

Haines Borough Administration
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Report

October 9, 2007

The Pool is Open & Operational – Finally!

After a frustrating summer of repairs, the pool was reopened for a free community swim on September 29th. About 30 children and adults attended that evening swim. Special thanks to the swim team volunteers (esp. Dwight Downer and Scott Bradford) for assisting us with getting the pool ready to reopen. Repairs will be ongoing as funding allows, but we do not foresee needing to shut the pool down for any of those repairs in the near future.

Harbor Plans

With the guidance of the Boat Harbor Advisory Committee, we have begun to define the scope of work needing to be done at the harbor (ASAP) and are preparing grant applications for both EDA and the Denali Commission. We hope to tap up to 5 different funding sources to replace floats, repair the grid, extend breakwaters, dredge and expand the mooring basin. We are envisioning a \$5-7 million price tag for this phase of work.

D.O.T. Update

Construction is scheduled to begin on Third Avenue this week with the main focus on the utility work needed in the downhill lane. All work will be completed next year, along with the Sixth Avenue culvert and Union Street resurfacing. The Alaska Department of Transportation has also announced that they plan to bid the Lutak Road job before the year's end.

Engineering Projects

Carson Dorn is finishing the Young Road water tank and wood-stave pipe replacement project (bidding this winter for construction next year). It is fully-funded by a legislative grant of nearly \$1,000,000. They are also designing the Mission Street sewer force main and downtown water line replacement along Mission, First, and Willard Streets). We are trying to get these two projects qualified for the low-interest loan funds from the Alaska Department of Environmental Conservation. These two projects are also being prepared for construction next year.

PND Engineers has developed a scope of work needed for the Port Chilkoot Dock. We will seek "regional cruise ship impact funds" for this project and try to combine the pavilion project with it as well. PND will also assist with the \$1,500,000 road paving project the borough plans for next summer.

Alaska Cruise Ship Initiative

There is still a lot of uncertainty over how the newly-enacted cruise ship fees/taxes will be distributed. The Department of Revenue presented an overview at Southeast Conference that I have attached for your information. Haines could be eligible for significant funding for qualifying projects.

Advantage North Conference

Earlier this year, I participated in this northern transportation and resource development conference in Whitehorse. Growing world-wide demand for commodities and the strong Canadian dollar bode well for the Yukon. The Haines and Skagway ports will play a role in these developments. I have attached a portion of the post conference report. The full report is available on the borough's web site.



