



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Finance

FINA • NUMBER 076 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Tuesday, April 4, 2017

—
Chair

The Honourable Wayne Easter

Standing Committee on Finance

Tuesday, April 4, 2017

•(1105)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): We'll call the meeting to order. Today we have, pursuant to Standing Order 108 (2), the study of economic growth in the territories, which partly relates back to our pre-budget hearings. Today we have as a witness the Honourable Robert McLeod, who is the premier.

Welcome, Mr. Premier. It's great to have you here.

Mr. Aumond, secretary to cabinet, welcome to you.

I know you did send in a brief that has been sent to all members, so we'll open it up to remarks from you. You're obviously a star because we have quite a few members at the committee who aren't normally here, such as Mr. Tootoo, Mr. McLeod, and Mr. Bagnell.

Welcome, Mr. Premier. The floor is yours.

Hon. Robert R. McLeod (Premier, Government of Northwest Territories): Thank you very much, Mr. Chair, and good morning, committee.

I'm very pleased to see our members of Parliament from the three territories here to back me up and also to see some colleagues I have worked with in the past. It's very good to see you here.

Thank you for the invitation and the opportunity to be here before you today. I appreciate the committee's interest in seeking the views of the Government of Northwest Territories on matters that affect the daily lives of our residents. Our government is one of partnership and consensus building. In order to serve the people who elected us, we must be able to fully participate in the decisions that will impact our people, our territory, and our future.

To begin with, I would like to give you some context around the 1.1 million square kilometres that make up the Northwest Territories.

Our residents live in 33 communities ranging in population from less than 100 to 22,000. The population of the Northwest Territories is about 44,000 people. About half of that population is indigenous—first nations, Inuit, and Métis. I should also mention in our Legislative Assembly we have 11 official languages.

There are significant differences in economic and social indicators between the larger and smaller communities, and between indigenous and non-indigenous populations. For example, the average income in the 327-person community of Paulatuk on the coast of the Beaufort Sea is \$31,000 per year, compared to \$71,000 in Yellowknife.

Educational attainment also shows serious discrepancies. More than 2,000 indigenous residents over the age of 15 do not have a grade 9 education. In stark contrast to that, only 195 non-indigenous residents over the age of 15 do not have grade 9. As many of you will know, grade 9 literacy and numeracy skills are considered the most basic skills required to find success in daily life.

The current gross domestic product of the Northwest Territories is \$4.8 billion, with the resource development sector accounting for nearly 40% of our GDP. Our economy is extremely interdependent with industries like construction, transportation, and wholesale trade, with professional, scientific, and technical services being significantly impacted by the resource sector.

When we talk about our economy, we are talking about the ability of our government to support our residents. That support comes in many forms through programs and services, through decent employment opportunities, and perhaps most importantly the ability to provide hope for a future for themselves and their communities.

Tourism, technology, culture, and traditional activities make up a very small portion of our economy today, and we are looking to bolster those sectors to help diversify our economy. By way of comparison with the resource development sector, tourism accounts for 3.5% and fishing for 0.01%. Diversifying our economy is critical to providing opportunities for our residents, and the lack of access to supply management for our budding agriculture industry proves challenging. To bridge the gap between these sectors we will need significant investment.

The continuing challenge for achieving sustainable growth in the Northwest Territories' economy is one foreign to most of the rest of Canada—the significant lack of public infrastructure. What many Canadians take for granted, northerners must live without. Only 12 of our 33 communities have uninterrupted access via the all-weather highway system, and only 33% of the land area of the Northwest Territories is within 100 kilometres of all-weather roads. Not only does this impact our residents in terms of a high cost of living, it also creates challenges for economic growth.

I want to provide you with some context around government finances in the Northwest Territories. The Government of Northwest Territories has planned spending of \$1.66 billion on operations and \$266 million on infrastructure in the 2017-18 fiscal year. Our total revenue is expected to be \$1.86 billion the same year. Federal transfers comprise a significant portion of revenue, 66%. Other portions include taxes, other transfers from Canada, and resource revenue.

• (1110)

The Government of Northwest Territories, unlike provinces, operates under a federally imposed debt limit, which for the Northwest Territories is \$1.3 billion. Our total borrowing is expected to reach \$990 million in 2017-18.

