainty.
- Such loss of growth of primary industry jobs means that the service sector will also be impacted and grow more slowly. Using generally accepted employment multipliers, this is equivalent to a further 200 jobs not created throughout the Province each year, which might otherwise materialize.
- Ultimately, based on the projects identified in the survey, some 1500 permanent jobs could be impacted, together with related indirect and induced employment.

* * * * *

Price Waterhouse,
management consultants
Vancouver, B.C.
March 1990

SURVEY COVERAGE BY REGION

SURVEY COVERAGE BY REGION

	Vancouver Island/ Coast	Mainland SW	Thompson Okanagan	Kootenay	Cariboo	N. Coast	Nechako	N. East	All Regions
Pulp and Paper									
Celgar Pulp				x					
Fibreco Pulp								x	
Scott Paper		x							
Pulp, Forestry, Wood Products									
Canadian Pacific Forest Products	x								
Crestbrook Forest Industries				x					
Eurocan Pulp and Paper						x	x		
Finlay Forest Industries					x				
Fletcher Challenge	x	x	x		x	x		x	
MacMillan Bloedel	x	x				x			
Northwood Pulp and Timber					x		x		
Skeena Cellulose						x	x		
Weyerhaeuser Canada			x						
West Fraser Mills					x	x	x	x	
Western Forest Products	x	x				x			
Forestry, Wood Products									
Ainsworth Lumber			x		x				
Dunkley Lumber					x				
Doman Forest Industries	x	x				x			
Evans Forest Products			x						
Gorman Brothers			x						
Husbey Forest Products						x			
Houston Forest Products							x		
International Forest Products	x	x	x			x			
Pope and Talbot				x					
Riverside Forest Products			x	x					
Rustad Brothers and Co.					x		x		
Takla Track and Timber					x		x		
The Pas Lumber					x				
Tolko Industries			x		x				
Weldwood of Canada	x	x			x		x		
Westar Timber			x	x		x	x		
TOTAL FORESTRY, WOOD PRODUCTS									
MANUFACTURING AND PULP AND PAPER	7	7	9	5	11	10	9	3	-

SURVEY COVERAGE BY REGION

	Vancouver Island/ Coast	Mainland SW	Thompson Okanagan	Kootenay	Cariboo	N. Coast	Nechako	N. East	All Regions
Mining, Metal Mines									
BHP Utah	x								
Cheni Gold Mines inc.							x		
City Resources Canada	x								
Cominco (mineral exploration and development)									x
Curragh Resources					x				
Falconbridge									x
Getty Resources Ltd.								x	
Golden Bear								x	
Homestake Mining						x	x		
Minnova inc.		x	x	x					
Noranda Mines							x		
Placer Dome									x
Northair Mines				x	x	x			
Skyline Gold Corp.						x			
Westmin. Resources	x					x			
Mining, Coal and Non-metal									
Brinco Coal	x			x					
Cassiar Mining Corp.						x	x		
Fording Coal				x					
Gulf Canada							x		
Westar Mining				x					
TOTAL MINING	4	1	1	5	2	5	5	2	3
Other									
Alcan						x	x		
B.C. Gas		x	x	x	x			x	
B.C. Hydro									x
B.C. Rail		x	x		x		x	x	
BP Canada								x	
Canadian Hunter						x			
Chevron				x				x	
Westcoast Energy inc.									x
Canadian Occidental Petroleum									x
Bank of Nova Scotia									x
Canadian Imperial Bank of Commerce									x
TOTAL OTHER	-	2	2	2	2	2	2	4	5
TOTAL	11	10	12	12	15	17	16	9	8

SURVEY COVERAGE - FOREST INDUSTRY REVENUES

	Forest Industry 1988 Revenues (\$millions)	Survey Coverage (%)
Coastal Logging ⁽¹⁾	<u>\$2,198</u>	<u>53%</u>
Lumber		
Coast Region ⁽²⁾	2,074	55%
Northern Interior ⁽³⁾	1,332	50%
Central Interior ⁽⁴⁾	449	55%
Southern Interior ⁽⁵⁾	848	72%
Plywood, Veneer		
Coast Region	217	56%
Interior Region	<u>374</u>	<u>79%</u>
	<u>5,294</u>	<u>58%</u>
Pulp and Paper		
Pulp		
Coast Region	1,650	42%
Interior Region	1,649	59%
Newsprint	<u>1,301</u>	<u>100%</u>
	<u>\$4,600</u>	<u>65%</u>

Notes:

- (1) Includes external log sales (domestic and exports) plus the value of logs transferred to company conversion plans.
- (2) Includes Vancouver Island/Coast, Lower Mainland/Southwest and the North Coast.
- (3) Includes the Nechako and Northeast regions and part of the Cariboo region.
- (4) Includes the Cariboo region excluding Prince George.
- (5) Includes the Thompson/Okanagan and Kootenay regions.
- (6) Represents the percentage of industry revenues earned by survey participants in British Columbia. These percentages underestimate survey coverage as responses from three major integrated forest products manufacturers were received after preparation of this analysis of survey coverage.

Source: Council of Forest Industries, The Forest Industry in British Columbia, 1988, prepared by Price Waterhouse.

SURVEY COVERAGE - CAPITAL PROJECTS IN THE B.C. FOREST INDUSTRY

	Total Industry (\$ millions)	Survey Responses	Survey Coverage
Wood Products Manufacturing			
Vancouver Island/Coast	\$34	\$17	
Mainland/Southeast	22	-	
Thompson/Okanagan	-	-	
Kootenay	-	-	
Cariboo	60	60	
North Coast	-	-	
Nechako	-	-	
Northeast	-	-	
	<u>116</u>	<u>77</u>	<u>66%</u>
Pulp and Paper			
Vancouver Island/Coast	663	663	
Mainland/Southeast	1,152	82	
Thompson/Okanagan	26	26	
Kootenay	-	-	
Cariboo	653	550	
North Coast	1,465	125	
Nechako	350	350	
Northeast	<u>395</u>	<u>195</u>	
	4,704	1,991	42%
Printing and Publishing Papers (newsprint)			
Vancouver Island/Coast	385	385	
Mainland/Southeast	300	-	
Thompson/Okanagan	-	-	
Kootenay	-	-	
Cariboo	-	-	
North Coast	-	-	
Nechako	-	-	
Northeast	-	-	
	<u>685</u>	<u>385</u>	<u>56%</u>
Total	<u>\$5,505</u>	<u>\$2,453</u>	<u>45%</u>

Note:

(1) Represents the percentage of capital projects in the B.C. forest industry which can be attributed to survey participants. The survey coverage is understated as three major forest integrated product manufacturers did not respond in time to be included in this analysis of survey coverage.

Source: B.C. Major Capital Projects, September 30, 1989, B.C. Ministry of Regional Development.

SURVEY COVERAGE - CAPITAL PROJECTS IN THE B.C. MINING INDUSTRY

Metal Mines		Total Industry⁽¹⁾ (\$ millions)	Survey Responses⁽¹⁾ (\$ millions)	Survey Coverage
Region				
Vancouver I.	Utah Mines Ltd. - Island Valley Copper	\$62	\$62	
Thompson	Equinox	20	-	
	Afton	12	-	
	Cassiar	20	20	
	Minnova	32	32	
Cariboo	QPX Minerals/Placer	15	15	
	Imperial Metal/Corona	135	-	
North Coast	Cominco-Delaware Resources	55	55	
	City Resources	120	120	
Nechako	Geddes Resources	400	-	
	Chevron/Homestake Mining	70	70	
Northeast	Curragh Resources	<u>130</u>	<u>130</u>	<u> </u>
		<u>1,071</u>	<u>504</u>	<u>47%</u>
Non-Metal and Coal Mines				
Vancouver I.	Brinco Coal	98	98	
Nechako	Gulf Canada - Mount Klappan	400	400	
North Coast	Cassiar Mining Corp.	<u>48</u>	<u>48</u>	<u> </u>
		<u>546</u>	<u>546</u>	<u>100%</u>
Total		<u>\$1,617</u>	<u>\$1,050</u>	<u>65%</u>

Notes:

(1) Excludes some projects listed by survey respondents including a \$400 million copper mine in the Northeast and a proposed gold and silver mine on the North Coast.

Source: B.C. Major projects inventory, September 30, 1989, Ministry of Regional Development.

SURVEY COVERAGE - B.C. MINING EXPLORATION AND DEVELOPMENT COSTS

By Region	Total Industry 1988 Expenditures⁽¹⁾ (\$ millions)	Survey Coverage (3)
Vancouver Island/Coast	\$9	63%
Mainland/Southwest	2	20
Thompson/Okanagan	12	21
Kootenay	17	48
Cariboo	7	5
North Coast	92	47
Nechako	22	16
Northeast	<u>52</u>	<u>27</u>
	<u>\$213</u>	<u>37%</u>
 By Type of Expenditures		
Primary exploration	64	48
Development on Non-Producing Properties	81	48
Development on Producing Properties ⁽²⁾	65	14
New Exploration on Producing Properties	<u>3</u>	<u>7</u>
	<u>\$213</u>	<u>37%</u>

Notes:

- (1) Represents primary exploration expenditures and development expenditures on non-producing and producing properties.
- (2) The majority of these expenditures in 1988 were for coal mines operating in Northeastern B.C. Although the two major companies were contacted as part of the study, they did not participate in the survey.
- (3) Based on 19 out of 20 survey respondents. One participant did not respond in time to be included in this analysis of survey coverage.

Source: Mining in British Columbia - 1988, Mining Association of British Columbia, prepared by Price Waterhouse.

SURVEY COVERAGE - OTHER MAJOR CAPITAL PROJECTS IN B.C.

