

SPECIFIC CLAIMS TRIBUNAL

B E T W E E N:

DOIG RIVER FIRST NATION

SPECIFIC CLAIMS TRIBUNAL		
F I L E D	TRIBUNAL DES REVENDICATIONS PARTICULIÈRES February 24, 2012 Chantal Houle-Mrak	D É P O S É
Ottawa, ON	6	

Claimant

v.

HER MAJESTY THE QUEEN IN THE RIGHT OF CANADA
As represented by the Minister of Aboriginal Affairs and Northern Development Canada

Respondent

RESPONSE
Pursuant to Rule 42 of the
Specific Claims Tribunal Rules of Practice and Procedure

This Response is filed under the provisions of the *Specific Claims Tribunal Act* and the *Specific Claims Tribunal Rules of Practice and Procedure*.

TO: DOIG RIVER FIRST NATION

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I. Status of Claim (R. 42(a))

1. On April 12, 1999, the Treaty 8 Tribal Association submitted a claim to the Minister on behalf of the Doig River Indian Band (“Doig”) alleging that Canada breached its fiduciary obligation to Doig in connection with the mineral rights to Indian Reserves #204, 205, and 206 (the “Replacement Reserves”).
2. On October 23, 2002, the Treaty 8 Tribal Association submitted the same claim on behalf of the Blueberry River Indian Band (“Blueberry”) with regard to the minerals under the Replacement Reserves.
3. On February 26, 2008 Blueberry advised Canada in writing that it was withdrawing its claim related to the minerals under the Replacement Reserves.
4. On May 24, 2009, Doig provided Canada with a Supplemental Submission updating the April 12, 1999 claim. In addition to an alleged breach of a fiduciary obligation, the Supplemental Submission advanced a claim that in the alternative, there was a contractual obligation to provide Doig with the mineral rights under the Replacement Reserves.
5. On December 21, 2009, the Minister notified Doig in writing of his decision not to accept the claim for negotiation.

II. Validity (R. 42(b) and (c))

6. Canada does not accept the validity of the claim as set out in the Declaration of Claim, namely that Canada had a fiduciary and/or contractual obligation to secure the mineral rights in the Replacement Reserves when those lands were transferred to Canada by the province of British Columbia (“BC”) in 1950, or in failing to correct this alleged error or compensate Doig for the resulting loss.

7. Further, in response to paragraph 44 of the Declaration of Claim, Canada says that no compensation is payable for these alleged breaches of duty. If there was a duty to inform Doig that the Replacement Reserves excluded mineral rights, or to obtain Doig's consent to obtaining the Replacement Reserves without mineral rights, both of which are denied, no loss results from any breach of these duties. Doig would have either agreed to take the Replacement Reserves without the mineral rights, or refused to surrender IR 172.
8. Canada also says that Doig is precluded by the terms of the Release and Indemnity dated February 26, 1998, from recovering compensation in relation to the mineral rights under the Replacement Reserves. Doig and Blueberry (the "Bands") executed this Release and Indemnity in consideration of the payment by Canada of \$147,000,000 in settlement funds to the Bands following the judgment in *Blueberry River Indian Band v. Canada (Department of Indian Affairs and Northern Development)*, [1995] 4 SCR 344.
9. Further, Canada says that the claims of Doig for compensation in relation to the mineral rights under the Replacement Reserves and all related issues are subject to the doctrine of *res judicata* as they have been or could have been the subject of adjudication by courts of competent jurisdiction in previous legal proceedings, namely *Apsassin v. Canada (Department of Indian Affairs)*, 1987 FCJ No. 1005(FCTD) and *Blueberry River Indian Band v. Canada (Department of Indian Affairs and Northern Development)*, [1995] 4 SCR 344 to which the Claimants were a party.
10. Canada says accordingly that this Declaration of Claim is an abuse of process of this Tribunal.