While the Government of Northwest Territories does have a fiscal strategy to manage its infrastructure investments within the federally imposed borrowing limit, the committee should be aware that current debt service payment levels are affordable and only account for about 1% of total annual revenue. In order for the Northwest Territories' economy to grow, it will have to rely less on Canada for revenue to deliver programs and services. Federal investment in required infrastructure and flexibility in our borrowing limit will allow our government to invest today to sustain tomorrow's economy for our children and grandchildren.

The Northwest Territories' economy has not fully recovered from the 2008 global recession. The two largest diamond mines, which employ thousands directly and indirectly, could face closure within 10 years. The Snap Lake Mine closed in 2016. Another diamond mine, Gahcho Kué, opened earlier in 2017, with an expected life of approximately a decade. Currently, the Northwest Territories exports over \$2 billion a year in diamonds.

The Norman Wells oil field is temporarily shutdown because the pipeline that carries the crude oil to Alberta needs repairs. This oil field is not likely to operate beyond the next five to 10 years as production has been declining significantly. Given the current and projected prices for both oil and natural gas, we do not expect any significant exploration or production in the Northwest Territories for the next decade, even though the Northwest Territories holds 16.2 trillion cubic feet of marketable conventional natural gas and 193 billion barrels of oil.

There are opportunities in exploration and mining related to minerals such as lithium, bismuth, and other rare earths, which are key components to emerging green technology and digital sectors. In fact, we have two mines for these commodities that have received their environmental regulatory permits, but they cannot secure the required financing to commence operations. We also have base mineral and gold projects that may be developed should the commodity markets continue to improve.

In my view, and in the view of indigenous government leadership in the Beaufort Delta, the unilateral decision by Canada to impose a five-year moratorium on oil and gas exploration in the Beaufort Sea flies in the face of the Government of Northwest Territories' and the indigenous government's right to self-determination. This unilateral decision has quelled any hope for oil and gas exploration in the region, and has sent a message of uncertainty to all resource sectors across the Northwest Territories, including mining. The moratorium

has all but closed the door on the approved Mackenzie Valley natural gas pipeline, which will sunset in 2023.

As well, we are faced with the implementation of a carbon pricing system that will make the exploration and development business case harder to make.

What message has this sent to our youth about their future? We encourage them to stay in school, to make good choices, and to contribute to their communities. How can we expect them to make that commitment if at the end of their schooling there are no economic opportunities for them?

Self-determination is crucial for the Northwest Territories for both public and indigenous governments. Although there are land and resource agreements to be concluded, most indigenous people in the Northwest Territories have settled agreements and are working towards implementing self-government. Similarly, the Government of Northwest Territories continues to pursue the transfer of the legislation that governs most of the Northwest Territories, the Mackenzie Valley Resource Management Act. This is our right under the devolution agreement between the Northwest Territories and the Government of Canada. It is frustrating that this agreement is not fully implemented.

Northerners see the impacts of climate change on a daily basis, whether it is low water levels impacting our waterways and hydro system, shore erosion in the Beaufort Sea washing away buildings in remote communities, or the shocking decline in our caribou herds. For example, the Bathurst caribou herd has gone from a population of over a million to about 26,000. Northerners are attuned to the changing environment and the need to adapt.

• (1115)

Investment in economic infrastructure, people, and sustainable communities is essential to address the future of our territory. Northwest Territories residents have the same aspirations as other Canadians and a robust northern economy is a critical component of achieving those aspirations.

A strong partnership with the Government of Canada is essential to ensure northerners can achieve their social, environmental, and economic goals. By working with our federal counterparts, the Government of Northwest Territories will help create a Northwest Territories where all people can thrive and be healthy, where a strong economy provides jobs and opportunities for all our communities, and where a well-managed environment contributes to our economic well-being and quality of life.

Opportunities currently exist that will help address our medium-term economic and financial challenges.

Expanding our all-weather roads system will provide immediate economic benefits and facilitate economic growth. Developing transportation infrastructure is critical in supporting economic development that benefits northerners and all Canadians, increasing social and economic opportunities for Northwest Territories residents, and building resilience in the face of climate change.

Recent projects include the Inuvik to Tuktoyaktuk highway, which will be completed this year, and the Tlicho all-season road, a project being undertaken with funding from PPP Canada and the Government of the Northwest Territories.

Two additional priorities are development of the Slave geological province access corridor and the Mackenzie Valley highway. The Slave geological province access corridor opens important access to this mineral-rich part of Canada, both in the Northwest Territories and Nunavut. The Mackenzie Valley highway is a major project to connect several communities to the public highway system and mineral resources in the heart of the Northwest Territories. Substantial planning has taken place and the business case has already been completed and submitted to the Government of Canada.

