

**GOVERNMENT OF THE NORTHWEST TERRITORIES RESPONSE TO MOTION  
6-17 (4): GASOLINE PRICING REGULATIONS**

**Motion**

NOW THEREFORE I MOVE, seconded by the honourable Member for Nahendeh, that the Government of the Northwest Territories (GNWT) investigate and evaluate the possibility of regulating gasoline prices;

AND FURTHER, that the GNWT provide a comprehensive response to this motion within 120 days.

**GNWT Response**

The GNWT commissioned R. Marshall and Associates to complete a review of the retail fuel market in the Northwest Territories (NWT), provide an overview of how fuel price regulatory systems operate elsewhere in Canada and finally, to assess whether similar systems, when applied to the current retail market in the NWT, may provide a means to address the high cost of living in NWT communities.

After reviewing the regulatory systems in place in other jurisdictions, it is clear that one of the primary reasons for introducing regulation was to stabilize the price of fuel in affected markets. Volatility in the price of fuel is not an issue in the Northwest Territories; in fact fuel prices in Yellowknife have been static for at least the last 18 months.

Another motivation behind the introduction of regulation in other jurisdictions is the desire to protect small, independent fuel retailers in markets that have the potential to be dominated by retail outlets owned by major oil companies or "big box-stores". As most NWT communities are served by small, independent service station operators, there is no need to introduce regulation to protect small operators from undue competitive pressures.

A comparison of estimated NWT service station sales volumes and operating margins to typical service station metrics in the rest of Canada suggests that most NWT operators are characterized by low annual sales (due to small markets) and higher annual operating costs. While NWT consumers may pay slightly more for fuel than their southern counterparts, this appears to be reasonable given the cost to operate a service station in a northern community. The introduction of fuel price regulation could potentially result in lower retail fuel prices in some communities, but could also have the effect of making it more difficult for small, independent operators to cover operating costs and ultimately lead to fewer retail outlets in NWT communities.

Overall, the conclusions reached in the report provided by R. Marshall and Associates do not support the idea that fuel price regulation by the GNWT is needed to ensure consumers pay just and reasonable prices for fuel.

There is a lack of compelling evidence that service station operators are charging artificially high prices for gasoline or diesel fuel, and as a result it is not clear that fuel price regulation would be an effective response for most NWT communities serviced by the private sector.