III. Allegations of Fact – Declaration of Claim (R. 41(e)): Acceptance, denial or no knowledge (R. 42(d))

11. In reply to paragraph 4 of the Declaration of Claim, the fact that the claim was deemed filed with the Minister on October 16, 2008 is admitted. Beyond this fact, the contents of the November 24, 2008 letter are irrelevant and privileged.
12. In reply to paragraphs 6 and 40 of the Declaration of Claim, the fact that the Minister did not accept the claim for negotiation is admitted. Beyond the fact that the claim was not accepted for negotiation, the contents of the December 21, 2009 letter are irrelevant and privileged.
13. In further reply to the Declaration of Claim generally and for the purpose of this Response, the term “mineral” is interpreted to include only petroleum and natural gas unless otherwise stated.
14. Canada admits the facts as set out in the following paragraphs of the Declaration of Claim: 1-3, 5, 10-22, 24, 26-32, 36-39.
15. In reply to paragraphs 23 and 25 of the Declaration of Claim, Canada admits that:
 - (a) on July 25, 1950, by Provincial Order in Council 1655, BC transferred administration and control over the Replacement Reserves, as previously surveyed, to Canada; and
 - (b) on September 8, 1950, Canada obtained a surrender of the mineral rights in the Replacement Reserves from the Fort St. John Beaver Band so Canada could lease the minerals rights in the Replacement Reserves for the Band’s benefit.

In 1952 there was correspondence between BC and Canada as to the mineral rights under the Replacement Reserves. On January 26, 1952, Laval Fortier, Deputy Minister, Department of Citizenship and Immigration, Canada, wrote to

John A. Walker, Deputy Minister Department of Mines, British Columbia and stated:

The areas of these three Reserves in the Peace River District were transferred to the Crown in right of Canada by British Columbia Order-in-Council No. 1655 of the 25th of July, 1950. A certified copy of the Order-in-Council was forwarded to this Department within the Deputy Provincial Secretary's letter of the 26th of July, 1950.

At the time, it was not appreciated that Form 11 of the schedule to the Land Act provided a reservation of minerals.

16. Canada admits the facts as set out in paragraphs 33 and 34, and in addition to those facts, Canada says that the September 19, 1978 Statement of Claim Action No. T-4178-78 filed by the Bands in Federal Court included the following claims and declarations with respect to the mineral rights in the Replacement Reserves:

24 Certain areas in the Peace River District were purchased from the Government of The Province of British Columbia by the Defendant, her agents, servants and employees on behalf of the Band from the proceeds of the sale of I.R. 172. The Band consented to the purchase of new reserves on the basis that the promises made by the Defendant, her agents, servants and employees, at the time of the Surrender would be fulfilled by the Defendant and that the new reserve would embrace mineral rights.

...

32 Negligently and in breach of trust, the Defendant acquiesced in the claim of the Government of The Province of British Columbia to the minerals on I.R. 204, I.R. 205, I.R. 206.

33 The mineral rights under I.R. 204, I.R. 205, and I.R. 206 were and are at all times the property of the Band, held in trust by the Defendant.

34 The Defendant, her agents, servants and employees purchased I.R. 204, I.R. 205, and I.R. 206 under circumstances and in a manner which constituted negligence and breach of trust, particulars of which are as follows:

...

b) Failing to properly investigate and advise the Band concerning the status of mineral rights on I.R. 204, I.R. 205 and I.R. 206.

c) Misrepresenting to the Band the status of mineral rights on I.R. 204, I.R. 205 and I.R. 206.

...

f) Ceding the mineral rights to I.R. 204, I.R. 205 and I.R. 206 to the Government of The Province of British Columbia.

g) Failing to take legal action to protect the mineral rights of the Band.

35 In the alternative, the purchase of I.R. 204, I.R. 205 and I.R. 206 in satisfaction of the agreement made by the Defendant, her agents, servants and employees to the Band at the time of the Surrender, constitutes a fundamental breach of contract.

Relief Sought

...

2(c) A declaration that the beneficial interest in and to the mineral rights on I.R. 204, I.R. 205 and I.R. 206 are vested in the Plaintiffs.

17. In further reply to paragraphs 33 and 34, Canada says that on June 10, 1986, Doig and Blueberry filed a Further Amended Statement of Claim dated December 17, 1985 (“Amended Claim”). This Amended Claim no longer included a claim for declaratory relief that the Bands had a beneficial interest in the mineral rights under the Replacement Reserves. In the Amended Claim, the Bands alleged the following with respect to the Replacement Reserves:

35 In or about the summer of 1945, DIAND determined that a surrender of I.R. 172 would only be in the best interest of the Band under the following:

...