(Excludes forest products, mining, real estate, health care, education and recreation)

	Total Industry (\$ millions)	Survey Responses (\$ millions)	Survey Coverage
Vancouver Island			
Sherwood - Ferrochromium Plant	41	-	
B.C. Government - Island Highway	600	-	
Pacific Coast Energy - Vancouver Island Natural Gas Pipeline	265	-	
Mainland/Southwest			
TRIUMF - Kaon Factory	570	-	
Various highway and transit expansion projects	1,135	-	
B.C. Hydro - transmission lines	139	139	
Thompson/Okanagan			
Consumers Packaging - glass plant upgrade	33	-	
CN Rail - railway expansion project	1,500	-	
Transmountain Pipeline - expansion	61	-	
B.C. Telephone Co. - light guide link	104	-	
B.C. Government - highway upgrading	36	-	
Kootenay			
Cominco Ltd. - lead smelter expansion	260	260	
B.C. Hydro - Keenleyside - Murphy Creek hydro project	958	958	
Fording Coal: thermal power plant	140	140	
Cariboo			
FMC of Canada - hydrogen peroxide plant	65	-	
B.C. Chemicals - chemical plant expansion	52	-	
B.C. Railway - track upgrading	49	49	
B.C. Hydro - transmission lines	178	178	
Cariboo Fibreboard/NW Energy - Fibreboard/thermo-electric plant	275	-	
North Coast			
Alcan Aluminium - Smelter modification	55	55	
Kemano completion project	600	600	
Prince Rupert Port Corporation - expansion	38	-	
District of Kitimat - wharf	35	-	

SURVEY COVERAGE - OTHER MAJOR CAPITAL PROJECTS IN B.C.
(continued)

(Excludes forest products, mining, real estate, health care, education and recreation)

	Total Industry (\$ millions)	Survey Responses (\$ millions)	Survey Coverage
Nechako			
B.C. Rail: upgrades	43	43	
Northeast			
B.C. Hydro: power plant/transmission link	165	165	
Westcoast Energy: pipeline/plant expansion	100	100	
B.C. Hydro: Site C power project	3,500	3,500	
Westcoast Energy/CU Power: Co-generation facility	100	100	
Canadian Hunter Exploration: gas plant expansions	43	43	
B.C. Rail: upgrades	<u>36</u>	<u>36</u>	
	<u>11,176</u>	<u>6,366</u>	<u>57%</u>

Notes:

Excludes real estate developments like shopping centre proposals and developments related to health care, education (university, etc.), and recreation (golf courses, ski resorts, etc.)

Includes proposed projects that are above \$30 million; in the case of the Mainland/Southwest Region, a cutoff of \$50 million was used.

SUMMARY OF SURVEY RESULTS

The following exhibit summarizes the survey results following the survey format. Please note that five completed questionnaires were received too late to incorporate in this analysis except where some general comments were worth noting. A blank copy of the survey is included in Appendix I.

EXISTING COMPANY OPERATIONS AND HOW THESE HAVE BEEN IMPACTED BY COMPREHENSIVE CLAIMS

1. In what B.C. regions are you currently operating?

	Number of Respondents		Number of Respondents
1. Vancouver Island/Coast	11	6. North Coast	17
2. Mainland/Southwest	10	7. Nechako	16
3. Thompson/Okanagan	12	8. Northeast	9
4. Kootenay	12	9. All regions	8
5. Cariboo	15	10. Don't know/not applicable	-

2. Are you aware of comprehensive land claims having affected your operations in the past 10 years?

	Number of Respondents
Yes	16
No (skip to question 9)	39
Not applicable/don't know (skip to question 9)	1
Total	56

3. In what region has your company been affected by comprehensive land claims?

	Number of Respondents		Number of Respondents
1. Vancouver Island/Coast	4	6. North Coast	11
2. Mainland/Southwest	1	7. Nechako	6
3. Thompson/Okanagan	-	8. Northeast	-
4. Kootenay	-	9. All regions	1
5. Cariboo	2	10. Don't know/not applicable	-

4. Please describe the degree of the impact of comprehensive land claims on your company over the past 10 years in the following areas:

	Number of Respondents					
	Very Important	Somewhat Important	Not Very Important	Not at all Important	Not Affected	No Response
legal proceedings/appeals	5	2	1	1	6	41
project delays	7	3	1	-	4	41
road blockage	6	1	2	-	6	41
injunctions	4	-	2	1	7	42
cancelled projects	5	1	2	1	5	42
lobbying by Natives	7	4	1	-	3	41
need to do socio-economic impact studies for Natives	4	1	2	1	2	46

Other factors:

- comprehensive claims offer continual threats (one mining company)
 - environment (one mining company);
 - one company had to conduct a federal environmental assessment to evaluate the impacts of drilling program on the socio-environment of B.C. - which included assessment on Native population.
 - environment predominates with Native issues being a smaller factor in the equation.
 - other agencies reacting to fish and wildfish concerns of Natives (one forest products company).
5. In the last 10 years, has your company cancelled a project as a result of comprehensive land claims?

	Number of Respondents
Yes	5
No (skip to question 7)	12
Not applicable/don't know (skip to question 7)	-
No response	39
Total	56

6. If your company cancelled projects as a result of unsettled land claims, what was the project in question?

Logging operation on Vancouver Island - program of about \$5 million; was to create about 30 direct jobs, with an annual production of 70,000 cubic metres and annual sales value of about \$5 million.

Logging - reduced program in the Nechako and Vancouver Island; \$200,000 in road construction; representing about 10 jobs.

About \$300,000 in road/bridge construction and logging in the North Coast in 1988/89 was cancelled due to comprehensive land claims. No immediate impacts on jobs but will have an effect in two to five years.

Geological exploration in the Nechako region in 1987.

One oil and gas company cancelled a seismic program in the mid 1980's with a budget of around \$100,000.

7. What has been the estimated cost to your company of work interruptions related to comprehensive land claims?

One mining company: negotiations, discussions, studies: \$100,000 for five years - 0 in 1989.

One forest products company - \$400,000 in legal costs related to a case in the B.C. Coastal region; however, company stated that the real cost is the opportunity costs of postponing the harvest.

One forest products company in the Cariboo region - legal costs of \$37,000 in 1989 and \$48,000 in years 1984-1988.

One forest products company operating in the North Coast - \$200,000 in legal costs in 1989. None prior.

One forest products company operating in Nechako: lost 20 days a year in production in 1989 representing about 200 man days, and about \$60,000 in lost revenues. Between 1984 to 1988, 250 man days were lost, representing about \$80,000 in lost revenues.

One forest products company operating on the Queen Charlotte Islands indicated that their timber harvesting rights had been reduced and the matter was currently being appraised for settlement.

Another forest products company operating in the Queen Charlotte Islands indicated that while projects have not been cancelled, the company's operations have been tempered by the consequences of settlement.

Another forest products company in the North Coast indicated they had not yet been impacted but would be.

Another company operating in B.C. spends about \$100,000 per year in legal fees dealing with Native groups.

8. Would you expect the costs related to comprehensive land claims to increase, decrease, or remain the same over the next five years?

	Number of Respondents
Large increase	6
Increase somewhat	4
Stay same	3
Somewhat decrease	-
Decrease a lot	-
Non respondents	<u>43</u>
Total	<u>56</u>

When asked by how much, companies responded as follows:

Mining companies:

- large but no estimated value;
- increase somewhat but likely to be substantial as the project develops and aboriginal interference increases;
- increase somewhat but who knows by how much, Natives are becoming more organized and militant;
- expect a large increase but the exact amount is unknown; resource issues are being used as leverage in land claims issue.

Forest companies:

- large increase - 30% or so, land claims have become the 'in thing' in society.
- large increase - expect costs to triple as more claims are likely to be pursued.
- expect an increase due to political and legal activities by Native groups.
- potential blockages could cost millions; and government departments may delay approvals for logging or development.

9. What is your view on the following statements regarding the impacts of comprehensive land claims on corporate planning decisions?

	Number of Respondents					
	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Not Applicable	No Response
comprehensive land claims create a strong level of uncertainty	18	13	4	-	20	1
If comprehensive claims are not settled in five years, company operations will be significantly affected	8	15	9	1	22	1
settlement of land claims will reduce uncertainty	13	16	3	3	20	1
the impact of comprehensive claims is greatest in certain B.C. regions (specify which region)	17	15	-	-	15	9

When asked which regions, the frequency by each region was as follows:

	Number of Respondents	
1. Vancouver Island/Coast	4	all forest products companies
2. Mainland/Southwest	1	forest products company
3. Thompson/Okanagan	1	forest products company
4. Kootenay	-	
5. Cariboo	5	all forest products companies
6. North Coast	12	eight forest products companies, two mining companies, and two others
7. Nechako	14	nine forest products companies, three mining companies, and two others
8. Northeast	6	three forest products companies, one mining company and two others

Comments regarding which regions have the greatest impacts:

- Issue is most important in Northwest B.C., not an issue on Vancouver Island where mining company has most operations.
- Company operates in the South where land claims are not an issue - don't operate in North due to costs and geology, not because of land claims.
- Currently, Native demands and threats have an impact on companies. Some tribes are more organized, e.g., Haidas.
- Regions most affected include regions 6 & 7, those regions affected by claims by the Gitskan and the Carrier Sekani Tribal council.

When asked to specify the nature of the impact, the occurrence of various comments was as follows:

- While comprehensive claims are creating a strong level of uncertainty, they have not stopped the planning process, at least yet.
- Injunctions related to log harvesting are contributing to the uncertainty related to land claims.
- There is a trend towards disputes in all areas as some success by Natives in tying up resources is achieved through the courts.

10. If you agree that comprehensive land claims create uncertainty, please indicate the degree of importance of the following factors in creating this uncertainty.

	Number of Respondents					
	Very Important	Somewhat Important	Not very Important	Not at all Important	Not Affected	No Response
right of access to land/resources	31	4	-	-	4	17
future competition from native groups moving into industry	1	8	13	9	8	17
possibility of production or shipment disruptions affecting your reliability as a supplier	20	11	-	1	7	17
possibility of unsatisfactory compensation if company is affected by land claim settlement	27	4	3	1	4	17

When asked to list other factors creating uncertainty, companies responded as follows:

- Commitments imposed on the company by settlements - one mining company.
- Resource issues are being used to pressure governments to settle land claims.
- Requirements to hire Native - minimum employment requirements are often difficult to achieve due to limited schooling (one forest products company).
- Possible displacement of private land owners over to vacant crown land may create uncertainty.
- Long term supply of raw materials (timber) not assured.
- The ability of Natives to integrate into industry (one mining company).
- From one mining company, these factors are no different than dealing with any land holder.
- From one forest products company, other government departments are not making decisions for fear of impacting land claims e.g., Environment Canada.
- From one forest products company, unfair competition if Natives are subsidized or reduction of forest lands done for other work.
- From one forest products company operating in the Queen Charlotte Islands, no form of compensation is suitable except that which is lost by company.

