



**GOVERNMENT OF THE NORTHWEST TERRITORIES RESPONSE TO COMMITTEE
REPORT 6-18(2): REPORT ON BILL 7: AN ACT TO AMEND THE REVOLVING FUNDS ACT**

Background

The Standing Committee on Economic Development and Environment (SCEDE) presented its Committee Report "Report on Bill 7: *An Act to Amend the Revolving Funds Act*" on February 7, 2017. This report contains seven recommendations for the Department of Transportation (DOT) with regards to the establishment of a new revolving fund for the Yellowknife Airport and the introduction of an Airport Improvement Fee (AIF).

On March 8, 2017, Committee of the Whole passed Committee Motion 89-18(2) recommending that the Government of the Northwest Territories (GNWT) provide a response to Committee Report 6-18(2) "Report on Bill 7: *An Act to Amend the Revolving Funds Act*" within 120 days.

The recommendations contained in the report were originally directed at DOT. With the amalgamation of the Departments of Transportation and Public Works and Services on April 1, 2017, this responsibility has been assumed by the new Department of Infrastructure (INF).

Recommended Action 1

The Committee recommends that the Department of Transportation (DOT) enhance its public message 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.

GNWT Response

INF is committed to providing clear and transparent information to the public regarding any fee changes at the Yellowknife Airport and the implications for travellers. The public will also be engaged in the future development of business plans for the Airport.

However, tickets are issued by airlines and not the GNWT. Federal regulations require that airlines advertise the full price of the ticket; however, it is up to the airlines as to whether they show fees as a separate line on the ticket invoice. While INF will provide clear information to the public on fees generally, passengers will need to rely on information provided to them on their tickets for specific costs for individual flights.

Recommended Action 2

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

GNWT Response

INF considered implementing proposed fee changes through a phased approach. There were a number of factors that made taking this approach undesirable, including the following:

- (1) Phasing in fees would create uncertainty for air carriers and travellers.
- (2) A phased approach would mean that a significant operating subsidy would have to be maintained from NWT taxpayers.
- (3) A phased approach to implementation would result in a delay in the ability to make necessary capital improvements, meaning a delay in realizing the benefits of increased fees. A recent Sensitivity Analysis determined this approach would not be cost effective.

Fees will be reviewed regularly and will be directly linked to the cost of operations and the need to meet anticipated capital expenditures. Costs, revenues and capital reserves will be transparent within the new revolving fund structure.

Recommended Action 3

The Committee recommends that the GNWT 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 *[sic]* Review.

GNWT Response

INF agrees that the federal government has a role to play in funding northern aviation infrastructure and reducing the cost of regulatory compliance.

In the past, the GNWT has benefitted from funding under Transport Canada's Airport Capital Assistance Program (ACAP) to enhance infrastructure at NWT airports.

Additionally, funds received from the federal government under the previous Building Canada Plan were used to construct new airports in Colville Lake (2012) and Trout Lake (2016), increasing the safety and capacity of air travel to both communities.

INF will continue to lobby the federal government for increased funding; however, there are essential safety and security capital investments that need to be made. Our plan for Yellowknife Airport will enable us to make those investments in a timely manner. Federal funding is limited and there is no certainty that the GNWT will receive approval for infrastructure improvement projects.

We cannot always wait for the federal government to provide the required support. For instance, we are currently working with CATSA on the security screening problems and part of the solution may involve capital works which Yellowknife Airport will have to fund. While we do not control this federal agency, we are pressing them to improve the service which is impacting our business and aviation partners, as well as our passengers.