Reliable and affordable energy is essential for economic development and to provide services in our communities.

A key area for investment is the expansion of the Taltson hydro facility. This project, in partnership with Northwest Territories indigenous governments, will create economic opportunities, connect the Northwest Territories to the intercontinental energy grid, and reduce greenhouse gas emissions by 360,000 tonnes in southern Canada. The third key infrastructure investment is required for three smaller-scale renewable energy projects to reduce reliance on diesel-generated power. Collectively, these projects reduce greenhouse gas emissions, lower the cost of living, and demonstrate innovative solutions for off-grid diesel communities.

These investments can help to ensure that the Northwest Territories maintains a strong economy and healthy environment to provide jobs and opportunities for our residents and communities, and where our youth can be confident there will be employment and economic opportunities for them well into the future. Infrastructure is an important area for investment and partnership with the federal government is required.

As I said at the beginning of my presentation, the Government of the Northwest Territories wants to fully participate in all decisions that affect our residents. When new policies and strategies are being considered, we must be involved in a meaningful way far in advance of implementation. We want to work with Canada and we appreciate all of your interest in the Northwest Territories.

Thank you very much, Mr. Chair.

• (1120)

The Chair: Thank you very much, Mr. Premier, and thank you for the very direct approach you took in your presentation to call it as you see it. We appreciate that.

Quite a number of years ago, I was up to one of the diamond mines in your area. That's the only time I ever visited that area. It's a very interesting area with a lot of potential.

Before we turn to questions, I have one because it wasn't mentioned in your presentation. I'll background it a little bit. When we were doing pre-budget hearings, we heard from all the regional development agencies about what they do. In your area, it's CanNor. I'm just wondering if you have any opinions on CanNor in terms of what they do, how helpful they are, whether they have provided enough funding, or anything along those lines.

Hon. Robert R. McLeod: Thank you, Mr. Chair.

Personally, I have a long history with CanNor. With my background, I was quite involved with the public service, specifically in the area of economic development. CanNor, for the most part, is located in the Northwest Territories. We have spent a lot of time working together, so that our priorities are aligned and we have more focused investment. I would say that, for the most part, the funding and investment from CanNor has benefited the Northwest Territories and the people of the Northwest Territories in all of the various sectors that they have provided with funding.

The Chair: Thank you for that answer.

Turning to seven-minute rounds, we will start with Mr. Sorbara.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Mr. Chair.

Welcome, Premier, and thank you for coming down from up north—and it is up north.

In your introductory remarks, you talked about potential ways to diversify the economy. You mentioned that it would require “significant investment”. I wonder if you could elaborate on that point. I'll have a second question to ask after that.

Hon. Robert R. McLeod: In every area, we are hindered by the lack of infrastructure. For example, in mining and in oil and gas, if there is any investment there are extra costs involved because of the need to invest in infrastructure. In any other diversification—agriculture, fishing, what have you—we need investment in infrastructure.

The fact is that most of our small communities are not accessible other than by air, or by water in the summertime, and there is very little manufacturing in the north, so whatever economic diversification there is has to be brought in from the south. Consequently, if you look at the economic leakage, you'll see that for every dollar expended in economic diversification, probably 70% to 75% winds up back in the south, or as we call it, “outside”.

Mr. Francesco Sorbara: As the Premier of the Northwest Territories, with climate change obviously impacting the north in a significant way, can you talk about how it's impacting you and give me a perspective on how it's impacting the economy and life for northerners? What adjustments are being made? What role do you see for us to play in terms of assisting the citizens who live up there to adjust to climate change and the negative impacts that are happening, both in the north and globally?

Hon. Robert R. McLeod: I think that's a very hard question. For those of us living in the Northwest Territories, and for my colleagues in Nunavut and the Yukon, who can speak for themselves and are in a similar situation, we're affected on a daily basis by climate change. Growing up in the north, what we experienced even 20 years ago or 30 or 40 years ago is very different. I have a litany of events that I could talk about.

Water levels are down. I think that this year we might have had -40°C once, for just one day. It used to be that you'd get -45°C for three months straight. We have wildlife species showing up in the north that were never there before, such as cougars and white-tailed deer. As well, the treeline is moving further north. The Beaufort Sea used to be ice-free for four and a half weeks a year, and now it's ice-free for 15 to 20 weeks a year because it takes longer for the ice to form. We used to wonder if a grizzly bear and a polar bear got into a fight which one would win, but we see our hunters shooting hybrid bears, so I guess they don't always fight when they get together.

