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Subsidiary
Agreement



Government
of Canada
Regional
Economic
Expansion

Gouvernement
du Canada
Expansion
Économique
Régionale

INDUSTRY, SCIENCE
AND TECHNOLOGY CANADA
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CANADA/BRITISH COLUMBIA

NORTHEAST COAL



JANUARY 28, 1977

subsidiary agreement

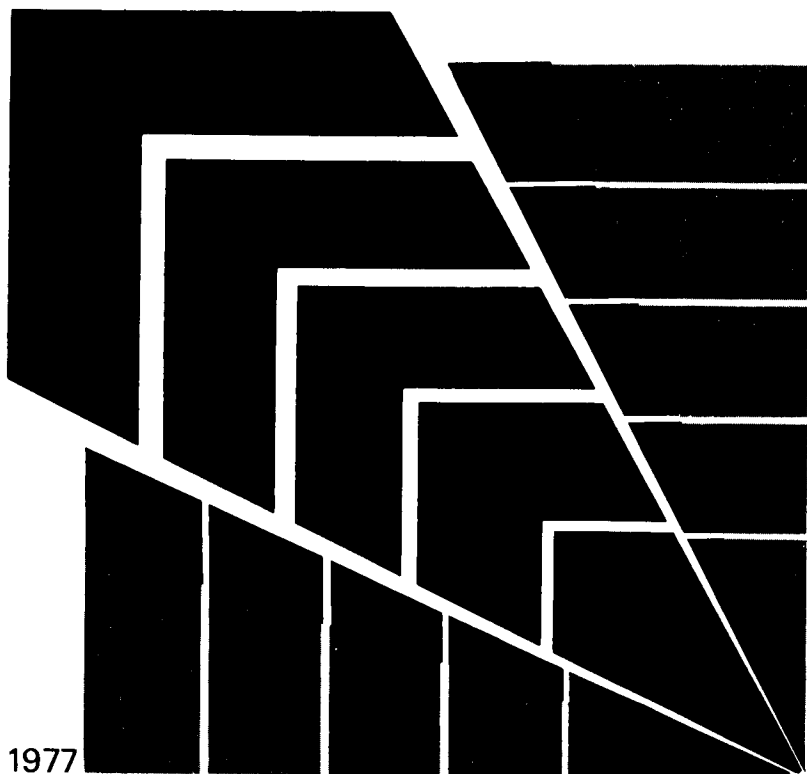


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CANADA-BRITISH COLUMBIA
SUBSIDIARY AGREEMENT
TO EVALUATE NORTHEAST COAL AND RELATED DEVELOPMENTS

THIS AGREEMENT made this 28th day of January, 1977

BETWEEN:

THE GOVERNMENT OF CANADA (hereinafter
referred to as "Canada"), represented
by the Minister of Regional Economic
Expansion,

OF THE FIRST PART,

AND:

THE GOVERNMENT OF THE PROVINCE OF
BRITISH COLUMBIA (hereinafter referred
to as "the Province"), represented by
the Minister of Economic Development,

OF THE SECOND PART.

WHEREAS Canada and the Province have signed a General Development Agreement dated March 28, 1974 (hereinafter referred to as "the GDA"), under which they agree to identify and pursue development opportunities;

AND WHEREAS in pursuit of these objectives, Canada and the Province have agreed inter alia to seek to achieve a coordinated application of relevant federal and provincial policies and programs through the process of identifying developmental opportunities and assisting in their realization through the coordinated and concentrated application of relevant federal and provincial programs, including the provision of specialized measures required for such realization.