11. Which of the following does your company engage in?

	<u>Number of Respondents</u>		
	Yes	No	No Response
joint venture with Natives	28	10	18
training and hiring of Natives	20	19	17
negotiate directly with Natives	20	19	17

Other practices were listed as follows:

- Purchase of raw logs from Natives although not related to mitigating risks relating to land claims.
- Initiating stewardship contracts in silviculture and forestry (with intention to mitigate risks).
- Have sawmill on Indian reserve with hiring agreement and options to hold shares (with intention to mitigate risks).
- Contracts with Native corporations.

Other comments:

- One company reported that they enter joint ventures with Natives, participate in training and hiring of Natives, and sometimes negotiate directly with Natives - although not yet in B.C. The reason for doing so, however, is not only to mitigate future risks related to comprehensive claims. Other concerns include: environment, training benefits, benefits of hiring locally, etc.
- A number of forest products companies train and hire Natives but this has more to do with hiring locals than the desire to mitigate future risks related to land claims.
- One forest products company reported training and hiring Natives, starting at least 25 years ago, long before Native claims became a major issue.

12. Does your company engage in the above activities specifically to mitigate future risks related to comprehensive land claims?

	Number of Respondents
Yes	9
No	19
Not applicable/don't know	15
No response	<u>13</u>
Total	56

INVESTMENT PLANNING DECISIONS AND HOW THESE MAY BE AFFECTED BY COMPREHENSIVE LAND CLAIMS

13. Is your company currently planning/undertaking major capital investment projects in British Columbia?

	Number of Respondents
Yes	28
No (skip to question 19)	14
Not applicable/don't know (skip to question 19)	2
No response	<u>12</u>
Total	56

14. If your company is planning/undertaking major capital projects, what are they?

Number of respondents which gave information:

Mining companies	9
Forest products	9
Other	<u>4</u>
	22

15. In what locations?

	Number of Respondents
1. Vancouver Island/Coast	3
2. Mainland/Southwest	1
3. Thompson Okanagan	3
4. Kootenay	1
5. Cariboo	4
6. North Coast	8
7. Nechako	7
8. Northeast	3
9. All regions	4

22. Please indicate to what degree you agree with the following statements regarding who ultimately pays the cost of uncertainty related to comprehensive land claims in B.C.?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Not Applicable
company (lower profits)	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
reduced investment for company expansion	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
investment community (lower returns)	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
customers (higher prices)	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
employees (lower wages/loss of jobs)	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
municipal governments (lower taxes)	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
provincial governments (lower stumpage/ mining royalties/other)	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
federal governments (lower taxes/higher subsidies)	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Other (please specify)	_____				

The last section of this questionnaire deals with the need for governments to provide incentives to companies in order to compensate for the risks of uncertainty related to comprehensive land claims in B.C.

	Always	Sometimes	Almost Never	Never	Not Applicable
23. To your knowledge, how often have companies in your region applied for PROVINCIAL government incentives or funding to proceed with development projects in B.C.?	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
24. To your knowledge, how often have companies in your region applied for FEDERAL government incentives or funding to proceed with development projects in B.C.?	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
25. How much do you estimate, was received by investing companies?					\$ _____

26. Which resource sectors in your region have requested the most government assistance, and which have been the largest recipients:

	Requests	Receipts
Forestry (logging)	<input type="checkbox"/>	<input type="checkbox"/>
Fishing	<input type="checkbox"/>	<input type="checkbox"/>
Wood Product Manufacturing	<input type="checkbox"/>	<input type="checkbox"/>
Pulp and Paper	<input type="checkbox"/>	<input type="checkbox"/>
Printing and Publishing Papers	<input type="checkbox"/>	<input type="checkbox"/>
Metal Mining	<input type="checkbox"/>	<input type="checkbox"/>
Non-Metal and Coal Mines	<input type="checkbox"/>	<input type="checkbox"/>
Manufacturing - Primary Metals	<input type="checkbox"/>	<input type="checkbox"/>
Manufacturing - Metal Fabrication	<input type="checkbox"/>	<input type="checkbox"/>
Manufacturing - Food and Beverage	<input type="checkbox"/>	<input type="checkbox"/>
Fish Processing	<input type="checkbox"/>	<input type="checkbox"/>
Other Manufacturing	<input type="checkbox"/>	<input type="checkbox"/>
Banks/Financial Institutions	<input type="checkbox"/>	<input type="checkbox"/>
Service Sector and Other	<input type="checkbox"/>	<input type="checkbox"/>

27. Do you consider compensation for comprehensive land claims to have formed an important incentive to companies in your region to apply for funding?

1. Yes 2. No (SKIP TO QUESTION 34) 3. Not applicable/don't know (SKIP TO QUESTION 34)

28. Had comprehensive land claims been settled would companies in your region still require these incentives?

1. Yes 2. No 3. Not applicable/don't know

Explain?

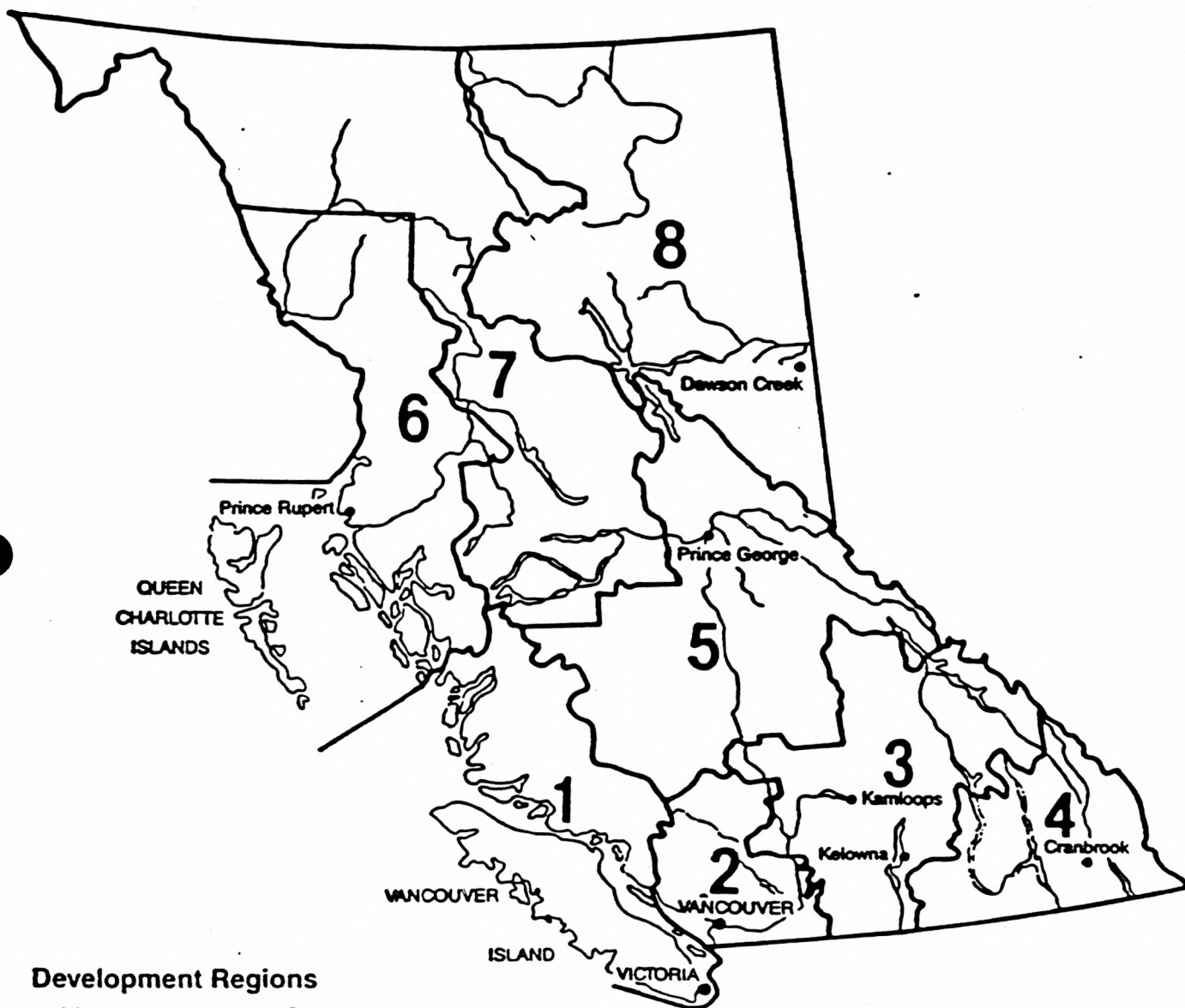
29. Do you know of specific individuals at companies operating or planning to operate in your region who should be contacted as part of our study?

Comments on the issue:

We thank you for your cooperation and assure you that the individual participant's response to our survey will be held in strict confidence by Price Waterhouse.

Price Waterhouse
management consultants
Vancouver, B.C.
January 1990

BRITISH COLUMBIA DEVELOPMENT REGIONS



Development Regions

1. Vancouver Island/Coast
2. Mainland/Southwest
3. Thompson/Okanagan
4. Kootenay
5. Cariboo
6. North Coast
7. Nechako
8. Northeast

Taken From:
British Columbia Major Projects Inventory
September 30th, 1989

Province of British Columbia
Ministry of Regional Development

16. If your company is planning/undertaking capital projects in B.C. is it likely that any of the projects will be affected by comprehensive land claims?

	Number of Respondents
Yes	13*
No (skip to question 18)	10
Not applicable/don't know (skip to question 18)	6
No response	<u>27</u>
Total	56

- * A fourteenth company that completed the questionnaire too late to be included throughout this analysis also responded yes.