Also, it's affected the way we build our roads. We had to change our road construction. It's affected the way we build our buildings, because we live on discontinuous permafrost.

All of these things affect us. We have a very good arrangement with the Government of Canada. We signed on to the pan-Canadian climate framework, whereby we're going to work with the Government of Canada. We are very concerned that the carbon pricing mechanism will add to the high price of living, but we've been able to work with the federal Government of Canada. We'll find ways to make it work.

Thank you.

• (1125)

The Chair: Thank you.

Mr. Albas.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): Thank you, Mr. Chair.

Mr. Premier, thank you for making the large visit. I know that it takes a lot to get here.

I'd also like to thank my fellow members of the finance committee, because the openness to having you and other premiers come in to represent the views of people of the north I think is an excellent opportunity for all of us. When I first got involved in politics, someone said to me, "Dan, just remember that Ottawa may seem to be only a few thousand miles away, but for us back home it's like 30,000, because sometimes the decisions made are so remote." I certainly appreciate your presence.

I'd like to talk a bit about the moratorium, because you did reference it in your opening statement. Obviously, the moratorium surprised many. Were you consulted ahead of time? Was your government consulted?

Hon. Robert R. McLeod: As I said, it has been widely quoted in the media. I got a phone call two hours before.

Mr. Dan Albas: There have been a lot of changes down south, and there's a new administration that has already made some rollbacks in certain policies of the previous administration. If that

was to occur, would you hope that the Government of Canada would likewise remove the moratorium if the Americans chose to do the same?

Hon. Robert R. McLeod: We are on record that we will work to have the moratorium lifted within five years. Looking at what's happening in the United States, where the President has written orders to roll back some of the environmental provisions, it's not clear whether he's taking action to roll back similar provisions in the Beaufort. On the Alaska side, however, there has been renewed interest in oil and gas drilling.

It has been reported that some Italian companies are seriously looking at getting into drilling on the Alaska side. I guess it's still in motion.

Mr. Dan Albas: Would your preference be, if that was to be done in the United States, that Canada would do the same? Do you have the same options?

Hon. Robert R. McLeod: From what I understand, that train has left the station. We are seeking answers for existing work that has been bid on. There was over two billion dollars' worth of work that was bid on in the Beaufort on the Canadian side. The Prime Minister indicated that this would only apply to new applications. It's not clear what will happen to work that has been bid on and awarded previously. There's about 2.3 billion dollars' worth of work that is still in limbo, where there have been no answers. We haven't been able to get any answers on those questions yet.

• (1130)

Mr. Dan Albas: I certainly hope you get that, because it is so critical in attracting investment.

In regard to carbon taxes, being a territory there is a slightly different arrangement. Given your population, and I'm sure many communities are diesel-dependent, have you looked to get an exemption from the carbon-pricing framework? What has been the response back from the government?

Hon. Robert R. McLeod: No, we haven't looked at an exemption, even though I know that some of our provincial colleagues have an exemption. I think Nova Scotia has been given an exemption to continue to use coal up until the 2030s.

I think we're going to work together and look at the existing system. We have about 25 communities that rely solely on diesel. We haven't found any economically feasible ways to get off diesel, although we've been holding public hearings on a new climate change policy for the Northwest Territories and a new energy strategy. We have some environmental groups that have come up with strategies that claim that within 23 years we can become 100% free of diesel, so we're looking at that.

I think this is going to require working closely with the federal government. We have asked for funding to convert to renewable and alternative forms of energy, to invest more in hydro, and to invest in road infrastructure that will reduce our greenhouse gas emissions.

Mr. Dan Albas: Have you decided whether or not you're going to use a cap-and-trade system, which I think would make it even more difficult for you to be competitive with other jurisdictions like Alaska or other economic development opportunities, or are you looking to do a carbon tax and then discuss redirecting some of those funds to get off diesel with the federal government?

Hon. Robert R. McLeod: We haven't finalized that, because we're still holding community consultations. Our preliminary analysis is that our population and our economy is too small for a cap-and-trade system to work or to be effective. More than likely, we would look at some other forms of carbon pricing, which would likely be a carbon tax.

Mr. Dan Albas: I think those are all of my questions.

The Chair: Okay.

Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault (Sherbrooke, NDP): Thank you, Mr. Chair.