AND WHEREAS the northeast of British Columbia, the circumstances of which are described in Schedule A, has been identified as one of the areas where initial joint initiatives may be concentrated;

AND WHEREAS Canada and the Province have agreed that the coal resources of the northeast represent a development opportunity whose economic, social and cultural impact could be critical to the future growth of this relatively undeveloped resource-based region;

AND WHEREAS Canada and the Province have agreed that it is in the national and provincial interest to assess the development of the coal resource in a well-planned and coordinated manner, having regard to social, environmental and multi-resource use considerations;

AND WHEREAS Canada and the Province have agreed on the objectives and procedures which would govern the preparation and evaluation of a development plan for the northeast coal resources;

AND WHEREAS Canada and the Province have for some months conducted discussions and analyses pertaining to the potential for development based on the coal resources in the northeast and have agreed that a definitive assessment should be completed as soon as possible;

AND WHEREAS the Governor in Council has authorized the Minister of Regional Economic Expansion and the Minister of Energy, Mines and Resources to execute this Agreement on behalf of Canada;

AND WHEREAS the Minister of Industry, Trade and Commerce and the Minister of Transport, by appending their signatures to this agreement, wish to indicate their interest in and willingness to participate in the evaluation process;

AND WHEREAS the Lieutenant Governor in Council has authorized the Minister of Economic Development and the Minister of Mines and Petroleum Resources to execute this Agreement on behalf of the Province;

NOW THEREFORE the parties hereto agree as follows:

DEFINITIONS

1. In this Agreement:

- (a) "Federal Minister" means the Minister of Regional Economic Expansion of Canada, and any persons authorized to act on his behalf;
- (b) "Provincial Minister" means the Minister of Economic Development of British Columbia, and any persons authorized to act on his behalf;
- (c) "Ministers" means the Federal Minister and the Provincial Minister;
- (d) "eligible costs" means those costs as defined in section 5;

- (e) "fiscal year" means the period commencing on April 1 of any year and terminating on March 31 of the following year; and
- (f) "Management Committee" means the Committee described in subsection 4 (1).

PURPOSES AND OBJECTIVES

- 2. (1) The purpose of this Agreement is to provide for a joint examination of possible coal development in northeast British Columbia including private and public interests that would be involved if such development were to take place. It is understood that the examination undertaken will be conducted in the coordinated federal-provincial manner for which this Agreement makes provision and will help to ensure that any potential development would:
 - (a) contribute to the realization of national and provincial priorities;
 - (b) strengthen now and for the future the economy of northeast British Columbia by re-directing and diversifying the economic focus; and
 - (c) increase the benefits from utilization of the resources of the northeast coal region.
- (2) It is understood and agreed that there is no commitment, real or implied, by either party to further action beyond the term and content of this Agreement, but that both parties will give careful consideration to the findings resulting from this Agreement.

SUBJECT MATTER

- 3. (1) Subject to the terms and conditions of this Agreement, Canada and the Province will jointly undertake or will arrange for others to undertake during the term of this Agreement, the projects listed in the attached Schedule B.
- (2) The Province will ensure that all lands and interests in lands that are required for publicly-funded projects are registered in the name of the Province or of an authority designated in writing by the Province.
- (3) Unless otherwise arranged, contributions by Canada under this Agreement to any jointly-financed equipment or facility do not vest in Canada any proprietary interest in such equipment or facility.

MANAGEMENT

4. (1) The parties shall promptly establish a joint federal-provincial Management Committee. The Committee shall consist of one representative from each of the British Columbia Ministries of Economic Development and Mines and Petroleum Resources and the Canada Departments of Regional Economic Expansion and Energy, Mines and Resources, and such others as the Ministers may appoint.
- (2) The Management Committee shall be responsible to the Ministers.
- (3) The Management Committee shall be responsible for:
 - (a) the general management of the program to be undertaken pursuant to this Agreement;
 - (b) the carrying out of duties specified elsewhere in this Agreement;
 - (c) the establishment of such further procedures and guidelines as are considered essential for the administration of this Agreement, recognizing where applicable existing federal and provincial government contract regulations;
 - (d) the approval of projects to be undertaken under this Agreement; and
 - (e) the provision, on or before January 31, 1977, or at such other time as the Ministers may agree, of an evaluation of the work undertaken.
- (4) The Management Committee may invite representatives from other federal and provincial departments or agencies to meet with it as required to facilitate the management of the program provided for herein.
- (5) The Management Committee may establish a number of task forces to advise it with regard to specific aspects of the management, planning, review or implementation of the program under this Agreement.
- (6) Canada and the Province agree to provide each other with all information necessary for the implementation of the program under this Agreement.
- (7) All decisions made by the Management Committee must be unanimous.