Infrastructure priorities are determined by the GNWT based on areas of most need. Currently, the greatest transportation infrastructure priorities for the GNWT are the three key strategic highway corridors outlined in the mandate of the 18th Assembly – the Tłı̄chǝ All-Season Road, the Mackenzie Valley Highway, and the Slave Geological Access Corridor. As such, it was decided to focus on these projects in the Federal Engagement Strategy. Opportunities to pursue funding for airport infrastructure may arise in the near future and INF will do its best to make the most of these opportunities. The federal government has released its Transportation 2030 Plan in response to its engagements on the *Canada Transportation Act* Review report, which includes a total investment of \$81 billion in infrastructure. \$2 billion over 11 years has been identified for small, rural, remote, or northern communities and it is possible that this may provide an opportunity to invest in airport infrastructure in the NWT. INF will stay engaged on further details regarding the federal government's long-term infrastructure plan.

Recommended Action 4

The Committee recommends that the operation model implemented through amendment to the *Revolving Funds Act* be reviewed regularly with a view to increasing independence and establishing a publically accountable airport authority.

GNWT Response

The Airport operational model will be reviewed regularly and other options may be considered in the future, including the potential for establishing an airport authority.

Recommended Action 5

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

GNWT Response

INF will publish annual reports providing information about how well the Airport is achieving its mission. All annual reports will be publically available. Additionally, the Yellowknife Airport Revolving Fund will be included as an Information Item in the Main Estimates for INF.

Recommended Action 6

The Committee recommends that DOT 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.

GNWT Response

The Economic Advisory Committee (EAC) is not intended to be a governing body for the Airport. Rather, its mandate is to provide a forum for community business leaders to share their expertise and provide advice to assist the Airport in capitalizing on business opportunities. It will provide an opportunity for engaged NWT business leaders to help shape the development of the Airport, to help attract outside investment in the Airport, and to enable the Airport to act as a catalyst for the wider economy.

The inclusion of a statutory governance entity is something that could be considered in the future with a different governance structure such as an Airport Authority. At this time, there would be no substantive benefit to amending legislation to include an advisory board, and the approach being taken will provide more flexibility to adapt and improve the model.

At this time, however, the model that is being introduced is that the Yellowknife Airport remains within the GNWT but with funding for the Airport being maintained in a stand-alone revolving fund. This fund will still be subject to GNWT financial oversight and accountabilities, including accountability to the Legislative Assembly.

The EAC is intended to be one of several committees that will provide advice to the Yellowknife Airport. Other such committees include the Airline Consultative Committee (ACC) and the Airline Operating Committee (AOC). Each of these committees will have a specific mandate.

The ACC and AOC provide the opportunity for the airline community to meet formally with airport management to discuss issues of concern and develop potential solutions.

The AOC is primarily concerned with common operational and short-term issues, and the airline representatives are generally locally based. In contrast, the ACC is primarily made up of airline representative at the Executive level. Their primary concern is financial and issues with medium to long term impact. Formal meetings of these committees are supplemented by bilateral airline-airport meetings to discuss specific airline concerns.

Given the mandate of the EAC, it is important that its membership have proven entrepreneurial experience and success. A number of qualified individuals who are actively involved in local and Aboriginal government organizations, airport business, the tourism sector and the general public have expressed interest in being on the Committee.

These individuals will bring their enthusiasm and expertise as individual citizens and not represent the interest of any particular organization or business.

In addition to these committees, the Yellowknife Airport will benefit from continuing and ongoing engagement with stakeholders, including those from local and Aboriginal governments, the tourism industry, and business and industry associations.

Recommended Action 7

The Committee recommends that DOT 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 publically accessible.

GNWT Response

A draft business plan was posted on DOT's website on September 16, 2016. INF intends to renew the Yellowknife Airport business plan on an annual basis. In developing the annual plans, the input of all of the advisory committees will be critical. The draft business plan will be shared with the EAC and the ACC for their review and input, and will inform the development of business plans.

It is expected that each of the committees will provide advice in the development of annual business plans based on their mandates and expertise, which will include commentary on the Airport's developing capital plan. As such, it would be expected that the ACC will focus its input primarily on improving Airport operations and associated capital investments, while the EAC will provide input and advice on capturing opportunities to attract outside investment in the Airport and increasing resulting revenue streams that will benefit the Airport and the region.

All business plans will be publically available.