The following describe the size and magnitude of the projects for companies that describe their capital investments projects and answered yes or no to the above question.

PROJECTS LIKELY TO BE AFFECTED BY COMPREHENSIVE LAND CLAIMS:

Mining Industry

- Coal mine - \$400 million dollar investment; two years of construction; earliest starting date is 1993; stands to create 700 jobs; production of 1.5 million tonnes of coal; and annual sales of \$150 million. (Nechako)
- Lead and zinc mine in the Cariboo - about \$115 to \$140 million in capital investment; two years of construction; expected to create 200 - 250 jobs and generate annual sales of \$125 million.
- Gold mine - \$120 million dollar investment; two years of construction; earliest starting date 1992; 200 permanent jobs; 120,000 ounces of gold in annual production of an estimated value of \$55 million a year (Coastal region).
- Gold and silver mine - \$30 million dollar investment; one year of construction; expected year of operation 1991; 115 jobs created; expected production and revenue not available. (North Coast)
- Oil and gas drilling program - \$60 million offshore drilling program - operation depends on drilling results; stands to create 100 jobs (North Coast).

Forest products

- One company reported ongoing capital and logging projects of about \$100 million a year; major impact of comprehensive claims is related to cost of delaying projects - company projected a controversy related to a comprehensive land claim in Coastal B.C. to delay logging by about two years; this was in 1982, already eight years ago. However, most capital investments are not impacted by land claims as these relate to expansions and improvements to existing facilities.

- One company reported that a program to expand logging into a new area in the Nechako region may be affected by land claims; it is somewhat likely that the project would be cancelled and very likely that the program might be delayed by one to 5 years.
- One forest products company indicated having been impacted on the North Coast particularly regarding log supplies. While a major expansion plan in the Cariboo region is not likely to be impacted, a \$20 million plan to modernize a sawmill on the North Coast may be impacted (impact could be 40 jobs). This project is somewhat likely to be cancelled or delayed at least until the Gitskan claim is settled.
- One forest products company operating in the Queen Charlotte invests about \$2 million dollars annually in logging equipment and facilities. According to the company, comprehensive land claims are a threat to the entire operation.
- One forest products company operating in the North Coast and Nechako region reported planning an \$80 million dollar sawmill expansion. The company indicated its plans are not likely to be cancelled because of land claims but a delay of between one to five years is somewhat likely.
- One forest products company operating in the North Coast, and B.C. Interior expects some of its modernization plans, particularly in the Nechako and North Coast to be affected by comprehensive claims. Project cancellations are somewhat likely and delays are very likely, perhaps until a settlement is reached. This company reports spending between \$5 and \$10 million annually on capital projects, although not all projects are likely to be affected. The company operates throughout the B.C. Interior but comprehensive claims have only affected the North Coast and Nechako regions.
- Another forest products company operating primarily on the North Coast and Nechako reported that some of its environmental related capital investments plans of about \$100 million are very likely to be delayed until settlement is reached. Cancellations are not likely however. The company also reported that environmental issues had to be resolved in any event, an important factor contributing to delays.

Other

- Hydro-electric power and transmission projects.

PROJECTS NOT LIKELY TO BE AFFECTED BY COMPREHENSIVE LAND CLAIMS:

Mining Industry

- Gold mine on North Coast - no impact.
- Mining underground development - \$50 million 1.5 years of development to end of 1990 - 90,000 tonnes of ore for \$65 million in production - project planned in Nechako area.
- Mining exploration project on the Queen Charlotte may not go ahead because of problems with environmentalists - not really because of land claims.
- Copper mine \$400 million dollar investment; 638 jobs created; \$265 million dollar in revenue.

- Gold mine - \$70 million - approximately 60 jobs created; \$24 million dollar in annual revenues - 60,000 ounces of gold.

Forest Products

- \$400 million dollar investment in newsprint machine and \$60 million dollar sawmill investment.
- \$40 million investment in sawmill expansion project and \$10 million for chipping facilities.
- \$50 to \$65 million in pollution abatement and sawmill modernization.
- Pulp mill expansion of \$800 million - 1200 tons per day.
- Two plants, one plywood in Thompson Okanagan and one in Cariboo. Together, represent \$70 million and 200 jobs.

Other

- Various projects are under consideration, about \$100 million a year approximately.
- Hydro power project worth about \$800 million.
- Various railway projects.

17. How are your company plans likely to be affected?

	Number of Respondents					
	Very Likely	Somewhat Likely	Somewhat Unlikely	Not Likely	Not Applicable	No Response
Project cancelled	1	5	1	5	-	44
Project delayed	8	2	2	2	-	42
	Until Settlement	5-10 Years	1-5 Years	Less than One year	Not Applicable	No Response
How long might the project be delayed?	5	1	5	3	-	42

18. If your company plans are not likely to be affected, why not?

	Number of Respondents		
	Yes	No	No Response
region less affected	6	3	47
good company/Native relations	5	2	49
confidence in government management of Native affairs	-	4	52
dying issue	-	4	52

Other reasons why company may not be affected:

- Historically, company has not had problems - one mining company.
- Company is intending to pursue the project, do not expect to cancel or delay although economics may be impacted by Native claims.
- Plans are not firm yet and impact of land claims depend on project site.
- As regards forest products manufacturing, one company indicated that Natives do not want to upset the established system.
- Comprehensive land claims are such a large and unknown factor that the company cannot plan for it.
- A large portion of current investments are not likely to be affected because they relate to expansions and improvements related to existing facilities.
- Company can successfully demonstrate that it is not harming Native interests.
- Company is negotiating Native participation.
- Environmental issues have to be resolved in any regard.

Number of Respondents					
Very Important	Somewhat Important	Somewhat Important	Not at all Important	Not Applicable	No Response

19. If your company is not planning/undertaking capital projects in B.C., how important are comprehensive land claims in influencing your decision?	4	4	6	4	14	24
---	---	---	---	---	----	----

Yes	No	Don't Know/Not Applicable	No Response
-----	----	---------------------------	-------------

20. Is your company investing in other regions/countries partly as a result of comprehensive land claims in British Columbia?	3	36	2	15
in other provinces?	4	22	2	28
in United States?	2	24	2	28
in other countries (please specify)	1	1	1	53

21. If your company is investing in other regions as a result of comprehensive claims in B.C., where is it?				
---	--	--	--	--

No company answered this question except for one company which responded that they were presently looking for mineral projects in other provinces, U.S., and Chile, partly as a result of unresolved land claims in B.C.

ADDITIONAL RETURNS OR INVESTMENT PREMIUM WHICH MAY BE REQUIRED TO COMPENSATE FOR UNSETTLED COMPREHENSIVE CLAIMS IN B.C.

	Number of Respondents					
	Always	Sometimes	Almost Never	Never	Not Applicable	No Response
22. Do you require an investment premium to invest in B.C. rather than in another Province, the United States or another country because of comprehensive land claims?	-	4	3	15	21	13

23. Does your company attempt to quantify this premium?

	Number of Respondents
Yes	-
No (skip to question 25)	12
Not Applicable/don't know (skip to question 25)	-
No response	<u>44</u>
Total	56

24. If yes, what is it? No company answered this question.

25. If no, please estimate what would be the value of this premium on:

	Number of Respondents*					
	Large e.g. >1%	Large 0.5-1%	Small 0.1-0.5%	Small 0-0.1%	None	No Response
rate of return on investment (%)	1	2	-	1	2	50
value of capital investment	1	1	1	1	2	50
26. Five years from now, what do you think this investment premium will be on:						
rate of return on investment	2	1	2	-	3	48
value of capital investment	1	2	2	-	3	48

Note:

* As mentioned earlier, excludes 5 questionnaires that were completed too late to be included in this detailed analysis but were nevertheless considered in the report.

27. How important are the following factors in influencing the size of your required investment premium?

	Number of Respondents					
	Very Important	Somewhat Important	Not Important	Very Not at all Important	Not Applicable	No Response
Possibility of production disruption	5	1	-	-	3	47
Compensation for extra time put into firm/ Native relations	3	2	1	-	3	47
Anticipated legal costs	2	3	1	-	3	47
Compensation for bad publicity	2	2	2	-	3	47
Future uncertainties regarding outcome of injunctions related to land ownership or access	6	-	-	-	3	47
Future considerations regarding royalties and taxes	4	-	2	-	3	47

28. Please indicate to what degree you agree with the following statements regarding who ultimately pays the cost of uncertainty related to comprehensive land claims in B.C.?

	Number of Respondents					
	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Not Applicable	No Response
company (lower profits)	11	15	1	4	10	15
reduced investment for company expansion	6	14	4	4	12	16
investment community (lower returns)	3	18	3	5	11	16
customers (higher prices)	1	6	6	13	15	15
employees (lower wages/loss of jobs)	3	13	4	4	16	16
municipal governments (lower taxes)	5	10	8	3	14	16
provincial governments (lower stumpage/ mining royalties/other)	8	17	3	1	12	15
federal governments (lower taxes/higher subsidies)	11	14	3	1	12	15

Comments:

- Investment premium would be project specific - although at the moment, no premium is required. (one mining company)

- As a gas utility, any costs from land claims or uncertainty related to land claims would be flowed through to customers in the form of higher rates.
- As a forest products company, issue of Native claims will have to escalate before it creates a major problem and the higher risk affects the required rate of return from investors or impacts significantly on company profits. If lands are taken out of the timber supply, this will impact on the tax base and will result in lower stumpage and taxes.
- As a forest products company with timber rights granted in a specific area, the company has no opportunity to invest outside the region. Accordingly, investment premiums are not applicable.

GOVERNMENT INCENTIVES TO COMPENSATE FOR THE RISKS OF UNCERTAINTY RELATED TO COMPREHENSIVE LAND CLAIMS IN B.C.

	Number of Respondents					
	Always	Sometimes	Almost Never	Never	Not Applicable	No Response
29. How often has your company applied for PROVINCIAL government incentives or funding to proceed with development projects in B.C.?	-	7	8	20	8	13
30. How often has your company applied for FEDERAL government incentives or funding to proceed with development projects in B.C.?	-	6	7	20	9	14
31. If you were successful with your application, how much did you receive?	n/a					
32. In your application to the federal/provincial governments, did you consider compensation for comprehensive land claims?						