Thank you for being here, Mr. Premier. The relationship between the federal government and the territories, particularly the Northwest Territories in this instance, is an extremely important issue for our committee.

You mentioned the devolution of powers. In 2014, there was an agreement to grant greater powers to the Northwest Territories. You gave the example of the Mackenzie Valley Resource Management Act, which is still a federal act and has not been repatriated by your legislature.

Are there other examples you could provide to the committee of federal acts for which the situation remains the same?

[English]

Hon. Robert R. McLeod: There are a number of areas. The most important one that took the longest for our government to achieve devolution in has been the land and resources. We've achieved devolution in almost all of the other areas. Still outstanding from the devolution agreement is an agreement to be negotiated on management of the offshore in the Beaufort.

In the Mackenzie Valley Resource Management Act, the agreement was that we would review it after five years. We're in a situation where we would like to be able to appoint our own members to the Mackenzie Valley boards. Right now we can't, so that's an area where we have made representation that we shouldn't have to wait five years.

There are other areas we had been working on for devolution that are still federal responsibilities. One that comes to mind is fisheries. It's still a federal responsibility, and there are some other environmental provisions that are still with the Government of Canada.

• (1135)

[Translation]

Mr. Pierre-Luc Dusseault: When you talk about exploiting resources on the high seas, do you mean that there is no agreement as to royalties or benefits you could derive as territories?

[English]

Hon. Robert R. McLeod: That's right, and in our mind we aspire to having the same kind of co-management as they do in Newfoundland and Nova Scotia, but we are still waiting. There was a trigger that was negotiated as part of the devolution agreement. The negotiations were supposed to start six months after devolution had been implemented, and it's been over two years now.

[Translation]

Mr. Pierre-Luc Dusseault: Retaining young people in your communities is one issue you mentioned. Thanks to the Library and our analysts, we have figures according to which a large proportion of workers in the Northwest Territories come from another province and are interprovincial or interterritorial workers. You also mentioned that there is a problem with retaining your young people.

In your opinion, what would be the best way of approaching that problem, in order to try to provide jobs to the residents of your territory and not to people who come from elsewhere, and also to try to retain your young people?

[English]

Hon. Robert R. McLeod: The Northwest Territories is the only jurisdiction in Canada whose population has been declining for the past 10 years. New Brunswick joined us in that club for a few years here and there, but we're the only jurisdiction that sees its population decline. It's not by much. At most it's maybe 400 or 500 a year. It is very concerning to us because it affects our funding. A large part of our formula financing is based on population, so we've been looking at ways to increase our population.

When we look at our small and remote communities, we have 50% or 60% unemployment, and when you look around Yellowknife, anybody who wants a job can get a job. There is probably 100% employment, but the skills don't match up. We still fly in and fly out probably anywhere from 2,000 to 3,000 workers every year to work at the diamond mines. We haven't been able to resolve that. People who fly in leave. If you live in the north and work in the diamond mine, there's a \$25,000 yearly northern allowance, and people who fly in are forgoing that. They would rather live in the south and forgo that.

We have looked at a lot of different ways. We have the best student financial assistance program in Canada. We want our students to come back. A lot of them come back for two or three years until their student loans are paid off and they get experience. The north has a lot of good jobs where young people can get a lot of experience. They get very marketable skills and they're snapped up. After they work for three or four years in the north, they can get a very good job in the south. We have what we call the two-and-four phenomenon as well. We have young professionals who come north by themselves, find a partner, and have kids. Then they realize grandma and grandpa are a long way away and they move, so then you have four people who move south.

I guess, to make a long story short, we think the best way to increase our population is by immigration. We have a quota, and our immigration is increasing every year. We've been to China quite a few times. We think the Chinese are very interested in immigrating, but it takes a long time to process their papers. Those are the kinds of things we're looking at.

[Translation]

Mr. Pierre-Luc Dusseault: I have often heard about issues the Nutrition North Canada program tries to address. Is the cost of foodstuffs in the North still a problem? In your opinion, is the program satisfactory, or should it be improved?

• (1140)

[English]

Hon. Robert R. McLeod: Nutrition north is a program that helps the people of the Northwest Territories and the other territories. Food insecurity is starting to be a very big problem. When we were growing up the only way people who lived in the small communities could survive was by traditional harvesting off the land. They'd catch all their food. They would hunt and fish and trap. Now some of the wildlife populations are at risk. For example, caribou used to be a mainstay of people's diets; now we ban by almost 100% the hunting of caribou. We have a small number of tags that we make available to the Tlicho and the Yellowknives Dene people. For the most part, people have to go and buy their food from the store or grow their own food. If you buy food from the store, it's very expensive. Steaks and pork chops are not cheap.