(b) DIAND would provide replacement reserves for I.R. 172 as those might be required from time to time by the Band. These replacement reserves would be provided from funds received from the sale or lease of I.R. 172.

(c) Initial replacement reserves would be situated beyond the area of future agricultural settlement;

(d) DIAND would secure for the Band an exclusive hunting and trapping territory and that territory would be large enough to guarantee a living to the Band by the pursuit of their usual vocations of hunting, trapping, and fishing;

...

36 On June 4, 1948, DIAND presented to members of the Band a Resolution requesting that the Defendant use a sum not exceeding Five Thousand (\$5, 000.00) Dollars from the Band's capital funds for the purchase of three Reserves for the benefit of the Band. The Chief and four other members of the Band executed the document which was presented to them. DIAND took no further steps to acquire the 3 reserves until March, 1950 when the Defendant asked the Province of British Columbia to transfer the land for the three reserves.

62 On July 25, 1950, by Order-in-Council 1655, the Crown in the right of British Columbia conveyed to the Defendant lands to be used for three reserves. On August 25, 1950, by Order-in-Council P.C. 4092, the Defendant confirmed three new reserves for the use and benefit of the Band, namely:

Beaton River I.R. 204 (hereinafter referred to as "I.R. 204")
Blueberry River I.R. 205 (hereinafter referred to as "I.R. 205#")
Doig River I.R. 206 (hereinafter referred to as "I.R. 206")

The three reserves comprise 6194 acres in total.

...

65 At all materials times in 1945 and thereafter, it was the policy of DIAND that if an Indian Band once receives its reserve entitlement pursuant to a treaty, and that reserve is subsequently sold pursuant to a surrender by the Band, that the Band is no longer entitled to reserve lands pursuant to the treaty.

...

73 When the Defendant promoted and counseled the Plaintiff Band members to assent to the 1945 surrender and when it conducted the 1945 Surrender Meeting the Defendant acted in breach of its fiduciary duties to the Band, particulars of which are as follows:

...

(b) The Defendant knew, or ought to have known, it could not satisfy the conditions set out in paragraph 35.

IV. Statements of Fact (R. 42(a))

The 1945 Surrender of IR 172 and the Replacement Reserves

19. The members of Doig and Blueberry are the present-day descendants of the Fort St. John Beaver Band.
20. Pursuant to Treaty 8, the Fort St. John Beaver Band received 18, 168 acres of land from Canada which was set aside as IR 172, by Order in Council dated April 11, 1916.
21. The Fort St. John Beaver Band was nomadic, subsisting through hunting and trapping and did not make significant use of IR 172 between 1916-1945. In 1945, IR 172 was “virtually useless to the Band at the time”.¹
22. IR 172 contained good agricultural land that members of the Fort St. John Beaver Band were not using for farming. Canada faced political pressure to release these lands to veterans returning from World War II and other settlers for agricultural purposes.
23. After considerable discussion, the Fort St. John Beaver Band agreed to surrender its reserve to Canada so that the Band could purchase reserve land that was closer to their trap lines.
24. Prior to obtaining a surrender of IR 172, the Fort St. John Beaver Band required as a condition to that surrender that they be supplied with alternative sites near their trap lines on which they could build cabins, grow gardens, and put up hay to feed their horses during winter.
25. The proposed alternative sites consisted of four tracts of land that were provincial Crown land and were situated north of IR 172.

¹ *Blueberry River Indian Band v. Canada (Department of Indian Affairs and Northern Development)*, [1995] 4 SCR 344 at para. 9.