	Number of Respondents
Yes	-
No (skip to question 34)	20
Not applicable/don't know (skip to question 34)	9
No response	<u>27</u>
Total	56

	Number of Respondents					
	All of it	About 1/2	1/4-1/2	0-1/4	None of it	No Response
33. What percentage of these incentives was to compensate for uncertainty related to land claims?	-	-	-	-	1	55

34. If your application for funding was successful was the request for compensation due to uncertainty considered?

	Number of Respondents
Yes	-
No	6
Not applicable/don't know	22
No response	<u>28</u>
Total	56

35. Had comprehensive land claims been settled would your company still require these incentives?

	Number of Respondents
Yes	3
No	3
Not applicable/don't know	20
No response	<u>30</u>
Total	56

OTHER COMMENTS:

From mining companies:

- One company has not experienced any difficulty with the comprehensive land claims process in B.C., nor Canada for that matter. The issue does generate an additional factor of uncertainty in an already uncertain business - resolving this issue from this perspective would be beneficial.
- According to this same company, Native groups holding land rights are no different than any landlord the company wishes to negotiate with. If the economics are right and the resource is in the right place, it will be exploited. From this standpoint, the company would negotiate directly with the Natives, provided they had an organized structure, as has been done in other parts of the country.
- Land claims are not an issue to another mining company operating in the Kootenay as mining takes place on freehold land.
- Two other mining companies have never encountered any problems. However, for one company, this may be due to the fact that their project has been established for four decades. The other has also been established in B.C. for a long time.
- Another mining company has an open pit gold and silver mine in the Northern Interior but the area was never inhabited by Natives. In any event, this company has never had

difficulties with Natives, although there has been some opposition from environmental groups.

- Another mining company operates in the South - Okanagan/Thompson area, a region which it feels has not been affected at all by land claim issues. This company chooses to operate in the South for geology and cost reasons, not because of land claims in the North.
- One mining company reports that the uncertainty of land claims creates a high degree of discomfort on financing projects and in trying to secure markets. The financial community fears a project may become uneconomic and the market place is apprehensive regarding prices and deliveries.
- In the eyes of another company, the mining industry in B.C. benefits from the difference in views between the Province and the Federal government and the fact that the Province does not recognize land claims. Because of this difference in opinion, mine and exploration can proceed. This is in contrast with the situation in the Yukon, where all is on hold until land claims are settled.
- One mining company indicated that land claims should be settled as soon as possible and both sides should investigate methods of expediting the procedures. The Federal governments should have the responsibility of integrating Natives into the industrial environment, education and training being essential to younger Natives. Other systems should be used for older Natives.

From an oil and gas drilling company:

- At the moment, the company is assuming that the royalty system in B.C. will be comparable to that of Eastern Canada and other provinces. The Pacific accord is currently being negotiated between the province and the federal government. If royalties in B.C. are set higher because of comprehensive land claims or other reasons, the drilling program could become uneconomical.

From forest products companies:

- One company reported that the level of uncertainty related to comprehensive land claims and the impacts on corporate planning decisions depend on the outcome of pending legal cases. At the moment, the company has not been impacted by Native issues but this could change.
- This same company also mentioned that Native Bands are not opposed to logging except in certain instances; accordingly, Native policies may be less volatile than government policies such that companies may potentially face fewer uncertainties if claims are settled.
- One company reported that land claims will have a major impact if as a result of settlement or pressures from Native Bands, the annual allowance cut (AAC) is reduced. At the moment, the company is facing a potential reduction of 30% in its AAC - such a reduction would impact on company profits, the ability of the company to invest; and reduced taxes.
- Comprehensive claims are not an issue to pulp and paper companies that purchase chips from existing sawmills and do not harvest any timber.

- One of the largest forest products companies in the Kootenay reported that Native comprehensive claims are not at issue in their region.
- One forest products company operating in the Okanagan reported that the impact of Native claims will likely affect road access through low elevation to reach higher elevation crown lands.
- One logging operator based in the Queen Charlotte Islands reported that land claims are a serious threat to their organization: "Seeing what has happened to neighbouring companies in the Queen Charlotte Islands, we have to believe our treatment from land claims would be no less disastrous. We believe that land claims are totally unrealistic and that if the governments involved were to settle these present requests then the burden would fall on our shoulders. This is not acceptable. Compensation to us would never equal our loss nor to the people we employ nor the services we use."
- Another forest products company operating in the Northeast has supported the efforts of the Haisla Band to commence land claims negotiations with the Federal government.
- One integrated forest products company operating in the Northern Interior reported that government needs to make a firm decision and enforce the results.

Other Companies

- A number of banks and individuals with experience in banking were interviewed as part of the project. According to them, land claims are not an issue in evaluating projects. There are no premiums or risks attached, except that banks may be reluctant to invest in projects which are directly on the reserves.
- One utility company indicated that a major issue was the willingness of Native bands to consider projects while land claims are not yet recognized, a fact which has implications for regulatory approval of projects. Over the last ten years, some of the bands have become more willing to cooperate under the understanding that such cooperation will not prejudice their eventual land claims case.

**NATIVES ISSUES - A POSITION PAPER PREPARED BY THE
FISHERIES COUNCIL OF BRITISH COLUMBIA - JUNE 3, 1987**

NATIVE ISSUES

A POSITION PAPER

PREPARED BY

THE FISHERIES COUNCIL OF BRITISH COLUMBIA

JUNE 3, 1987

FISHERIES COUNCIL OF BRITISH COLUMBIA

POSITION PAPER ON NATIVE ISSUES

Background

The Fisheries Council of British Columbia (FCBC) is a trade association representing the common interests of its member companies which are fish processors. These companies account for 80 percent of the value of fish products manufactured in British Columbia. The total value of BC production in 1986 was \$750 million.

The companies, as part of their individual business activities, and through their membership in FCBC, participate in all aspects of the commercial fishing industry - from advising on management regimes, to harvesting, processing and shipment of finished product. FCBC is, therefore, well qualified to address issues that arise from native claims and other initiatives that affect any or all of these inter-related activities.

FCBC Position:

FCBC takes no position on the legitimacy of native Indian aboriginal rights or land and sea claims. FCBC awaits the decisions of the appropriate legislative or legal authority in this regard. FCBC does, however, believe that it and other third parties should be consulted and given the opportunity to advise on approaches that will minimize dislocation and maximize benefits. Third parties should be compensated for any injury suffered as a result of final policy implementation.

FCBC supports development for native communities, and considers that suitable government policies and programs should seek to improve the economic viability of such communities across the Province.

FCBC cannot support the harvesting of salmon on or adjacent to native reserves for the purpose of commercial sale. Nor can FCBC support the allocation in salt water of a given quantity or proportion or area of fishery.

Such simplistic solutions seriously and irretrievably contradict sound resource management principles for salmon, and will inevitably result in a net loss to the province as a whole.

The reasons for this view are set out below.

- A. The five species of Pacific salmon which originate in BC waters cross many political boundaries during their life cycle. They rear in rivers or lakes, migrate to the Pacific Ocean where they pass through Canadian and U.S. waters, as well as the high seas. In Canadian law, these salmon are a common property resource, managed for the benefit of all Canadians by the Crown, with the costs and other terms and conditions of their use laid down from time to time by Parliament.

In recognition of their biological and migratory habits, as well as their common property nature, Canada has vested sole management authority in the Minister of Fisheries and Oceans, who may seek assistance from the Secretary of State for External Affairs in protecting Canadian salmon when they range beyond areas of Canadian jurisdiction.

FCBC believes that the purpose of the Indian Act was not to regulate fisheries on or adjacent to reserves, and also argues that the Crown cannot cede its authority to manage a publicly-owned resource to special interest groups, whatever their ethnic or political origin. In like circumstances, control or management by beneficiaries of a common property fishery resource has never succeeded anywhere in

the world and has generally resulted in stock declines or extinction.

The authority in Canada of the Minister of Fisheries and Oceans should not be weakened by the delegation of management authority to natives or any other group of citizens, under native band by-laws (established under the Indian Act), land claims, or under the notion of native self-government or "co-management" of fisheries.

- B. The commercial sale of salmon caught by natives during spawning migrations in rivers makes no economic sense. Indeed, such activity would thwart many other economic and social objectives of the federal and provincial governments.

Since the salmon resource is finite, any fish taken upriver must be reallocated from an existing marine user, be it commercial or recreational, native or non-native. FCBC acknowledges the traditional use of salmon by natives for food and ceremonial purposes, and agrees that such harvests and uses should continue at levels that are reasonable to provide for these uses.

However, to require marine users to forego catches to permit additional native in-river harvests for commercial sale will result in a reduction of the value of the returns from the resource. No net gain will occur; indeed a net loss will be generated. We would also point out that those who argue that benefits from resource reallocation would flow to native bands, ignore the fact that in many bands, fishing rights are restricted to certain families. The only beneficiaries would be the holders of these tribally-acknowledged proprietary rights.

The salmon has no intrinsic value commercially. Its value is derived, in the case of commercial fisheries, from the pursuit of domestic and international markets in the face of intense competition, through investment in resource management and facilities, and by precision in quality control from harvesting by fishermen through product manufacturing by processors and final sale to consumers.

A 10 pound chinook salmon, which is worth more than \$50 in the existing commercial or recreational fishery is worth only a fraction of that amount if caught upriver. This economic fact is based on the simple but incontrovertible truth that the quality and appearance of salmon, during its spawning migration, deteriorates.

Therefore, a reallocation of harvesting to in-river fisheries would impact severely both the incomes and employment

generated in the coastal commercial and sports fishing industries. Much more would be lost than gained.

Before the Government of Canada contemplates such changes in the use of the salmon resource, it should be reminded that the Province of BC enjoys jurisdiction over the commercial trade in fish products, and the right to licence the harvesting of fish in freshwater, irrespective of federal management authority.

- C. Natives already enjoy significant participation in the commercial fishing industry labour force. Of the direct jobs provided by the harvesting and processing sectors, FCBC estimates that one-third of this labour force is native.