FINANCIAL

5. (1) Notwithstanding anything in this Agreement and subject to the funds being made available by the Parliament of Canada, the total amount payable by Canada under this Agreement shall not exceed fifty per cent (50%) of the total eligible costs up to a maximum federal share of one million five hundred thousand dollars (\$1 500 000).
- (2) Subject to subsection 5 (3) the eligible costs of projects to be financed under this Agreement are:
- (a) all costs reasonably and properly incurred by Canada or the Province under all contracts entered into in accordance with this Agreement with any person or corporation for the acquisition of material or equipment or the performance of work or services for the execution of the project; and
 - (b)
 - (i) the remuneration or gross salary of any person determined by the Management Committee to be or to have been specifically engaged by Canada or the Province to provide personal services directly related to the implementation of a project,
 - (ii) reasonable travel expenses in accordance with applicable Regulations of Canada or the Province, as appropriate, of
 - A. any person engaged pursuant to subparagraph 5 (2) (b) (i); and
 - B. such employee of Canada or the Province as may be required from time to time to carry out a special assignment for a continuous period of at least two months relating to the implementation of a project; PROVIDED, HOWEVER, that travel expenses of any employee of Canada or the Province shall not be considered as comprising a portion of eligible costs, if that employee is engaged in the overall administration of this Agreement.
 - (c) For the purposes of subparagraph 5 (2) (b) (i) "gross salary" means the salary paid to an employee and includes vacation pay and employer's contributions in respect of Canada Pension Plan and Unemployment Insurance.
 - (d) Canada and the Province shall apply their normal rules and regulations when determining the remuneration to be paid to a person engaged pursuant to subparagraph 5 (2) (b) (i).

- (e) Canada and the Province shall keep records of all costs incurred under subsection 5 (2) including details of all engagements made thereunder, and shall make those records available to each other.
- (3) The costs to be shared by Canada do not include any costs relating to the acquisition of lands or interests in lands, or costs arising from conditions of acquisition.
- (4) Costs incurred prior to the approval of a project but after April 1, 1976 may be considered as eligible costs if approved by the Ministers.
- (5) Unless otherwise agreed by the Ministers, the eligible costs undertaken shall pertain to one or more of the subjects identified in Schedule B and shall not exceed the total amounts specified in that schedule.

IMPLEMENTATION PROCEDURES

- 6. (1) The financing by Canada of the program and all projects listed in Schedule B is conditional upon the following procedures being observed in the implementation of the program and each of the projects:
 - (a) Project Documentation

A Project Document containing a general description of the project, including design and construction standards where applicable, cost estimates, purposes and objectives, must be reviewed and approved by the Management Committee before a project is eligible for financing under the Agreement.
 - (b) Implementation
 - (i) All contracts for professional services shall be awarded and supervised in accordance with procedures and guidelines to be established by the Management Committee;
 - (ii) reports produced by consultants or resulting from projects under this Agreement shall become the property of both parties hereto; and
 - (iii) Canada or the Province, as appropriate, shall forward to the Management Committee a report as to the progress of the work, in such detail and at such time as may be required by the Management Committee.