Advantage **NORTH**

May 28 - 30, 2007
Whitehorse, Yukon

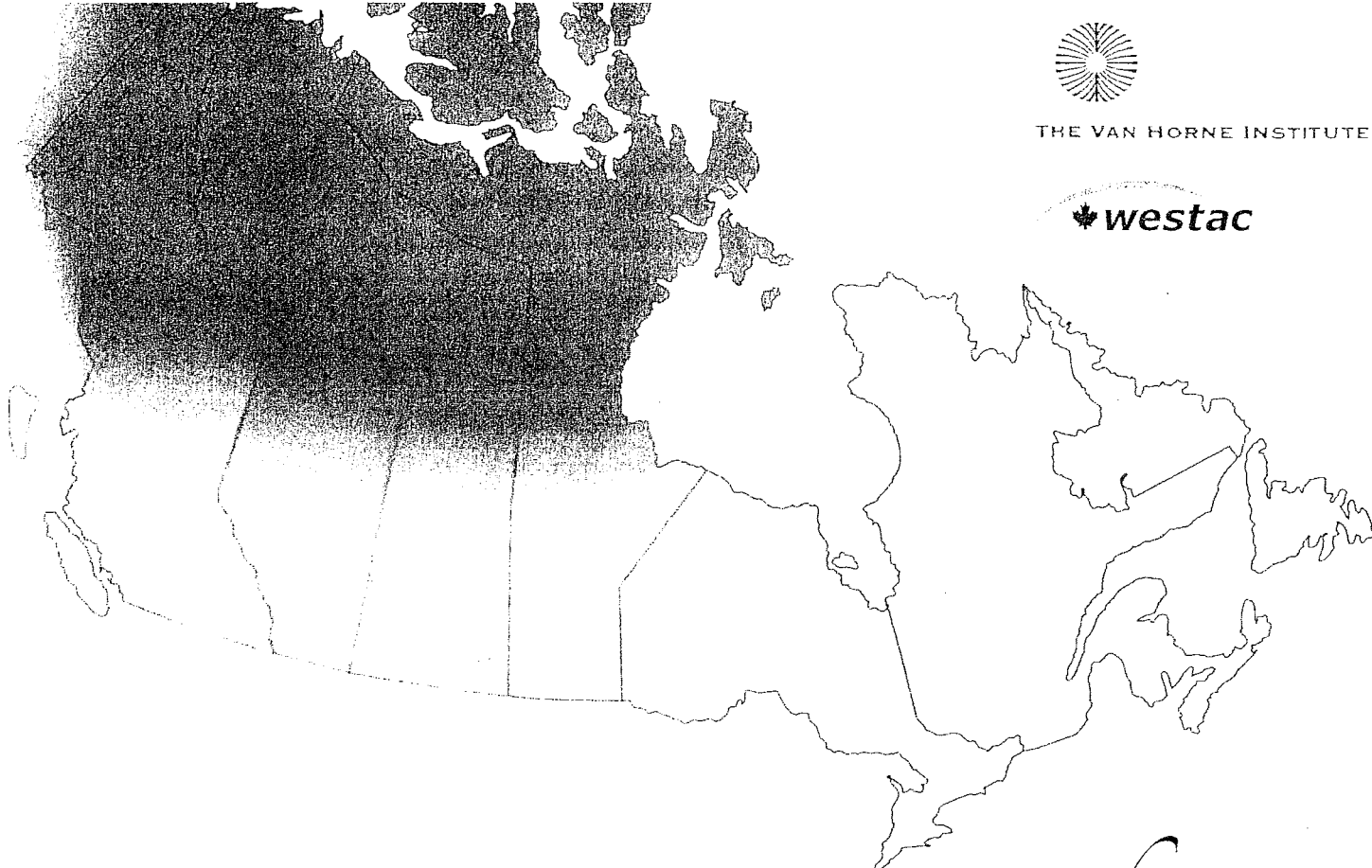
Resource Development and Northern Transportation



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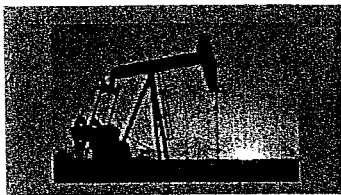
Post Conference **REPORT**



SEPTEMBER, 2007

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Advantage NORTH

Resource Development and Northern Transportation

For too long, the North has been overlooked by those in the South, in Canada and in the US. A confluence of factors – climate change, high commodity prices, globalization and sovereignty concerns – are now drawing attention to the North and highlighting all it has to offer.

*As catalysts, The Van Horne Institute and WESTAC organized the “Advantage North: Resource Development and Northern Transportation Conference”. Our purpose was to shine some light on the vast opportunities in the North and to set in motion the willpower and the resources required to advance the economies of the North. **It will take infrastructure – the foundation of a vibrant economy, but most of all it will take a forward looking vision and persistence to allow the North to achieve its potential.***

We thank our hosts, the Government of Yukon for their support, and their enthusiastic welcome of conference delegates. We also thank our sponsors, listed on the inside back cover, who helped make this event possible.

Peter Wallis
President, Van Horne Institute

Ruth Sol
President, WESTAC

One hundred forty people representing the resource and transportation industries, labour unions and all levels of government met (May 2007, Whitehorse) to discuss resource development and transportation in the North. This report synthesizes the conference presentations and discussions, as well as the written input from two participant surveys.

Northern opportunities are gaining new recognition by Canadians. Increasingly transportation is recognized as key to the North's success. Better transportation systems will enable resource development and provide the vital access to world markets.

It won't be easy. Climate change is having a significant impact on transportation. It is becoming increasingly difficult to operate winter roads, yet there is the possibility of new access routes such as a marine port in the Arctic.

Sadly, we are not investing enough in our physical and human infrastructure to support the level of resource development that we want to achieve. Territorial governments face challenges to find sufficient capital.

- infrastructure is more expensive in the North
- Nunavut/Northwest Territories don't directly receive their resource revenues
- federal funding programs are generally based on per capita formulas

Partnerships among governments, businesses, labour and First Nations are vital, given the unique combination of challenges – low population, remoteness, extreme weather, high cost of infrastructure.