It would seem inappropriate to put at risk the incomes and successful employment of natives and others engaged in the coastal fishery by reallocating harvests to inland communities.

- D. We urge the Government of Canada in its negotiations to resist any "salt water" allocations of salmon catches to individual Native Bands or regions. Mobility and coastwide access is fundamental to fleet economics, and to the income of present native and non-native fishermen.

Moreover, the Fisheries Council of B.C. calls for the Government of Canada to open up these secret negotiations (as announced in their native claim policy statements). Proper implementation of the dictum of third party consultation is important to public understanding of the issues and informed debate of appropriate solutions. It is also important that the existence and magnitude of third party injury be determined prior to any conclusion of negotiations.

- E. As fish processors, FCBC member companies provide, directly or indirectly, many thousands of shore-based and marine jobs and incomes as well as expending many millions of dollars on capital and technology-related investments. FCBC estimates that the commercial fishing industry as a whole employs some \$1 billion in capital -- infrastructure, plant, vessels and working capital.

This investment in our community, the on-going provision of livelihoods for thousands of individuals, and the role played over the last 110 years in an internationally competitive industry, affords to the industry certain rights, the loss of which, if affected by developments in native affairs, will require significant compensation.

The points outlined above are not intended to convey the message that native aspirations are to be ignored or that the status quo is perfection. They simply are intended to point out the important role played by the commercial (and recreational) fishing industries in the provincial economy.

Opportunity

If native bands which are remote from the sea are to enjoy economic development, it should be generated not by the un-economic practice of harvesting and selling fish for 2-6 weeks per year, but from involvement in enhancing the resource, habitat protection, aquaculture projects, and resource management activities, all coordinated by responsible government agencies. These initiatives will advance production, rather than run the risk of resource or economic degradation.

With respect to the coastal fishery, natives already have a significant participation and economic stake. In the past two years the industry has demonstrated the capacity to harvest, process and market historic high salmon runs. It is FCBC's view that natives should be encouraged, with government assistance if appropriate, to increase over time their already significant participation in the successful coastal fishing industry through acquisition of existing fishing vessels or processing facilities. Any such action should avoid the proliferation of new vessels or processing plants that would only redistribute jobs and put at risk the economics of this internationally competitive industry.

These two avenues offer opportunities to fulfill native economic development objectives, without attracting the claims of existing users and without affecting adversely the salmon's contribution to the BC economy.

MEMBERS OF THE FISHERIES COUNCIL OF BRITISH COLUMBIA⁽¹⁾

1. Bella Coola Fisheries Ltd.
2. British Columbia Packers Ltd.
3. Canadian Fishing Company
4. J.S. McMillan Fisheries Ltd.
5. Lions Gate Fisheries Ltd.
6. Nelson Bros. Fisheries Ltd.⁽¹⁾
7. Ocean Fisheries Ltd.
8. Trans-Pacific Fish Ltd.
9. Prince Rupert Fishermen's Co-operative

Notes:

⁽¹⁾Subsidiary of B.C. Packers Ltd.

SURVEY FORM AND CONTACT SHEET FOR INDUSTRY

**ECONOMIC IMPACT OF UNCERTAINTY
ASSOCIATED WITH NATIVE CLAIMS IN B.C.**



CONTACT SHEET

Company name _____

Contact Name/Position _____

Role In Decision Making _____

Telephone _____

FAX _____

Address _____

Industry

- | | |
|--|---|
| 1. <input type="checkbox"/> Forestry (logging) | 8. <input type="checkbox"/> Manufacturing - primary metals (lead/zinc) |
| 2. <input type="checkbox"/> Fishing | 9. <input type="checkbox"/> Manufacturing - metal fabrication |
| 3. <input type="checkbox"/> Wood product manufacturing | 10. <input type="checkbox"/> Manufacturing - food and beverages (fish processing) |
| 4. <input type="checkbox"/> Pulp and paper | 11. <input type="checkbox"/> Other Manufacturing _____ |
| 5. <input type="checkbox"/> Printing and publishing papers | 12. <input type="checkbox"/> Banks/financial institutions |
| 6. <input type="checkbox"/> Metal mines | 13. <input type="checkbox"/> Service sector and other |
| 7. <input type="checkbox"/> Non metal and coal mines | _____ |
| | _____ |
| | _____ |

Company details

1. Multinational company - Canadian
 2. Multinational company - Foreign
 3. National company - sales over \$10 million
 4. National company - sales under \$10 million
 5. Other _____
- _____

	Very Knowledgeable	Knowledgeable	Somewhat Knowledgeable	Not very Knowledgeable	Not Knowledgeable
Interviewee's knowledge of comprehensive claims.	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>

**ECONOMIC IMPACT OF UNCERTAINTY
ASSOCIATED WITH NATIVE CLAIMS IN B.C.**

Dear Sir or Madam:

The Federal Government has received 22 comprehensive land claims from Indian bands in British Columbia: 19 have been accepted for negotiation, another three are under review, and a further seven or eight are anticipated in the near future.

Our client has asked us to assess the impacts associated with the existence of comprehensive land claims in the Province of British Columbia. Comprehensive claims are those based on traditional use and occupancy of land and are accepted from only those bands who did not sign treaties. By contrast, specific claims result from Native grievances relating to the administration of reserve lands and other assets under the Indian Act and other formal agreements. Our review is concerned only with comprehensive claims and not outstanding specific claims. Some of the issues we will address in our review are:

- the impact of comprehensive claims on decision-making;
- the value of resource sector capital projects which are being impacted by comprehensive land claims; and
- the overall impact of these issues on the resource sector, the Provincial and Federal Governments and the B.C. economy.

A major component of our study is to collect data from companies operating in B.C. To this end, we will call you over the next few days to discuss the attached list of questions. We appreciate the difficulty of answering these questions but would appreciate your giving them some thought. We also hope that this survey will assist you in clarifying your thoughts on this important issue.

Your response to our survey will be held in strict confidence by Price Waterhouse. The data will only be submitted on a consolidated basis and none of the individual participants' information will be separately divulged.

Company name: _____

ECONOMIC IMPACT OF NATIVE CLAIMS IN B.C.



The first series of questions deal with existing company operations and how these have been impacted by comprehensive land claims.

1. In what B.C. regions are you currently operating in? (see map on last page)

- | | | | |
|-----------------------------|------------------------|------------------------------|---------------------------|
| 1. <input type="checkbox"/> | Vancouver Island/Coast | 6. <input type="checkbox"/> | North Coast |
| 2. <input type="checkbox"/> | Mainland/Southwest | 7. <input type="checkbox"/> | Mechako |
| 3. <input type="checkbox"/> | Thompson/Okanagan | 8. <input type="checkbox"/> | Northeast |
| 4. <input type="checkbox"/> | Kootenay | 9. <input type="checkbox"/> | All regions |
| 5. <input type="checkbox"/> | Cariboo | 10. <input type="checkbox"/> | Don't know/not applicable |

2. Are you aware of comprehensive land claims having affected your operations in the past 10 years?

- | | | | | | |
|-----------------------------|-----|-----------------------------|-------------------------|-----------------------------|--|
| 1. <input type="checkbox"/> | Yes | 2. <input type="checkbox"/> | No (SKIP TO QUESTION 9) | 3. <input type="checkbox"/> | Not applicable/don't know (SKIP TO QUESTION 9) |
|-----------------------------|-----|-----------------------------|-------------------------|-----------------------------|--|

3. In what region has your company been affected by comprehensive land claims?

- | | | | |
|-----------------------------|------------------------|------------------------------|---------------------------|
| 1. <input type="checkbox"/> | Vancouver Island/Coast | 6. <input type="checkbox"/> | North Coast |
| 2. <input type="checkbox"/> | Mainland/Southwest | 7. <input type="checkbox"/> | Mechako |
| 3. <input type="checkbox"/> | Thompson/Okanagan | 8. <input type="checkbox"/> | Northeast |
| 4. <input type="checkbox"/> | Kootenay | 9. <input type="checkbox"/> | All regions |
| 5. <input type="checkbox"/> | Cariboo | 10. <input type="checkbox"/> | Don't know/not applicable |

4. Please describe the degree of the impact of comprehensive land claims on your company over the past 10 years in the following areas:

	Very Important	Somewhat Important	Not very Important	Not at all Important	Not Affected
legal proceedings/appeals	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
project delays	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
road blockage	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
injunctions	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
cancelled projects	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
lobbying by Natives	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
need to do socio-economic impact studies for Natives	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
other (please specify) _____	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>

5. In the last 10 years, has your company cancelled a project as a result of comprehensive land claims?

- | | | | | | |
|-----------------------------|-----|-----------------------------|-------------------------|-----------------------------|--|
| 1. <input type="checkbox"/> | Yes | 2. <input type="checkbox"/> | No (SKIP TO QUESTION 7) | 3. <input type="checkbox"/> | Not applicable/don't know (SKIP TO QUESTION 7) |
|-----------------------------|-----|-----------------------------|-------------------------|-----------------------------|--|



6. If your company cancelled projects as a result of unsettled land claims, what was the project in question?

type of project cancelled: _____

year cancelled: _____

value of capital investment \$ _____

number of years for construction period _____

man years of construction employment _____

estimated number of jobs created (direct) _____

annual production (specific units) _____

annual sales value of production \$ _____

7. What has been the estimated cost to your company of work interruptions related to comprehensive land claims? (e.g., road blockages, injunctions, legal proceedings, etc.)

	1989	1984 - 1988
Total days lost in production	_____	_____
Man days lost in production	_____	_____
Production revenues (average annual)	\$ _____	\$ _____
% extra return on investment	_____	_____
% extra on loan	_____	_____
Other _____	_____	_____

8. Would you expect the costs related to comprehensive land claims to increase, decrease, or remain the same over the next 5 years?