- (2) Canadian material, machinery and equipment, and consulting and other professional services shall be used in respect of all work under this Agreement to the extent to which it is procurable and consistent with economy and efficiency as determined by the Management Committee.
- (3) In all contracts awarded and in the employment of persons related to a project under this Agreement, there shall be no discrimination by reason of race, sex, age, marital status, national origin, colour, religion or political affiliation.
- (4) With regard to the applicability of labour standards, the parties agree as follows:
 - (a) rates of pay shall be those prevailing in the area of employment for each classification of work, subject to the minimum wage specified in provincial legislation;
 - (b) in building construction, the rates of pay for overtime shall be time and one-half the specified prevailing rate of pay after the hours stipulated for the purposes of overtime payment in the relevant provincial standards, which shall in no case be more than 48 per week;
 - (c) in road and heavy construction, the rates of pay for overtime shall be time and one-half the specified prevailing rate after the hours stipulated for purposes of overtime payment in the relevant provincial standards, which shall in no case be more than 50 per week; and
 - (d) labour conditions are to be specified in all tendering documents and are to be posted conspicuously in the work place;it being expressly understood and agreed that to the extent to which there are higher provincial standards applicable to particular occupations or regions, these higher provincial standards shall apply.
- (5) Recruitment of labour shall be conducted through the Canada Manpower Centres wherever practicable.

PAYMENT PROCEDURE

7. (1) Subject to subsections 7 (2) and 7 (3), payments by Canada shall be made promptly to the Province on the basis of progress claims, setting out the eligible costs actually incurred and paid on approved projects, submitted in a form satisfactory to the Federal Minister, and certified by a senior officer of the Province.

- (2) In order to assist in the financing of Canada's share of the projects under this Agreement, Canada may make interim payments:
- (a) for Canada's share of funds required for the remainder of the quarter of the fiscal year in which a project is approved, based on a forecast of the funds required in that quarter, certified by a senior officer of the Province, and submitted in a form satisfactory to the Federal Minister;
 - (b) in subsequent quarters of the fiscal year, further interim payments may be made to finance Canada's share of expenditures in connection with approved projects, based on a forecast of the funds required in that quarter, certified by a senior officer of the Province, and submitted in a form satisfactory to the Federal Minister. This amount shall be adjusted by the difference between the expenditures actually incurred and paid for by the Province in the previous quarter and the interim payment received in that quarter.
- (3) The Province shall account for each such interim payment received under the provisions of subsection 7 (2) by submitting to Canada within the following quarter a detailed statement of the expenditures actually incurred and paid for, certified by a senior officer of the Province, submitted in a form and verified in a manner satisfactory to the Federal Minister. Any discrepancy between the amounts paid by Canada by way of interim payments and the amount actually payable by Canada shall be promptly adjusted between Canada and the Province.
- (4) Canada will not be responsible for expenditures incurred with respect to the projects listed in Schedule B after the termination date of this Agreement nor will it pay any claims which are not received within twelve months following the said termination date.

EVALUATION

8. During this Agreement, the parties shall report on progress made toward the implementation of the projects listed in Schedule B. These reports shall be prepared and submitted by the Management Committee to the Ministers.

PUBLIC INFORMATION

9. (1) Canada and the Province agree to cooperate in the development and implementation of a program of public information respecting the implementation of projects under this Agreement.

- (2) All public displays, documents and publications resulting from the terms of this Agreement shall bear appropriate reference to the joint nature of the program.
- (3) Any public announcement of the measures covered by this Agreement shall be arranged jointly by the Ministers.

GENERAL

10. (1) The duration of this Agreement shall be from the date of its signing to March 31, 1977.
- (2) This Agreement, and the attached Schedules, may be amended from time to time as mutually agreed in writing by the Ministers. It is expressly understood and agreed, however, that any amendments to subsection 5 (1) shall require the prior approval of the Governor in Council.
- (3) All documents, publications and information generated as a result of the projects undertaken pursuant to this Agreement shall become the joint property of and be freely available to both parties and the public release of such information shall be agreed upon jointly.
- (4) No member of the House of Commons of Canada or the Legislative Assembly of British Columbia shall be admitted to any share or part of any contract, agreement, or commission made pursuant to this Agreement, or to any benefit to arise therefrom.
- (5) The provisions of the GDA apply to this Agreement.