Nutrition north has had some issues, but certainly it helps the people of the north survive.

Mr. Pierre-Luc Dusseault: Thank you.

The Chair: Thank you both.

Mr. Fergus.

[Translation]

Mr. Greg Fergus (Hull—Aylmer, Lib.): Thank you, Mr. Chair.

I would also like to thank the Premier of the Northwest Territories for being here with us.

It is always a pleasure to welcome you to Ottawa.

I would like to ask some questions, but first I will yield the floor to the member for the Northwest Territories, Mr. Michael McLeod.

[English]

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you.

I welcome the opportunity to ask you a few questions.

A very informative presentation. You flagged a number of the issues that challenge us in the north. The issue of growing our economy is an important one. We know that our smaller communities have challenges in terms of out-migration and communities are shrinking in size. We have many social issues across the north. In some of our studies we recognize that suicide is a symptom of the level of despair that has been created. We're seeing, on average, in the three territories a suicide every 10 days, and in the Northwest Territories it's every four to five days. The state of the economy has a role in this and is factored in.

We need to address a number of things. You flagged some of them that are causing problems. The low population numbers result in lower numbers of investment in the north. We have the issue of land claims that are outstanding and self-government issues that are outstanding and need to be resolved, and the lack of infrastructure. But we also have the issue of funding that is based on population, and I wanted to raise that one first.

Perhaps we could just talk a bit more on how we could benefit from base-plus funding rather than population-based investment.

Hon. Robert R. McLeod: I was very pleased to see, in the latest federal budget, that they have committed to base-plus funding. This is an issue that has affected us in the north, not only in the Northwest Territories but in all three northern territories. It's been a continuous requirement to have per capita funding. For example, on the infrastructure funding, because we have a very small population, to do it on a per capita basis we might get a couple hundred thousand dollars to build roads. It might allow us to build maybe half a kilometre of road with that approach. Similarly, with health care almost every program we deliver is on a per capita basis. We get a very minimal amount of funding, although we're in the highest-cost environment in Canada.

Base-plus allows us to deal with specific issues. It allows us to build a road, if needed. It certainly allows us to have a health care system on par... I wouldn't say it's on par now with the rest of Canada, but it certainly allows us to have a health care system where people can access health services even in some of the smaller communities. It also allows our children to have an education so that they can aspire to whatever they would like to aspire to.

We still have a lot of social issues. We spend 70% of our budget on social programs, and we still have significant issues with suicide. We still need to spend a lot more on mental health, obviously.

• (1145)

Mr. Michael McLeod: My next question is on the issue of a borrowing limit. You indicated that we're not quite at our limit, that we have some room, but there is so much in terms of infrastructure need, and we have a huge infrastructure deficit. The federal government still has a program. We still rely on cost sharing. Historically the percentage sharing has been 75:25.

You mentioned some projects in here: the Mackenzie Valley highway, the Slave geological province, and Taltson Hydro. With the room you have left in the borrowing limit, and with the cost-sharing formula, will you be able to do all three? Will you be able to accommodate a number of these, or one of these, with what you have left? The Mackenzie Valley highway, if we did the whole thing, would be well over a billion dollars. I think it's \$1.7 billion.

Hon. Robert R. McLeod: Our fiscal strategy took that into consideration. I think our borrowing limit during the 15th assembly was \$350 million. When we built the Mackenzie Valley bridge, we were able to increase our borrowing limit to \$500 million, I think. When we built the Inuvik-Tuk highway, we wanted to be a partner but our borrowing limit was hampering us. We were able to increase it to \$1.3 billion.

Our fiscal strategy, for the first two years of this government, our 18th legislative assembly government, has been to have budget reductions so that we would be in a situation where we could invest in infrastructure. If we get all three of the infrastructure projects that we've been talking about, we think we'd more than likely, depending on the percentage of investment required, also look at, as we've done in the past, a strategy of asking to increase our borrowing limit.

We think we have a responsible government. We have responsible financial managers. Our credit rating from Moody's is AAA, so we question the need for a borrowing limit, but we're prepared to play by the rules. If we're in that good position of having all of those infrastructure projects approved, we would seek to have a borrowing limit increase.

The Chair: Thank you both.