- | Large Increase | Increase Somewhat | Stay Same | Somewhat Decrease | Decrease A lot |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| 1. <input type="checkbox"/> | 2. <input type="checkbox"/> | 3. <input type="checkbox"/> | 4. <input type="checkbox"/> | 5. <input type="checkbox"/> |

By how much? _____

Why? _____

9. What is your view on the following statements regarding the impacts of comprehensive land claims on corporate planning decisions?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Not Applicable
comprehensive land claims create a strong level of uncertainty	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
if comprehensive claims are not settled in five years, company operations will be significantly affected	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
settlement of land claims will reduce uncertainty	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>

the impact of comprehensive claims is greatest in certain B.C. regions (specify which region)

Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Not Applicable
1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>

Other (please specify nature of impact): _____

10. If you agree that comprehensive land claims create uncertainty, please indicate the degree of importance of the following factors in creating this uncertainty.

	Very Important	Somewhat Important	Not very important	Not at all important	Not Affected
right of access to land/resources	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
future competition from native groups moving into industry	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
possibility of production or shipment disruptions affecting your reliability as a supplier	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
possibility of unsatisfactory compensation if company is affected by land claim settlement	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
other factors create uncertainty (please specify)	_____				

11. Which of the following practices does your company engage in?

1. joint venture with Natives
2. training and hiring of Natives
3. negotiate directly with Natives
4. other (please specify) _____
5. none of the above
6. not applicable/don't know

12. Does your company engage in the above activities specifically to mitigate future risks related to comprehensive land claims?

- | | | |
|---------------------------------|--------------------------------|---|
| 1. <input type="checkbox"/> Yes | 2. <input type="checkbox"/> No | 3. <input type="checkbox"/> Not applicable/don't know |
|---------------------------------|--------------------------------|---|

The following set of questions deal with investment planning decisions and how these may be affected by comprehensive land claims.

13. Is your company currently planning/undertaking major capital investment projects in British Columbia?

- 1. Yes
- 2. No (SKIP TO QUESTION 19)
- 3. Not applicable/don't know (SKIP TO QUESTION 19)

14. If your company is planning/undertaking major capital projects:

type of project: _____

value of capital investment \$ _____

years of construction _____

expected year of operation _____

number of direct jobs created _____

annual production (specific units) _____

annual sales value of production \$ _____

15. Location:

- 1. Vancouver Island/Coast
- 2. Mainland/Southwest
- 3. Thompson/Okanagan
- 4. Kootenay
- 5. Cariboo
- 6. North Coast
- 7. Mechako
- 8. Northeast
- 9. All regions
- 10. Don't know/not applicable

16. If your company is planning/undertaking capital projects in B.C. is it likely that any of the projects will be affected by comprehensive land claims?

- 1. Yes
- 2. No (SKIP TO QUESTION 18)
- 3. Not applicable/don't know (SKIP TO QUESTION 18)

17. How are your company plans likely to be affected?

	Very Likely	Somewhat Likely	Somewhat Unlikely	Not Likely	Not Applicable
Project cancelled	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Project delayed	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
	Until Settlement	5-10 Years	1-5 Years	Less than One year	Not Applicable
How long might the project be delayed?	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>



18. If your company plans are not likely to be affected, why not?

- 1. region less affected
- 2. good company/Native relations
- 3. confidence in government management of Native affairs
- 4. dying issue
- 5. other (specify) _____

19. If your company is not planning/undertaking capital projects in B.C., how important are comprehensive land claims in influencing your decision?

- | | | | | | |
|----|--------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Most
Important | Somewhat
Important | Not very
Important | Not at
all
Important | Not
Applicable |
| 1. | <input type="checkbox"/> | 2. <input type="checkbox"/> | 3. <input type="checkbox"/> | 4. <input type="checkbox"/> | 5. <input type="checkbox"/> |

20. Is your company investing in other regions/countries partly as a result of comprehensive land claims in British Columbia?

- | | | |
|-----------------------------|-----------------------------|--------------------------------|
| Yes | No* | Don't know/
Not Applicable* |
| 1. <input type="checkbox"/> | 2. <input type="checkbox"/> | 3. <input type="checkbox"/> |

in other provinces?

- | | | |
|-----------------------------|-----------------------------|-----------------------------|
| 1. <input type="checkbox"/> | 2. <input type="checkbox"/> | 3. <input type="checkbox"/> |
|-----------------------------|-----------------------------|-----------------------------|

in United States?

- | | | |
|-----------------------------|-----------------------------|-----------------------------|
| 1. <input type="checkbox"/> | 2. <input type="checkbox"/> | 3. <input type="checkbox"/> |
|-----------------------------|-----------------------------|-----------------------------|

in other countries (please specify)

*IF ANSWERED NO TO QUESTION 20, SKIP TO QUESTION 22.

21. If your company is investing in other regions as a result of comprehensive claims in B.C.:

type of project: _____

value of capital investment \$ _____

years of construction _____

expected year of implementation _____

number of direct jobs created _____

annual production (specify units) _____

annual sales value of production \$ _____

The following set of questions relate to the additional returns or investment premium which may be required to compensate for unsettled comprehensive land claims in B.C.

22. Do you require an investment premium to invest in B.C. rather than in another Province, the United States or another country because of comprehensive land claims?

	Always	Sometimes	Almost Never	Never	Not Applicable
	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>

23. Does your company attempt to quantify this premium?

1. <input type="checkbox"/> Yes	2. <input type="checkbox"/> No (skip to question 25)	3. <input type="checkbox"/> Not applicable/don't know (skip to question 25)
---------------------------------	--	---

24. If yes, what is it? _____

25. If no, please estimate what would be the value of this premium on:

	Large e.g. >1%	Somewhat Large 0.5-1%	Somewhat Small 0.1-0.5%	Very Small 0-0.1%	None
rate of return on investment (%)	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
value of capital investment	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>

26. Five years from now, what do you think this investment premium will be on:

rate of return on investment	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
value of capital investment	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>

27. How important are the following factors in influencing the size of your required investment premium?

	Very Important	Somewhat Important	Not Very Important	Not at all Important	Not Applicable
Possibility of production disruption	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Compensation for extra time put into firm/ Native relations	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Anticipated legal costs	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Compensation for bad publicity	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Future uncertainties regarding outcome of injunctions related to land ownership or access	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Future considerations regarding royalties and taxes	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Other (please specify)	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
_____	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
_____	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>

28. Please indicate to what degree you agree with the following statements regarding who ultimately pays the cost of uncertainty related to comprehensive land claims in B.C.?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Not Applicable
company (lower profits)	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
reduced investment for company expansion	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
investment community (lower returns)	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
customers (higher prices)	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
employees (lower wages/loss of jobs)	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
municipal governments (lower taxes)	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
provincial governments (lower stumpage/mining royalties/other)	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
federal governments (lower taxes/higher subsidies)	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Other (please specify)	_____				

The last section of this questionnaire deals with the need for governments to provide incentives to companies in order to compensate for comprehensive land claims in B.C.

	Always	Sometimes	Almost Never	Never	Not Applicable
29. How often has your company applied for PROVINCIAL government incentives or funding to proceed with development projects in B.C.?	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
30. How often has your company applied for FEDERAL government incentives or funding to proceed with development projects in B.C.?	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
31. If you were successful with your application, how much did you receive? \$ _____					
32. In your application to the federal/provincial governments, did you consider compensation for comprehensive land claims?					
1. <input type="checkbox"/> Yes	2. <input type="checkbox"/> No (SKIP TO QUESTION 34)	3. <input type="checkbox"/> Not applicable/don't know (SKIP TO QUESTION 34)			
33. What percentage of these incentives was to compensate for uncertainty related to land claims?					
	All of it	About 1/2	1/4-1/2	0-1/4	None of it
	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>



34. If your application for funding was successful was the request for compensation due to uncertainty considered?

- 1. Yes
- 2. No
- 3. Not applicable/don't know

If yes, how? _____

35. Had comprehensive land claims been settled would your company still require these incentives?

- 1. Yes
- 2. No
- 3. Not applicable/don't know

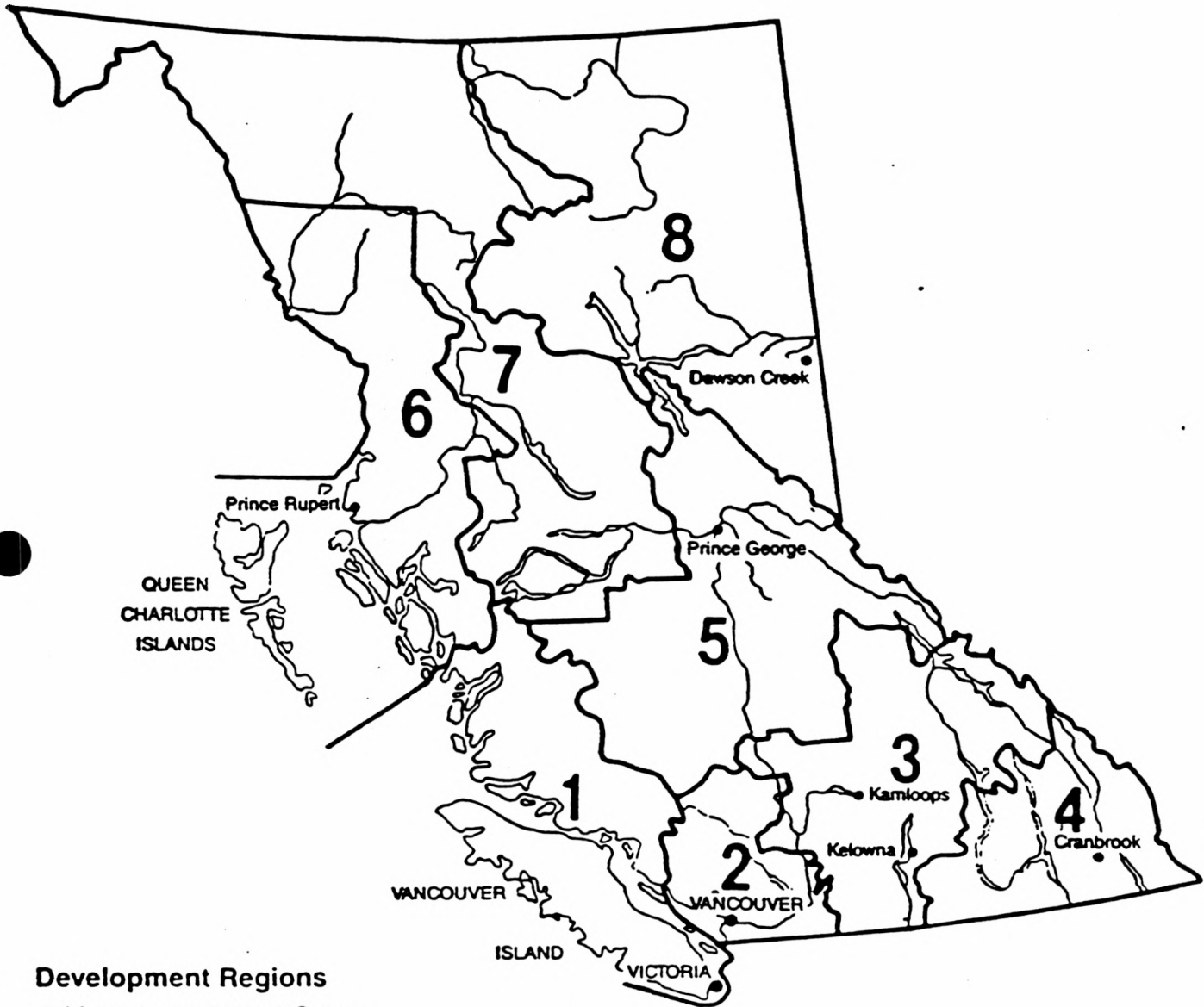
Explain? _____

Comments on the issue:

We thank you for your cooperation and assure you that the individual participant's response to our survey will be held in strict confidence by Price Waterhouse.