IN WITNESS WHEREOF this Agreement has been executed on behalf of Canada by the Minister of Regional Economic Expansion and the Minister of Energy, Mines and Resources, in association with the Minister of Industry, Trade and Commerce and the Minister of Transport and on behalf of the Province by the Minister of Economic Development and the Minister of Mines and Petroleum Resources.

In the Presence of:

GOVERNMENT OF CANADA

Witness

Minister of
Regional Economic Expansion

Witness

Minister of
Energy, Mines and Resources

Witness

Minister of
Industry, Trade and Commerce

Witness

Minister of Transport

GOVERNMENT OF THE PROVINCE OF
BRITISH COLUMBIA

Witness

Minister of
Economic Development

Witness

Minister of
Mines and Petroleum Resources

CANADA-BRITISH COLUMBIA
SUBSIDIARY AGREEMENT
TO EVALUATE NORTHEAST COAL AND RELATED DEVELOPMENTS

SCHEDULE A

SUMMARY OF CIRCUMSTANCES

The northeast comprises approximately one-quarter of the land area of the province, but only 2 per cent (about 44 000 persons) of the population resides in the area. The economy is centered upon the towns of Dawson Creek, Fort St. John, Chetwynd, Fort Nelson, and Hudson's Hope and derives its impetus from the exploitation of the area's natural resources - agriculture, forest products and, to the north of Fort St. John, the production of oil and natural gas. The agricultural sector predominates, but is essentially an extension of the Peace River farming country of northern Alberta. Growth in the economy has been related to the development and export of these natural resources, with no further processing in the area.

Generally, the northeast has experienced above-average unemployment rates, but more recently there have been marked periods of labour shortages, especially in the skilled and professional occupations. Local economic activity is seasonal and tends to be unstable; these factors combine with the relative remoteness of the area to cause a number of social and community concerns. These in turn have drawn attention to the inadequacy of many social and community services and infrastructure; the more obvious inadequacies being lack of suitable housing and little in the way of alternative leisure-time activities.

In viewing the potential of the area, the analysis produced from the studies conducted under the terms of the interim planning agreement suggests that the sources of any sustained future expansion in the population and the local economy lie with the economic development of the area's natural resources, and most particularly the coal and forest resources. These two sectors could sustain direct employment for 2 500 persons, and serve as the catalyst for future growth of the transportation, construction and trade and services sectors of the local economy. Some allied growth could be expected as well in the agricultural, recreational and tourism sectors of the economy, and there is potential for at least one new power development project in the northeast.

The coal resource is the single greatest identified development opportunity for the area and the one for which development plans are already being prepared by companies holding licenses in the area. In view of the potential impact of the development on the region, and in fact on the whole provincial economy, the federal and provincial governments have agreed to fully evaluate the proposed development. In undertaking such a program, a number of areas require careful examination.

The implications of markets and pricing policies for Canadian metallurgical coal exports will be a major constituent of the national coal policy position. This will in turn affect northeast coal development.

It is important for the federal and provincial governments in the development and application of coal policies to have an accurate indication of the magnitude of the coal resource. This will require a full evaluation of northeast coal resources that may involve extensive geological mapping, the disclosure of all geological information gathered to date, the storage of drill cores, and additional publicly-funded drilling programs to determine the limits of the coal resource.

In northeast British Columbia, it is anticipated that each mining operation will phase in underground mining as the surface mineable reserves are gradually depleted. This shift in activity will necessitate a substantial change in the profile of the mining workforce either through retraining, hiring of employees with underground-mining skills, or a combination of the two.

The transportation element of northeast coal development would appear to offer a very wide range of alternatives. From this, an overall transport and communications network must be assessed.

Opening up northeast British Columbia coal resources could not only result in the creation of major employment and job opportunities in the immediate vicinity of the coal mines and at strategic points on the transportation network, but could also have a positive impact upon the regional economy. A number of ancillary industries to assist in the service, supply and maintenance of coal mining operations will undoubtedly have an opportunity to become established in the area, but it will be necessary to introduce initiatives to ensure that these activities take place in northeast British Columbia. There are a number of other activities in the northeast that could become more attractive as a result of coal development and could add considerable strength to the local economic base.

