

## MEMBER STATEMENT—JULIE GREEN, MLA YELLOWKNIFE CENTRE

### ECONOMIC VALUATION OF ALL-SEASON ROAD TO WHATI

June 6, 2016

**MS. GREEN:** Mahsi, Mr. Speaker. Mr. Speaker, I now have the economic evaluation of the all-weather road to Whati. I would like to share the findings of this report completed by Nichols Applied Management of Edmonton in March 2015.

To begin with, the request for construction of this road came from Fortune Minerals, a company whose stock trades for pennies a share. The company is making the road a condition of developing its gold, cobalt, bismuth, and copper project 50 kilometres north of Whati. The road would connect Highway 3 to Whati. Estimated costs: \$152 million.

The road is a gamble, Mr. Speaker. If the 60-kilometre road is built and the mine isn't, the economic costs outweigh benefits by as much as \$135 million. The combined net benefit of the road to both the communities and Fortune Minerals, in that case, is just \$12 million. The road without a mine is not much of a prize in strictly economic terms. If the mine is built, the net benefit for the NWT goes up to \$141 million using the base case price for commodities.

Mr. Speaker, there is no question that this road will have benefits for the people of Whati. Approximately 96 percent of the \$152 million construction cost will be spent in the Tlicho region where residents will be employed in construction and road maintenance. Construction jobs are the real prize, generating \$25 million of labour income. But maintenance of the all-weather road will produce less employment income than maintenance of the current winter road. So the benefits are short and sharp over the two-year construction period.

Other road benefits are more difficult to monetize. Whati residents will be able to travel year round to shop, seek medical attention, and visit family and friends. They will spend more on gas, but less on air travel. And the cost of living in Whati will probably go down. While some residents see opportunities, others are concerned about an influx of outsiders, a disruption of their traditional way of life, and ready access to drugs and alcohol.

Mr. Speaker, I am puzzled why the government is entertaining the idea of building a road to Whati. The cost-benefit analysis concludes that the direct stimulative nature of the Tlicho road investment is larger than that of the Nico construction project itself. That is because this contrasts with the Nico project, whose economic impact is most felt outside the NWT because the majority of its mining and milling equipment and all of its smelter and refinery capital expenditure will also occur outside of the NWT, specifically in Saskatchewan. I will have questions for the Minister of Transportation