Price Waterhouse
management consultants
Vancouver, B.C.
January 1990

BRITISH COLUMBIA DEVELOPMENT REGIONS



Development Regions

1. Vancouver Island/Coast
2. Mainland/Southwest
3. Thompson/Okanagan
4. Kootenay
5. Cariboo
6. North Coast
7. Nechako
8. Northeast

Taken From:
British Columbia Major Projects Inventory
September 30th, 1989

Province of British Columbia
Ministry of Regional Development

SURVEY FORM FOR ECONOMIC DEVELOPMENT OFFICERS

Region: _____

ECONOMIC IMPACT OF NATIVE CLAIMS IN B.C.

The first series of questions deals with existing company operations and how these have been impacted by comprehensive land claims.

1. Are you aware of comprehensive land claims having affected your operations in the past 10 years?

1. Yes 2. No (SKIP TO QUESTION 7) 3. Not applicable/don't know (SKIP TO QUESTION 7)

2. Please describe the degree of the impact of comprehensive land claims on your region over the past 10 years in the following areas:

	Very Important	Somewhat Important	Not very important	Not at all important	Not Affected
legal proceedings/appeals	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
project delays	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
road blockage	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
injunctions	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
cancelled projects	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
lobbying by Natives	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
need to do socio-economic impact studies for Natives	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
other (please specify) _____	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>

3. In the last 10 years, have projects in your region been cancelled as a result of comprehensive land claims?

1. Yes 2. No (SKIP TO QUESTION 7) 3. Not applicable/don't know (SKIP TO QUESTION 7)

4. To what degree have the following sectors been affected by land claims in your region:

	Strongly Affected	Somewhat Affected	Somewhat Unaffected	Not Affected	Not Applicable/ Don't Know
Forestry (logging)	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Fishing	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Wood Product Manufacturing	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Pulp and Paper	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Printing and Publishing Paper	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Metal Mining	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Non-Metal and Coal Mines	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Manufacturing - Primary Metals	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Manufacturing - Metal Fabrication	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Manufacturing - Food and Beverages	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Fish Processing	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Other Manufacturing	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Banks/financial Institutions	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Service Sector and Other	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>

6. Would you expect the costs to companies operating in your region related to comprehensive land claims to increase, decrease, or remain the same over the next 5 years?

	Large Increase	Increase Somewhat	Stay Same	Somewhat Decrease	Decrease A lot
	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>

By how much?

Why?

7. What is your view on the following statements regarding the impacts of comprehensive land claims on corporate planning decisions?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Not Applicable
comprehensive land claims create a strong level of uncertainty	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
if comprehensive claims are not settled in five years, company operations will be significantly affected	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
settlement of land claims will reduce uncertainty	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>

the impact of comprehensive claims is greatest in certain B.C. regions (specify which region)

Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Not Applicable
1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>

Other (please specify nature of impact): _____

8. Would you say that investors consider your region more risky than other regions because of unsettled comprehensive claims.

Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Not Applicable
1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>

Other (please specify): _____

9. If you agree that comprehensive land claims create uncertainty, please indicate the degree of importance of the following factors in creating this uncertainty.

	Very Important	Somewhat Important	Not very important	Not at all important	Not Affected
right of access to land/resources	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
future competition from native groups moving into industry	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
possibility of production or shipment disruptions affecting your reliability as a supplier	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
possibility of unsatisfactory compensation if company is affected by land claim settlement	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>

other factors create uncertainty (please specify) _____

10. Does your region encourage companies to:

- 1. joint venture with Natives
- 2. training and hiring of Natives
- 3. negotiate directly with Natives
- 4. other (please specify) _____

- 5. none of the above
- 6. not applicable/don't know

The following set of questions deal with investment planning decisions and how these may be affected by comprehensive land claims.

11. Are companies currently planning/undertaking major capital investment projects in your region?

1. Yes 2. No (SKIP TO QUESTION 19) 3. Not applicable/don't know (SKIP TO QUESTION 19)

12. Describe these projects:

type of project: _____
 value of capital investment \$ _____
 years of construction _____
 name of investing company _____

13. Is it likely that any of the projects will be affected by comprehensive land claims?

1. Yes 2. No (SKIP TO QUESTION 18) 3. Not applicable/don't know (SKIP TO QUESTION 18)

14. How are they likely to be affected?

	Very Likely	Somewhat Likely	Somewhat Unlikely	Not Likely	Not Applicable
Project cancelled	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
Project delayed	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>
	Until Settlement	5-10 Years	1-5 Years	Less than One year	Not Applicable
How long might they be delayed?	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>

15. If your region is unlikely to be affected, why is this?

1. region less affected
 2. good company/Native relations
 3. confidence in government management of Native affairs
 4. dying issue
 5. other (specify) _____

The following set of questions relate to the additional returns or investment premium which may be required to compensate for unsettled comprehensive land claims in B.C.

16. Do companies generally require an investment premium to invest in your region rather than other regions, Provinces, the United States or other countries because of comprehensive land claims?

	Always	Sometimes	Almost Never	Never	Not Applicable
	1. <input type="checkbox"/>	2. <input type="checkbox"/>	3. <input type="checkbox"/>	4. <input type="checkbox"/>	5. <input type="checkbox"/>

IF ANSWERED NOT APPLICABLE OR NEVER, SKIP TO QUESTION 28.

17. Can you attempt to quantify this premium?

1. Yes 2. No (skip to question 25) 3. Not applicable/don't know (skip to question 25)

18. If yes, what is it? _____

19. If no, please estimate what would be the value of this premium on:

- | | Large
e.g. >1% | Somewhat
Large
0.5-1% | Somewhat
Small
0.1-0.5% | Very
Small
0-0.1% | None |
|----------------------------------|-----------------------------|-----------------------------|-------------------------------|-----------------------------|-----------------------------|
| rate of return on investment (%) | 1. <input type="checkbox"/> | 2. <input type="checkbox"/> | 3. <input type="checkbox"/> | 4. <input type="checkbox"/> | 5. <input type="checkbox"/> |
| value of capital investment | 1. <input type="checkbox"/> | 2. <input type="checkbox"/> | 3. <input type="checkbox"/> | 4. <input type="checkbox"/> | 5. <input type="checkbox"/> |

20. Five years from now, what do you think this investment premium will be on:

- | | | | | | |
|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| rate of return on investment | 1. <input type="checkbox"/> | 2. <input type="checkbox"/> | 3. <input type="checkbox"/> | 4. <input type="checkbox"/> | 5. <input type="checkbox"/> |
| value of capital investment | 1. <input type="checkbox"/> | 2. <input type="checkbox"/> | 3. <input type="checkbox"/> | 4. <input type="checkbox"/> | 5. <input type="checkbox"/> |

21. How important are the following factors in influencing the size of the required investment premium?

- | | Very
Important | Somewhat
Important | Not Very
Important | Not at
all
Important | Not
Applicable |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Possibility of production disruption | 1. <input type="checkbox"/> | 2. <input type="checkbox"/> | 3. <input type="checkbox"/> | 4. <input type="checkbox"/> | 5. <input type="checkbox"/> |
| Compensation for extra time put into firm/
Native relations | 1. <input type="checkbox"/> | 2. <input type="checkbox"/> | 3. <input type="checkbox"/> | 4. <input type="checkbox"/> | 5. <input type="checkbox"/> |
| Anticipated legal costs | 1. <input type="checkbox"/> | 2. <input type="checkbox"/> | 3. <input type="checkbox"/> | 4. <input type="checkbox"/> | 5. <input type="checkbox"/> |
| Compensation for bad publicity | 1. <input type="checkbox"/> | 2. <input type="checkbox"/> | 3. <input type="checkbox"/> | 4. <input type="checkbox"/> | 5. <input type="checkbox"/> |
| Future uncertainties regarding outcome of
injunctions related to land ownership or
access | 1. <input type="checkbox"/> | 2. <input type="checkbox"/> | 3. <input type="checkbox"/> | 4. <input type="checkbox"/> | 5. <input type="checkbox"/> |
| Future considerations regarding
royalties and taxes | 1. <input type="checkbox"/> | 2. <input type="checkbox"/> | 3. <input type="checkbox"/> | 4. <input type="checkbox"/> | 5. <input type="checkbox"/> |
| Other (please specify)
_____ | 1. <input type="checkbox"/> | 2. <input type="checkbox"/> | 3. <input type="checkbox"/> | 4. <input type="checkbox"/> | 5. <input type="checkbox"/> |
| _____ | 1. <input type="checkbox"/> | 2. <input type="checkbox"/> | 3. <input type="checkbox"/> | 4. <input type="checkbox"/> | 5. <input type="checkbox"/> |