At the present time, the agriculture- and forest-based industries centered upon Dawson Creek and Fort St. John are major components of the economy of northeast British Columbia. It is possible that the creation of large numbers of stable coal mining jobs paying relatively high wages may draw some of the existing labour force away. This possibility and its implications for the area must be examined in depth.

The recreational potential is quite considerable, particularly in the proposed Monkman Provincial Park area that lies to the south and west of the coalfield area.

The transportation routes, communications corridors and townsite developments will be determined so as to cause the least possible damage to the environment. British Columbia has developed guidelines for coal mine development that are designed to ensure that high environmental standards are maintained. However, the area of the coalfields has not been the subject of intense environmental investigation. Therefore, the baseline data are inadequate in some instances and must be developed.

The region's coal is found in a narrow northwesterly-trending belt of the eastern foothills, parts of which are environmentally sensitive. This area was not included in the Canada Land Inventory program and, consequently, considerably less information about its environmental characteristics and resource capabilities is available than for many other parts of the province.

The possible development of the coal deposits would involve road, rail and utility corridors, townsite expansion or development, and open pit and underground mining operations. In order that the impact of these developments on the environment can be fully evaluated it is essential that information on the current situation be obtained to provide a benchmark from which changes can be measured.

The supply and retention of an adequate labour force has been identified by both government and industry as being the single biggest problem that would have to be overcome in the development of coal in northeast British Columbia. This region of British Columbia has traditionally experienced a shortage of skilled labour and the population base is so small that a large part of the coal-mining labour force is unlikely to be derived from local sources.

If northeast coal development takes place there will be a need for coordinated federal-provincial planning and programming. A major priority will be to define the respective roles of each level of government.

A program of study has been developed and designed to enable both levels of government to respond to proposals for the development of northeast coal. Schedule B provides a description of the various elements and the program of study within each.

CANADA-BRITISH COLUMBIA
SUBSIDIARY AGREEMENT
TO EVALUATE NORTHEAST COAL AND RELATED DEVELOPMENTS

SCHEDULE B

1. Coal Resource. The analysis of the coal resource of the region including technical coordination, project geology, resource data, applied geology, reclamation, mineability, mine economics, coal testing and analysis, mining methods and other research and development.
2. Transportation. Analysis of three alternative rail access corridors plus spur lines to the mine sites and analysis of operating profiles from mine sites to tidewater.

Analysis of road access alternatives and mapping, surveying, pre-design and geotechnical work for main public access road corridors to determine detailed capital and operating cost forecasts.

Analysis of alternative port locations and detailed cost estimates for their development and operation.
3. Environment. Environmental baseline studies to provide information to assess environmental impact of proposed developments, to include terrain analysis, soils, climate, vegetation, wildlife, aquatics, recreation, visual resources, heritage resources, data services and field coordination.
4. Community Development. To evaluate alternatives for accommodating increased population in the area. To include analysis of capabilities of existing towns to absorb and service new population and the need for and location of a new townsite(s). To estimate the costs of developing or expanding townsites and the financing and administrative policies to be adopted.
5. Human Resources. Development of data on labour force supply and demand. To review alternative means of developing an adequate labour force and the implication in terms of training and retraining programs, employment for people of Native ancestry, migration, role of women, special services, competing industrial developments, and labour force stability.

6. Other Development Opportunities. To identify and evaluate development opportunities related to coal processing and servicing, and in other sectors which will arise because of the larger population and increased industrial activity and greater accessibility to the non-coal resources in the region. To assess the extent to which these can be realized within region, and the capital, labour and input required to do so. To provide overall planning and coordination of the study program.

TOTAL ESTIMATED COST: \$3 000 000

TOTAL FEDERAL SHARE \$1 500 000