26. On August 13, 1945, James Allison Glen, Minister of Mines and Resources, wrote to George Kenney, Minister of Lands, Victoria, BC, regarding the purchase of these alternative sites from BC for the Fort St. John Beaver Band, "which would embrace the lands presently in occupation by them".
27. On September 22, 1945, IR 172 was surrendered by the Fort St. John Beaver Band.
28. The surrender document did not mention the Replacement Reserves; however at the surrender meeting on September 21, 1945, it was explained to the Indians of the Fort St. John Beaver Band that the proceeds from the sale of IR 172 would be placed to their credit and part of those proceeds would be used to buy new reserves for them from BC.
29. The proposed sites for the new reserves were selected by the Indians of the Fort St. John Beaver Band and the new reserves were reduced from four to three as one of the sites was too close to an existing settlement.
30. The documentary record of the Indian Affairs Branch indicates that the surrender of IR 172 was conditional on Canada purchasing land from BC in locations selected by the Fort St. John Beaver Band that were located closer to their traditional trapping grounds and occupied by them at the time.
31. Canada sought to secure the purchase of land for the Replacement Reserves from BC prior to finalizing any sale of IR 172.
32. On November 6, 1947, Minister of Lands and Forests, BC, wrote to the Minister of Mines and Resources, Canada with the following offer to purchase the land for the Replacement Reserves:

As you are undoubtedly aware, the minimum prices of Crown lands in the Province are \$5.00 per acre for first, \$2.50 for second and \$1.00 for third. I am, however, prepared to make the sale of the aforementioned lands in

accordance with Section 47 of the Land Act at one half of the aforementioned price, and upon receipt of the sum of \$4932.50, plus \$30.00 for Crown grant fees, Crown grants will be issued in favour of your department.

33. On November 26, 1947, Canada accepted BC's offer to purchase the three sites that would eventually comprise the Replacement Reserves.
34. In March 1948, IR 172 was sold to the Director, *The Veteran's Land Act*, for \$70,000.
35. On July 25, 1950, by Provincial Order in Council 1655, BC transferred administration and control over the land for the Replacement Reserves to Canada and Order in Council 1655 included the following paragraph:

AND FURTHER TO RECOMMEND THAT a certified copy of this Minute, if approved, be transmitted to the Registrar of Titles, Kamloops, B.C., to the intent that such certified copy be accepted as a conveyance without further formal instrument of transfer, and **that such conveyance shall be subject to the provisions and reservations contained in Form No. 11** of the schedule to Chapter 1,5 of the Revised Statutes of British Columbia, 1948; [emphasis added]

36. On August 25, 1950, federal Order in Council 4092 formally created the Replacement Reserves for the Fort St. John Beaver Band: IR 204 (Beaton River), IR 205 (Blueberry River) and IR 206 (Doig River).
37. Form No. 11 referred to in Order in Council 1655, which comprised part of the Schedule to the *Land Act* contained the following proviso:

Provided also that it shall at all times be lawful for US, Our heirs and successors, or for any person or persons acting under Our or their authority, to enter into and upon any part of the said lands, and to raise and to get thereout any minerals, precious or base, including coal, petroleum and natural gas, which may be thereupon or thereunder situate, and to use and enjoy any and every part of the same land, and out of the easements and privileges thereto belonging, for the purpose of such raising and getting, and every other purpose connected therewith, paying respect of such raising, getting, and use reasonable compensation:

38. On October 26, 1950, exploration permits regarding the Replacement Reserves were issued by Canada to an exploration company. Following the issuance of the permits, Canada was advised by BC that BC had retained the mineral rights in the Replacement Reserves and, upon examining its title, Canada agreed with BC that it had reserved title to the mineral rights, including petroleum and natural gas.

Band Split

39. On May 19, 1977, the members of the Fort St. John Beaver Band voted to divide and form two new bands: the Blueberry River Band and the Doig River Band.

40. As a result of the band split, the Replacement Reserves were divided between the Bands in the following manner:

Blueberry - Blueberry River IR 205 and southern half of Beaton River IR 204

Doig - Doig River IR 206 and northern half of Beaton River IR 204

The Apsassin Litigation

41. In 1977 an officer of the Department of Indian Affairs raised the issue of the mineral rights and IR 172 and took members of the Bands to see a lawyer.

42. As stated in paragraphs 16 and 17 of this Response, on September 19, 1978, the Bands filed a Statement of Claim in Federal Court Action No. T-4178-78, and a Further Amended Statement of Claim was filed on June 10, 1986.