There are outstanding examples of innovative transport solutions that could prove advantageous to the North with its unique challenges. Solutions range from conceptual to operational – airships to re-supply mines to barging materials in shallow Northern river systems. With reduced sea ice making navigation easier across the Northwest Passage, the North may well be on its way as a viable gateway to Asia and Europe with a shipping route rivaling others, perhaps even rivaling the Panama Canal.

Transportation is an enabler that allows resource and economic development. If we want to ride the wave of trans-Pacific trade with increasing demand for our commodities, we have to be able to efficiently move resources to foreign customers while serving the needs of Northerners.



Northern opportunities are gaining new recognition by Canadians

Increasing attention is being focused on the North, and its vast economic potential.* The region is rich in oil & gas and mineral resources. The volume and variety of resources in the North is staggering:

- the Northwest Territories, Nunavut and Canadian Arctic offshore area hold an estimated one-third of Canada's conventionally recoverable natural gas plus one-quarter of its recoverable light crude oil
- the Yukon's Selwyn Basin potentially contains the world's largest zinc deposit
- more than 18 billion tonnes of iron ore reserves (Crest deposit, Yukon)
- Yukon has 20% of the world's known tungsten resource
- Canada is now the 3rd largest producer of diamonds
- there are also major deposits of precious metals (gold & silver) and base metals (copper, zinc, uranium, iron, tungsten, molybdenum)

It is difficult to measure or forecast the value of its resources – geologists anticipate that many deposits remain to be discovered. Commodity prices are relatively high and economists expect these prices to continue.

Globalization and the rise of industrialization in Brazil, Russia, India and China is fuelling demand for resources. The per capita use of metals is growing – every American born today will need 3.7 million pounds of minerals, metals, and fuels in their lifetime.¹

Transportation is key to the North's success. Better transportation systems will enable resource development and provide the vital access to world markets.

Q *IN*ow, at last, the North's time has arrived. Never have its resources been in greater demand. Never have prices for northern commodities been so strong. And never have Northerners been so united in their desire for real jobs and real economic progress. To unleash the tremendous potential of this region. To enjoy the same opportunities as other Canadians.

*Prime Minister Stephen Harper
August 16, 2006, Yellowknife*

*"the North" and "Northern region" is the three Canadian territories (Northwest Territories, Nunavut and Yukon), the US State of Alaska, plus the northern areas of the four Western provinces.

¹Mineral Information Institute <http://www.mii.org>



Resource Development and Northern Transportation



Climate change: opportunity or threat?

Climate change is having, and will continue to have a significant impact on transportation in the North. It is becoming increasingly difficult to operate winter roads, yet there is the possibility new access routes will be created, such as a marine port in the Arctic.

In the North, empirical evidence shows that:

- snow is melting
- glaciers are retreating
- sea ice is vanishing
- frozen ground is thawing
- ice sheets are shrinking

The forecast is for summer sea ice to disappear in the next fifty to one hundred years. A reduction in sea ice is likely to increase marine transport and access to resources.

Weather changes in the North are having an impact on mobility. For example, the Canadian military's Joint Task Force North's travel routes have had to vary considerably from the planned routes as there was much less snow and ice than typical; in many areas there was no snow at all for the snowmobiles to traverse. The changes are causing Russia to look at alternatives to pipeline development and it is building tankers capable of transiting the Arctic.

Although new routings may eventually become possible, reliability of transportation on a week to week basis is essential. A short time period with ice-free conditions is unlikely to induce commercial transportation. Ultimately, economics will determine when and whether Arctic shipping increases, and whether ice bridges and winter roads remain feasible options for re-supply of communities and access to resources.

Two-thirds of conference delegates responded that we are not doing enough to prepare for the impacts of climate change on our transportation system.² Suggestions on what could be done by various stakeholders included:

- more innovation by transportation and resource industries in equipment, operations and infrastructure
- additional government funding (federal, provincial and territorial) for research and to enhance public awareness
- less emphasis on meetings, more action from all stakeholders

² Conference participants provided input through responses to two written surveys distributed at the event.

Q Weather variations are like rolling the dice every year with the economy of the North.

*Erik Madsen
Tibbit to Contwoyto Winter Road
Joint Venture*

Sadly, we are not investing enough in our physical and human infrastructure to support the level of resource development that we want to achieve.

Participants strongly believe that additional investments in people – our human infrastructure – through training and development, and additional investments in physical infrastructure – roads, bridges, ports, airports, railways and pipelines – are needed to support resource development.

