

**Joint Review Panel
Hearing Order OH-4-2011
Undertaking U-75**

Response to Undertaking U-75 given by John Carruthers to Member Bateman at Transcript Volume 155, Paragraph 30600, with respect to the extent of the ripple effect of Northern Gateway's investment in terms of Aboriginal businesses.

Undertaking:

For Northern Gateway to take the ripple effect numbers and calculate the number of opportunities for Aboriginal people.

Response:

As was noted on Adobe page 70 of Exhibit B8-2, the potential effects of the Project were assessed in three ways:

- *direct Project employment – includes regional workers hired by Northern Gateway or its contractors to work on the Project, as well as any additional employment resulting from regional companies that directly supply goods and services to Northern Gateway for Project construction or operations*
- *indirect employment – occurs when purchases of goods and services in one sector of the regional economy stimulate activity in other economic sectors*
- *induced employment – occurs when consumer spending by people directly or indirectly employed by the Project creates additional demands for goods and services in the region*

The Project's direct effects on Aboriginal people during construction are summarized on Adobe page 113 of Exhibit B8-2. This shows that, based on the original estimated cost of \$5.5 billion, Project construction would provide 3,420 person-years of employment for Aboriginal residents, contractors and companies, as a result of direct employment or through direct purchases of contracted goods and services. Of this, 2,895 person-years would occur as a result of construction operations in British Columbia and 525 person-years in Alberta. These estimates are based on Northern Gateway's observations of direct Aboriginal employment on previous pipeline construction projects and its commitments to purchase \$300 million in contracted goods and services from Aboriginal companies. Northern Gateway has indicated that it will achieve these commitments by having terms and conditions related to hiring of Aboriginal people (Aboriginal participation plans) and purchases of goods and services from Aboriginal

companies included in Construction Execution Plans (CEPs) for the prime contractors that will undertake the work (see Exhibit B164-2, Response to JRP IR 14.1).

As noted in Exhibit B8-2, Project construction will also create indirect and induced employment opportunities; these are also described as "ripple" effects. These effects are summarized on Adobe page 127 of Exhibit B8-2. It shows 3,325 person-years of indirect employment and 3,125 person-years of induced employment in the six construction regions.

While these spin-off activities are expected to occur, it is not possible to assess the extent to which Aboriginal people will benefit from these spin-off activities because it is unknown which regional companies will experience these spin-off activities or the extent to which they currently employ Aboriginal people or may in the future hire additional Aboriginal people to handle the expanded business activities resulting from the direct economic effects of Northern Gateway's expenditures. In addition, because the companies that may benefit from these ripple effects are one step removed from Northern Gateway's direct purchases, Northern Gateway cannot control how these indirect and induced effects would be distributed among regional companies.

To explain this further, the issue of indirect and induced employment was addressed in Transcript Volume 105, in paragraph 30628. That paragraph includes the following description of indirect employment: "if...we did buy the line pipe from a Canadian supplier, that Canadian supplier would then have to go and buy his iron ore from someplace and that would employ a miner, so the miner would be an indirect job." While Northern Gateway would be able to select the pipe supplier and have some knowledge of its use of Aboriginal people, it would be up to the pipe producer to select its source of iron ore and Northern Gateway would have no knowledge of or control over whether the miner who produces the ore needed for line pipe is or is not Aboriginal.

While it is not possible to precisely quantify the number of opportunities created as a result of the "ripple effect", it is possible to make some general observations on the extent to which Aboriginal populations in each of the six study regions might benefit from the Project's ripple effects based on what is known about the pool of unemployed labour. As of 2006, the most recent year for which detailed community-specific unemployment data are available, Aboriginal people accounted for 42% of unemployed workers in the Coastal BC region, 22% of unemployed workers in Central BC, 19% of unemployed workers in the Northeast BC region, 18% of unemployed workers in the Northwest Alberta region, 39% of unemployed workers in the Central Alberta region and 9% of unemployed workers in the Edmonton region (see Exhibit B10-7, Adobe pages 234 to 241). While it is reasonable to conclude that Project-related spending will create some new spin-off jobs for Aboriginal people who would otherwise be unemployed, the extent of these effects cannot be predicted because it is unclear whether the companies that would benefit from the increased spinoff business would add to their workforce by additional hiring that would create opportunities for people who are otherwise unemployed or by making more use of its existing labour force that would otherwise be working at less than capacity.