I would just say on the base-plus funding, Nunavut, the Yukon, the Northwest Territories, and P.E.I. all have seen pretty strong value in that, because the fact of the matter is that without the base fund, those areas would just fall further and further behind. I certainly agree with you on that point.

Turning to five-minute rounds, Mr. Liepert is first, please.

Mr. Ron Liepert (Calgary Signal Hill, CPC): Premier McLeod, thanks for being here. Bob and I go back a long way, obviously, given the affinity between Alberta and the Northwest Territories.

Premier, there are a couple of things that I want to pursue. I guess it's more looking at what the federal government can do in terms of investment to open up the north, versus all of the things that we would traditionally think about spending money on in terms of infrastructure.

The first question that comes to mind would be this. Are there opportunities with technology—investments in technology—that could open up opportunities for the north? I mean, the reality is that the jobs of the future are going to be tied to technology and not to the hands-on type of work that we've seen in the past. I'm wondering whether it would be wise to emphasize that over the next 10 to 20 years. The federal government should look at how technology could open up the north with investments.

• (1150)

Hon. Robert R. McLeod: That's certainly an area that we've always felt could be a way of the future. Our government has just completed spending \$90 million on the Mackenzie Valley fibre optic link to connect all of our communities up and down the Mackenzie Valley, so that certainly will improve.

We think that in a number of very high-cost areas, innovation will reduce the cost, for example with long-distance education and long-distance health. With the technology nowadays, some people say it doesn't matter where you're located. People have asked, what would

you do? We've gone through exercises where we ask what you would do if there was no mining in the north, for example. What would you do? There have been a lot of different ideas. Perhaps you could have call centres. If you can have call centres in India, why can't you have them in the Northwest Territories?

Reading the paper, I see New Brunswick is very interested in getting into the cannabis industry. Maybe there are opportunities there. We know you can grow it in the Northwest Territories.

Mr. Ron Liepert: The reason I say that is that in Alberta, it seems like when people move to the north, there's a tendency in many cases to want to stay there. It's not like people don't want to live in the north. It's just that when they move to the north, the opportunities to stay there in terms of future employment are limited.

The other area that I wanted to maybe talk a bit about is the diamond mines and the fly-in, fly-out. It's always been a big issue in Alberta—not so much anymore but with the oil sands—to fly in and fly out. It's terrific that we have the business investment, but at the end of the day, many of those same people... I could imagine situations in Yellowknife where it would actually benefit people to leave Yellowknife and move to Edmonton to work at the diamond mines, because there'd be fly-in and fly-out available in Edmonton, whereas there isn't in Yellowknife necessarily.

We're going through a tax review right now. Have you thought about having discussions with the finance department to see whether jurisdictions like yours would have the opportunity to benefit from some of that personal tax that today doesn't go to your government but back to the jurisdiction where those employees happen to live, while you bear the costs of things like health care and other things if those workers are injured? Have you had any discussions with the federal Department of Finance in that matter?

Hon. Robert R. McLeod: We've had a lot of discussions with the Department of Finance in a number of areas. An obvious one is that the more people we have in the Northwest Territories, the more money we get through the formula financing arrangement, so that benefits us.

On the cost of living, the northern residents deduction has increased by 33%, so that will help. We also have a payroll tax, which we instituted several years ago. I think it's at 4%. We were thinking of increasing this to 10%, but it becomes a problem because the federal finance department has said, "You can jack it up, but you're going to have to collect it yourself". They're not going to collect it for us. We found when we looked at it that the cost of collecting made it not feasible for us to do.

Mr. Ron Liepert: Does that apply to the fly-in, fly-out folks?

• (1155)

Hon. Robert R. McLeod: Yes.

Mr. Ron Liepert: Okay, I didn't realize that.

The Chair: This is the last question.

Mr. Ron Liepert: About a year ago, if I recall, there was a Supreme Court decision relative to Métis jurisdiction and how the federal government treats Métis versus aboriginal. Has anything happened as a result of that Supreme Court decision that has been of benefit to your jurisdiction?

Hon. Robert R. McLeod: Not yet. I think they are still waiting. Most people figure it will take a couple of years for the federal government to respond, but in the Northwest Territories we've been dealing with the Métis as if that is already in place. We've been paying for Métis health benefits for at least 15 years now. We have an invoice ready to send as soon as we find out what the federal government's decision is with regard to Métis benefits, at least health benefits.

Mr. Ron Liepert: Thank you.

The Chair: Thank you, both.

Mr. Ouellette, you have five minutes.