Northerners require stable long-term jobs

Ensuring there is a sufficient number of workers is a challenge in the North. The latest census figures show a combined population of 104,000 in the three territories, about 78,000 of whom are over 15 years of age. In contrast, some of the proposed mega-projects will require 20,000 people to construct. Many delegates questioned how these projects could be built, wondering where the skilled workers would come from.

One strategy is for the majority of the construction workers to be sought elsewhere in Canada, to be mobile and locate in the North for a relatively short period of time. At the same time, these projects must bring stable, long-term jobs to the region and ensure there are opportunities for local youth to enter the labour market. Northerners are eager to benefit from the development of their resources.

Territorial governments and post-secondary institutions are willing to assist industry to ensure there is a qualified pool of workers in the North. Yukon Economic Development, for example, has targeted campaigns to recruit workers for the mines and to train people with the necessary skills for the resource industry. Similarly, colleges are willing to work with industry to develop customized training programs.

Industry can help governments focus labour-related initiatives, by providing them with data on:

- job growth (relative to other sectors)
- demographic information (percent of workforce set to retire in 5 years, 10 years)
- economic impact and potential of the industry

Industry should also consider innovative solutions to meet its workforce requirements. Solutions such as flexible work arrangements for seniors, shorter apprenticeship programs and partnering with other businesses to counter seasonal work were suggested.

Yukon Ports Access Strategy for Yukon Economic Development

*In June 2007, the Yukon Government released a report regarding port access to facilitate economic development in the Yukon. The study determined that the preferred port options for tide-water access are **Skagway and Haines, Alaska** to get resources to markets. Skagway is best for low to moderate volume and Haines for larger volume of products. It concluded that although work on environmental management and land and approval issues appears to be substantial, including time and cost requirements, they are not insurmountable.*

The study evaluated factors that would impact a port development strategy, including economic factors such as traffic potential based on mineral products and other commodities, current and needed surface infrastructure, port options, and other critical considerations: regulatory, land use and environmental, economic and socio-cultural and governance issues.

The findings of this port study are vital for Yukon's economic development - the viability of some current and potential resource development projects hinge on a port link to access wider markets.



Resource Development and Northern Transportation



Significant infrastructure investments are required.

Providing sufficient capital for infrastructure is a challenge throughout Canada. However, it is even more challenging for territorial governments, for three reasons:

- infrastructure is more expensive in the North (longer distances)
- Nunavut/Northwest Territories don't directly receive their resource revenues which flow to the federal government
- many federal government programs are based on per capita funding formulas.

A territorial government cannot assume the financial burden of increased infrastructure investments on its own. Similarly, it is difficult for a single mine to support infrastructure investments as the life cycle of infrastructure exceeds the life cycle of a mine.

The federal government has increased its support for Northern infrastructure, including:

- \$1.2 million for Nunavut's airport runways
- \$175 million budgeted for the territories for infrastructure
- strengthened "Territorial Formula Financing", extra \$115 million in 2006-2007
- \$80 million from Strategic Infrastructure Fund towards key highway infrastructure

Further resource development is hampered unless significant investments in transportation infrastructure occur. Many southerners would be shocked to learn of the state of transportation in much of the North – there are thousands of kilometers of gravel and winter roads, many communities have no road connection to others, and there is a proliferation of public airports and landing strips (more than 200 in Alaska alone plus more than two dozen in each of Yukon, Northwest Territories and Nunavut).

The Alaska Canada Rail Link Project

The much-anticipated results of the Alaska Canada Rail Link Project Phase 1 Feasibility Study, "Rails to Resources to Ports", were publicly released simultaneously with the Yukon Ports Access Strategy for Yukon Economic Development. Based on the assessment, a private-public partnership appears to be a feasible investment model to cover the US\$10.5B initial construction cost of a rail route through Alaska, Yukon and Northern BC. Results of the study are expected to attract interests from stakeholders to move the project forward.

The feasibility of the rail route was assessed based on market, technical, environmental and financial factors. Investments in rail infrastructure were projected to support large-scale mining projects while making medium-sized projects competitive and resilient to market downturns. It would also provide market access to remote resources. Projected traffic forecasts range from 9 million tonnes per year of Alaskan and Yukon coal and concentrate exports, to a high forecast of 50 million tonnes with iron ore exports. The rail connection to stimulate resource development would also open a trade corridor that would link north Pacific Rim markets, between North America and North Asia, through a US port. The governments of Yukon and the State of Alaska jointly funded the study.

