



# **18<sup>th</sup> Legislative Assembly of the Northwest Territories**

## **Standing Committee on Economic Development and Environment**

Report on Bill 7: *An Act to  
Amend the Revolving Funds Act*

Chair: Mr. Cory Vanthuyne

**MEMBERS OF THE STANDING COMMITTEE ON  
ECONOMIC DEVELOPMENT AND ENVIRONMENT**

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ECONOMIC DEVELOPMENT AND ENVIRONMENT**

**REPORT ON BILL 7: *AN ACT TO  
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## **STANDING COMMITTEE ON ECONOMIC DEVELOPMENT AND ENVIRONMENT**

### **REPORT ON BILL 7: *AN ACT TO AMEND THE REVOLVING FUNDS ACT***

#### **INTRODUCTION**

Bill 7, *An Act to Amend the Revolving Funds Act*, provides for the establishment of a revolving fund at the Yellowknife Airport to meet the Airport's capital, operations and maintenance needs.

The Bill received second reading and was referred to the Standing Committee on Economic Development and Environment on June 27, 2016. The Committee reviewed the Bill in conjunction with the draft business plan for the Yellowknife Airport that is essential to understanding the implications of amendments to the *Act* and how the revolving fund will be used.

The Committee received substantial feedback from the public on the proposed changes to the operation of the Yellowknife Airport that Bill 7 enables. A public hearing was conducted in Yellowknife on December 7, 2016 and was well attended. The Committee thanks all those who provided written comment and made presentations at the public hearing. The Committee has now concluded its review and is pleased to report to the House on Bill 7.

#### **ENABLING LEGISLATION**

Bill 7 amends the *Revolving Funds Act* to establish a revolving fund of up to \$36 million for the purpose of meeting the capital, operating and maintenance requirements of the Yellowknife Airport. Public concern and debate is focused on how the legislation enables the Airport to generate sufficient revenues to cover the cost of Airport operations and improve upon existing facilities and administration whereby users have a say in the operation of the Airport.

The success of the new operating model requires the Department to impose a \$20 Airport Improvement Fee on each southbound passenger departing from the Yellowknife Airport and a \$10 fee on every passenger traveling from Yellowknife to destinations within the territory. Existing aeronautical fees would also increase, in some instances by over 200%. The increased aeronautical fees would add approximately \$9 to each airfare. The combined total of these fees

would increase airfares by approximately \$29 on each southbound ticket and \$19 on trips within the territory.

The Department of Transportation currently operates the Yellowknife Airport at an increasingly significant annual cost and charges some of the lowest aeronautical fees in the country. At this time, resources for capital upgrades and airport operations are allocated through the Government's capital and business planning processes, where the Airport competes with all other Government of the Northwest Territories' infrastructure and program needs.

## **PUBLIC COMMUNICATION**

The Committee notes that travelers from remote communities may be charged an additional \$48 for travel as a result of the new revolving fund. Arriving in Yellowknife on a regional carrier, these passengers would pay an extra \$29 to travel south, then an extra \$19 to return to their home community.

The Committee suggests that the new fees are not well understood by the public. Members acknowledge the Department's current campaign to promote the Yellowknife Airport and stress the importance of clearly communicating the introduction of the new revolving fund to the public.

### **Recommended Action 1**

**The Committee recommends that the Department of Transportation enhance its public messages on changes to fees and other operational aspects of the Yellowknife Airport to ensure that airfares are well understood and that new charges are applied in a transparent manner on ticket receipts.**

## **ECONOMIC IMPACTS**

The Committee heard serious concern that increased airfares would be detrimental to the northern economy, especially the tourism industry. NWT Tourism firmly believes that higher airfare will have a negative effect on tourism operators and other businesses. The organization highlighted that it was not aware of any analysis showing how the Northwest Territories' tourism industry could absorb the impact of higher airfares.

Air North President, Joseph Sparling, cited Yukon statistics on the positive results of reduced airfares to the Yukon, including growth in the tourism sector

and expressed concern that increased fees at the Yellowknife Airport would result in a decline in visitor spending and a loss to the economy almost equal to revenues generated by higher fees. Essentially, increased ticket prices would increase the cost of living and decrease residents' quality of life while reducing the number of visitors and visitor spending.

## **COST OF LIVING**

Introducing a user-pay system at the Yellowknife Airport increases the cost of living and doing business in the north comes at a time when the economy has slowed, exploration and industrial activity in the Northwest Territories has stagnated and the population of the Northwest Territories is declining. Reducing the cost of living is key to the mandate of the 18<sup>th</sup> Assembly. The Committee heard that increased ticket prices would significantly impact individuals' cost of living and affordability of northern residency as well as the cost of northern business travel.

Considering the timing of the increased fees, the Committee heard that a phased-in approach could help both individuals and the business community absorb the increased travel costs more easily and allow them to make resulting adjustments with less impact on customers.

### **Recommended Action 2**

**The Committee recommends that the Department re-consider implementing increased fees over a period of time, and regularly reviewing fees to determine whether they may be reduced in the future.**

## **Federal Responsibility**

The Committee heard that transportation to and from the Northwest Territories should be as inexpensive as possible and that airport infrastructure is a federal responsibility. Residents want the Government of the Northwest Territories to urge Canada to act on the recommendations in the 2014 federal *Transport Act* review for greater investment in northern airports. The Committee points out that the federal government provided a substantial contribution to the expansion of the air terminal at the Erik Nielsen Whitehorse International Airport, through the Canada Strategic Infrastructure Fund. The Committee further notes that improvements to airports in the Northwest Territories are not included in the Federal Engagement Strategy which serves to guide efforts to secure further infrastructure investments.

