

ORAL QUESTION—JULIE GREEN, MLA YELLOWKNIFE CENTRE

QUESTIONS 625-18(3)/631-18(3): TLICHO ALL-SEASON ROAD COSTS

February 26, 2019

MS. GREEN: Mahsi, Mr. Speaker. My questions are for the Minister of Finance. Two years ago, his colleague, the Minister of Infrastructure, told the Member for Yellowknife North that the all-in cost of the road to Whati was estimated at \$175 million. The cost of building the road announced this month is 20 percent higher than that figure. Why are construction costs so much higher now than two years ago? Mahsi.

MR. SPEAKER: Masi. Minister of Finance.

HON. ROBERT MCLEOD: Thank you, Mr. Speaker. The direct construction cost, I think the Member made it in her statement before, \$185 million. The total capital cost of \$214 million, that would include the crude interest, predevelopment costs, and also GNWT costs for geotechnical studies, the EA process, project management, and provide funding for the measures resulting from the EA process. Thank you, Mr. Speaker.

MS. GREEN: I appreciate the Minister's response, but I didn't hear an answer. In two years, the two figures have differed by 20 percent. Can he tell us why that is?

HON. ROBERT MCLEOD: The initial \$175 million from the cost two years ago, since then obviously, the price to direct construction cost went up to \$185 million. That is a \$10 million difference. Maybe the prices of material and things have changed. I am not sure exactly what that \$10 million is made up of, but I can get that information and provide that information to the Member.

MS. GREEN: I appreciate that commitment from the Minister. I don't recall any discussion of the potential costs of operations and maintenance prior to the announcement earlier this month. I note that the Minister of Infrastructure didn't repeat the all-in cost of \$411 million in his statement last week. My question is: what efforts did the government make to inform the public of the actual all-in costs of this road, given that it was more than double any estimate that had been voiced publicly?

HON. ROBERT MCLEOD: The direct construction costs are \$185 million, as was noted previously. The total capital cost was \$214 million, as was noted previously as well as some of the reasons the cost was that high. The \$400 million through the P3 partnership, that would represent the total value of the 28-year contract with NorthStar Infrastructure, who are the proponents of the Whati road, of which 25 years of operations and maintenance payments are included.

MR. SPEAKER: Masi. Oral questions. Member for Yellowknife Centre.

MS. GREEN: Mahsi, Mr. Speaker. I didn't hear an answer in that, but I am going to push on. The Minister has said that this P3 project will save over 15 percent compared to a traditional model. Can the Minister provide an explanation or why this would be the case? Thank you.

HON. ROBERT MCLEOD: I believe there was an answer to the Member's previous question in the response that I provided. They wanted to know why it was \$411 million, and I explained that was through the 28-year contract with NorthStar Infrastructure. I think that was self-explanatory.

The 15 percent, compared to a traditional model, this represents a value for money that results from a P3 contract over if, the GNWT, we were to construct it, operate, and maintain the road as a GNWT project, we would pay in excess of 15 percent more than the cost that I had quoted. Thank you, Mr. Speaker.

**QUESTION 631-18(3):
TlicHO ALL-SEASON ROAD COSTS**

MS. GREEN: Mahsi, Mr. Speaker. I have a few more questions for my friend, the Minister of Finance.

I would like to ask the Minister: of the \$411 million of spending on the road to Whati, how much of that will go to TlicHO businesses and individuals over the 28-year period? Mahsi.

MR. SPEAKER: Masi. Minister of Finance.

HON. ROBERT MCLEOD: Thank you, Mr. Speaker. The \$400 million that is being invested in the project agreement signed between the GNWT and North Star Infrastructure is designed to maximize the TlicHO and northern involvement. In addition, the TlicHO government has directly invested, I believe, 20 percent into the project.

As far as the actual breakdown of what is going to be staying in the TlicHO region, I think that we will have a better idea of that as the project gets moving forward. As we do with most projects, there is a reporting process, so we will be able to provide real-time information as the project proceeds. Thank you, Mr. Speaker.

MS. GREEN: I am wondering if the Government of the Northwest Territories assisted the TlicHO in taking that participation in the consortium that is going to build the road.

HON. ROBERT MCLEOD: If the Member is asking if we assisted them financially to take a stake in the project, the answer is no.

MS. GREEN: I would like the Minister of Finance to tell us whether this project can be constructed over a longer period of time so that the construction jobs last longer.

HON. ROBERT MCLEOD: No, the financial close has been completed with the proponent, and changing the construction schedule would impact that project cost. Obviously, we would like to see folks working as long as possible. I think, with some of the experience that they gain on this, there may be other opportunities for them to work in other places. It may require some moving around.

I think we have seen a good indication of that with the Inuvik to Tuktoyaktuk highway project, where 85 percent of the workforce was pretty well from the Beaufort-Delta. A lot of them, with the experience that they have gained, have been able to find other work where they have required operators. There is a benefit that way. It may require some

moving around, but we think that that is one of the benefits of the project, and I think that the Tlicho region will see that as well.

MR. SPEAKER: Masi. Oral questions. Member for Yellowknife Centre.

MS. GREEN: Mahsi, Mr. Speaker, and thank you to the Minister for that response. As I mentioned in my statement, in terms of economic returns, it looks like the Slave Geological Province road may be more lucrative because of the advanced exploration that has gone on in that area and because it may be a lifeline for the diamond mines, who are trying to maximize production and minimize costs.

Has the Minister examined the relative economic benefits of the road to Whati to those of the Slave Geological Province, and can he share those results? Mahsi.

HON. ROBERT MCLEOD: First of all, a lot of work was done on the Whati road. The project was submitted. Funding was received for it. I don't think that you can underestimate the value of the road to the citizens of Tlicho and Whati and the benefits that it will bring to them. I don't think I need to point out the benefit, but there are a lot of benefits.

The same level of work on the Slave Geological Province has not been done yet, so I think it would be hard to compare the two, but we can never underestimate the value of making work for residents across the Northwest Territories who actually want to work. I think that this is one of those projects that would be beneficial to Whati and to the citizens of the Tlicho. Thank you, Mr. Speaker.