43. In a judgment dated November 4, 1987, the Federal Court of Canada dismissed the claims. The trial judge made the following finding at pp. 106-107 and 110 with respect to the Replacement Reserves:

The plaintiffs also complained that they did not obtain mineral rights to the replacement reserves. Treaty lands normally carried mineral rights, since those rights had been held by the Crown in Right of Canada in the

first place. This did not apply to the replacement reserves after the mineral rights had been transferred to the Province. Unlike I.R. 172, the replacement reserves were merely reserves obtained for the benefit of the plaintiffs under the provisions of the **Indian Act** and in pursuance of the conditions of the 1945 surrender of I.R. 172, and were not treaty reserves. It turned out that the Department could not, in view of the general policy of the Provincial Government regarding reservation of all mineral rights, obtain title to those rights for the benefit of the Indians. The Department was apparently not aware of this policy nor of the reservation of rights until some time later when, in error, some of its officials indicated a readiness to grant an exploration licence on the replacement reserves to an oil company. Furthermore, although the defendant, had it obtained mineral rights in the replacement reserves, would undoubtedly have considered them as forming an integral part of the reserve, there is a lack of evidence that the defendant, as a condition of the 1945 surrender, undertook in any way to obtain mineral rights in the replacement reserves. There is also evidence which might tend to indicate the contrary. Before being chosen the areas were considered by both parties merely from the standpoint of their suitability for habitation, their proximity to the hunting, fishing and trapping grounds of the Indians, their distance from white settlements in the vicinity and the possible future development of the lands for agricultural or cattle farming by the Indians. There is no evidence of any thought whatsoever having been given to mineral rights under the new reserves.

...

To summarize with regard to alleged breaches since 1948, I find that the onus of proof resting upon the plaintiffs has not been satisfied but that, on the contrary, whatever credible and admissible evidence which does exist regarding these issues would tend to lead one to conclusions contrary to those which they seek.²

44. On appeal, neither the Federal Court of Appeal nor the Supreme Court of Canada addressed the Federal Court's findings regarding the mineral rights in the Replacement Reserves.
45. On appeal at the Supreme Court of Canada, McLachlin J. concluded that the evidence, including evidence regarding the provision of Replacement Reserves, did not support the existence of a fiduciary duty on the Crown prior to the surrender of IR 172 by the Fort St. John Beaver Band. In coming to this

² *Blueberry River Indian Band v. Canada (Department of Indian Affairs and Northern Development)*, [1988] 14 FTR 161.

conclusion, McLachlin J. considered the evidence and the findings of the trial judge pre-surrender:

The evidence supports the view that the Band trusted the Crown to provide it with information as to its options and their foreseeable consequences, in relation to the surrender of the Fort St. John reserve and the acquisition of new reserves which would better suit its life of trapping and hunting. It does not support the contention that the Band abnegated or entrusted its power of decision over the surrender of the reserve to the Crown, as attested by the following findings of Addy J. (at pp. 66-67 F.C.):

1. That the plaintiffs had known for some considerable time that an absolute surrender of I.R. 172 was being contemplated;
2. That they had discussed the matter previously on at least three formal meetings where representatives of the Department were present;
3. That, contrary to what has been claimed by the plaintiffs, it would be nothing short of ludicrous to conclude that the Indians would not also have discussed it between themselves on many occasions in an informal manner, in their various family and hunting groups;
4. That, at the surrender meeting itself, the matter was fully discussed both between the Indians and with the departmental representatives previous to the signing of the actual surrender;
5. That [Crown representatives had not] attempted to influence the plaintiffs either previously or during the surrender meeting but that, on the contrary, the matter appears to have been dealt with most conscientiously by the departmental representatives concerned;
6. That Mr. Grew [the local Indian agent] fully explained to the Indians the consequences of a surrender;
7. That, although they would not have understood and probably would have been incapable of understanding the precise nature of the legal interest they were surrendering, they did in fact understand that by the surrender they were giving up forever all rights to I.R. 172, in return for the money which would be deposited to their credit once the reserve was sold and with their being furnished with alternate sites near their trapping lines to be purchased from the proceeds;

8. That the said alternate sites had already been chosen by them, after mature consideration.³

46. The Supreme Court of Canada judgment also reviewed the evidence of the 1945 surrender meeting and concluded the following at para. 86 from the evidence:

In fact the only witness whose oral testimony with respect to the 1945 surrender was accepted by the trial judge testified: "No mention of mineral rights were made at the meeting" (p. 201 F.T.R.). Likewise, the notes of the Indian agent in Fort St. John, Galibois, indicate that no mention was made of mineral rights. At page 184 F.T.R., the trial judge states that "from and including the surrender in 1945 . . . mineral rights were never mentioned or considered either one way or the other". What the evidence does establish is that the Band was promised replacement reserves at the 1945 surrender meeting. It also establishes that the replacement reserves purchased for the Band did not include mineral rights. [emphasis in original]

Release and Indemnity

47. As a result of the Supreme Court of Canada's decision in *Blueberry River Indian Band et al v. Canada*, [1995] 4 SCR 344, Canada entered into a settlement agreement with the two Bands.

48. On March 2, 1998 the terms of the settlement agreement were endorsed by a Federal Court Trial Division Order. That Order provided that Canada would pay the amount of one-hundred and forty-seven million dollars (\$147,000,000) to the Bands. The Court further ordered that the claims of the Bands merge in that judgment and that Canada "is hereby released with respect to the claims of the Plaintiffs made in this action".⁴

49. As part of the settlement agreement the Bands granted Canada a Release and Indemnity. Clause 2(a) of the Release and Indemnity provides that the Bands agree to "forever release and discharge" Canada from any "Proceeding" which the

³ *Blueberry River Indian Band v. Canada (Department of Indian Affairs and Northern Development)*, [1995] 4 SCR 344 at para. 39.

⁴ Order from Mr. Justice Hugessen, March 2, 1998 (Federal Court of Canada Trial Division No. T-4178-78)

Bands may ever have had, may now have or may in the future have against Canada with respect to the “Action”.

50. Clause 2(b) of the Release and Indemnity provides that the Bands agree not to assert any “Proceeding” which the Bands may have ever had, may now have or may in the future have against Canada with respect to the “Action”.

51. Clause 1(a) of the Release and Indemnity defines the “Action” as:

... all of the claims made in Action No. T-4178-78 as set out in the Further Amended Statement of Claim dated December 17, 1985, and filed June 10, 1986 and the judgment of the Supreme Court of Canada dated December 14, 1995 as revised May 23, 1996 in SCC No. 23516;

Revenue Sharing Agreement with BC

52. In and around 1994, the Bands entered into a Petroleum and Natural Gas Revenue Sharing Agreement with BC over the Replacement Reserves (the “RSA”).

53. Pursuant to Article 5.3 of this RSA Blueberry and Doig received a payment of \$3,000,000 from BC representing BC’s desire to share revenues related to the extraction of petroleum and natural gas underlying the Replacement Reserves for the period up to December 31, 1992.

54. Pursuant to Article 6 of the RSA, BC agreed to pay Blueberry and Doig an amount equal to 50% of the revenue received by BC for the exploration, development, and production of petroleum and natural gas under the Replacement Reserves after December 31, 1992.

55. Pursuant to Article 9.1, BC has agreed to pay Blueberry and Doig under the RSA until March 2094, or such any earlier month that all the parties agree to in writing.

V. Relief (R. 42(f))

56. Canada seeks to have the claim dismissed in its entirety.

57. Canada seeks its costs in the proceedings.

58. If the Tribunal finds that Canada had a fiduciary or contractual obligation to secure the mineral rights in the Replacement Reserves, or to compensate Doig for those rights, which is denied, Canada relies on:

- a) s. 14(1) of the *SCTA* and seeks to have any compensation payable calculated for only those losses relating to Doig River IR No. 206 and Doig's share of the Beaton IR No. 204 as this represents Doig's share of reserve lands when the Fort St. John Beaver Band split in 1977; and,
- b) s. 20(3) of the *SCTA* and seeks to have the value received by Doig pursuant to the RSA brought forward to its current value and deducted from the amount of compensation that is payable.

VI. Communication (R. 42(g))

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Attention: Brett C. Marleau

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E-mail address for service: Brett.Marleau@justice.gc.ca

Dated: February 23, 2012



Signature of
 Respondent lawyer for
Respondent
Myles Kirvan,
Deputy Attorney General
Per: Brett C. Marleau
Department of Justice
British Columbia Regional Office