**Recommended Action 3**

The Committee recommends that the Government of the Northwest Territories advance airport improvement projects through federal infrastructure funding programs, review its Federal Engagement Strategy to include federal investment in air transportation as a priority, and press the federal government to invest in upgrades to northern airports' infrastructure and safety as recommended in the 2014 Canada Transport Act review.

**PUBLIC ACCOUNTABILITY AND OPERATING MODEL**

The operating model proposed for the Airport created concerns related to public accountability. The Committee is aware that the Department reviewed a range of operating models, from status quo, to a fully privatized Airport. The revolving fund model was chosen essentially because it allows the Airport to become financially viable while remaining within Government control. It moves the Airport away from operating a net loss most quickly without privatization.

The Committee heard that some stakeholders would prefer the creation of an airport authority under the purview of an arm's-length board of directors instead of the proposed special operating entity and revolving fund. The Committee has drawn two recommendations from the issues of public accountability:

**Recommended Action 4**

The Committee recommends that the operating model implemented through amendments to the Revolving Funds Act be reviewed regularly with a view to increasing independence and establishing a publicly accountable airport authority.

**Recommended Action 5**

The Committee recommends that the Department report annually on the performance of the Yellowknife Airport Revolving Fund.

The Department plans to establish an Economic Advisory Committee, a group of up to seven business community representatives appointed by the Deputy Minister of Transportation to advise on the commercial operation of the Yellowknife Airport. Standing Committee members reviewed the terms of reference for the Economic Advisory Committee and remain concerned about its accountability and oversight. Members believe it should be more representative of the people the Yellowknife Airport serves, established under legislation, accountable to the Minister of Transportation and that participation on the Economic Advisory Committee should not represent undue hardship. Members pointed to the Department of Environment and Natural Resources' Waste Reduction and Recovery Committee as an example of an advisory body with broad public representation which is established in legislation.

#### **Recommended Action 6**

**The Committee recommends that the Department establish the Economic Advisory Committee in legislation, as soon as possible, in conjunction with the revolving fund, under the authority of the Minister of Transportation; and that members appointed to the Committee represent a wider range of stakeholders such as the City of Yellowknife and Aboriginal governments and business partners; and further that the Committee report annually to the public.**

There is apparent consensus that improvements are needed at the Yellowknife Airport and other airports across the Northwest Territories. Funding these improvements is a challenging issue. The Committee heard that stakeholders want complete assurance that revenue generated at the Yellowknife Airport would be dedicated to the operation, maintenance and capital costs of the Airport and not used to support other Government infrastructure. Yellowknife resident Wendy Bisaro also suggested that an Airport Improvement Fee also be considered at other airports.

The Committee heard that some travelers were willing to pay an additional fee in Yellowknife if they saw such improvements as greater efficiency for check-in, security, aircraft de-icing and baggage handling procedures among other upgrades identified in the draft Airport business plan. Airport employee Brad Enge offered the Committee many practical examples of much-needed upgrades to existing Airport facilities. The City of Yellowknife, Javaroma and the Yellowknife Chamber of Commerce all highlighted business and growth opportunities as the basis of their support for the new operating model. While NWT Tourism disagreed with any additional costs to travelers, it supported

proposed air terminal enhancements as a way to improve visitors' experience and create a "sense of place."

#### **Recommended Action 7**

**The Committee recommends that the Department prepare an annual business plan for the Airport for the Economic Advisory Committee's review and comment, and make this information and the Committee's input publicly accessible.**

#### **ADDITIONAL COMMENTS**

The review of Bill 7 also raises some broader concerns beyond the enabling legislation. While the legislation may be quite simple, its implications may be complex and wide-reaching. In introducing any future amendments to the *Revolving Funds Act*, the Committee expects Departments to accompany the legislative proposal with a full business case for revenues collected. In the case of Bill 7, legislation was introduced prior to the completion of the proposed business plan for the operation of the Yellowknife Airport. As a result, the Committee was limited in its ability to consider the implications of the Bill and the legislative review process was delayed.

#### **CONCLUSION**

In closing, the Committee highlights both the risks and opportunities that Bill 7 enables. The Committee heard general support for further investment in the Yellowknife Airport and its improvement and enhancement. At the same time, Members are fully aware of the risk that the revolving fund may not perform as well as intended and that impacts on tourism, business and leisure travel have yet to be quantified. Increased fees also raise the cost of Government travel. Stakeholders and the public also expect a greater role in operations and accountability.

The Committee has made recommendations in this report in an effort to mitigate risks and represent stakeholders' concerns related to operating the Airport under a revolving fund. The Yellowknife Airport is a public airport and ultimately belongs to all residents. Associated user fees are an investment in this critical northern infrastructure hub. They should be regarded as such by those both paying and collecting fees and managed with utmost accountability to all northerners.

**Recommendation 1**

**The Committee recommends that the Government provide a comprehensive response to this report within 120 days.**