Mr. Robert-Falcon Ouellette (Winnipeg Centre, Lib.): Thank you very much.

Thank you very much, Premier, for coming here today. I very much appreciate it.

I'd like to correct the record, though. I don't think we should actually say Métis versus aboriginal, because in fact Métis people are aboriginal people as well, under the Canadian constitution. That's just the nature of who they are. They are also indigenous people.

I was just wondering, Mr. Premier, if you could talk about the Mackenzie highway and the importance of the transportation and infrastructure that you need in order to develop your region and your territory economically.

Hon. Robert R. McLeod: The highway system is very critical to the existence of the north, because it provides all of the services. The Mackenzie Valley highway, for example, right now is a winter road system, so for maybe two months of the year we can drive into the isolated communities in the Sahtu. It allows people to drive in and out. They can buy their own groceries, building supplies, and what have you, and that reduces the costs significantly.

It's similar for bringing fuel into the communities. If you can bring it in by winter road, then.... It would be a lot better with an all-weather road, because you wouldn't have to worry about breakup, freeze up, and those kinds of things, or having to fly in most of your basics. Infrastructure is very critical. It allows for economic development and it also reduces the cost of living for people in those affected communities.

Mr. Robert-Falcon Ouellette: Could we also assume, to a certain extent, Mr. Premier, that it would be attractive for people to have a road for their communities, that it would be something that would probably keep them in the region, if they could gain easy access in and out of their own communities to other communities?

Hon. Robert R. McLeod: That is my expectation. I think that communities along a road system are more stable. We are starting to see more and more that people in the isolated communities are moving to regional centres, which are more than likely to have all-weather road access.

Mr. Robert-Falcon Ouellette: Mr. McLeod, could you discuss the ideas surrounding the hydro development that you are looking to do and its importance for electricity? I know there are a lot of groups that don't like hydro development, and there are some that do. What would this do? Why is this energy important?

Hon. Robert R. McLeod: In the Northwest Territories, we have significant hydro potential, on par with James Bay. We have legacy hydro projects in the north that were built for mining developments. For example, Taltson is one we've been talking about with the federal government. It is an existing hydro facility that was built to provide power for Pine Point, which was a community built in conjunction with a lead-zinc mine. When the mine shut down, they tore the community down, but they still have a hydro facility that generates about 18 megawatts of power. What we're talking about is that, if we are going to go to a low-carbon economy, we can build an expansion to Taltson and export power to, say, Saskatchewan or Alberta, and we can use those revenues to invest in other areas to convert other communities as well.

● (1200)

Mr. Robert-Falcon Ouellette: I just have one very short final question.

Could you talk a little about indigenous languages in the Northwest Territories? I know there's been some controversy in certain northern regions surrounding language.

Could you talk a bit about what the Northwest Territories is doing to support not only the official languages

[*Translation*]

French and English, our two national languages, but also aboriginal languages?

[*English*]

Hon. Robert R. McLeod: We used to speak Michif at home.

As I said, we have 11 official languages. Some of the members of our legislative assembly, not so much now but over the years, were fluent in their aboriginal languages, and they had arranged for translation services. It's been very difficult for a government to work to preserve those languages. We've taken a number of different approaches. I think now we've given the responsibility back to the aboriginal governments. Along with the funding we have an aboriginal languages unit, and we also have a French language unit.

I'm very pleased that the federal government has seen fit to increase funding for aboriginal languages. We just signed a new seven-year contract with the Government of Canada whereby funding for aboriginal languages has increased significantly. I think that gives us more hope that we'll be able to save those aboriginal languages.

The Chair: Thank you, both.

The premier has to leave about 12:15 or 12:20, and I'd like to give Mr. Tootoo the last round.

Mr. Deltell is next, and I believe Ms. O'Connell has given her time to Mr. Bagnell.

Mr. Gérard Deltell (Louis-Saint-Laurent, CPC): Thank you, Mr. Chair.

I would be very pleased to let my colleague Mr. Tootoo have the time.

Premier, you're welcome in your House of Commons. It's a great honour for me and for all of us to see you here.

I want to raise the issue of the Beaufort Delta.

If you don't mind I will speak in my native tongue.

[*Translation*]

In your document, you vigorously denounce the unilateral Government of Canada imposition of a five-year moratorium on oil and gas exploration in the Beaufort Sea, which you say hurts you directly. It hurts you first in terms of rights, and it also affects economic development.

Could you explain your position on this?

[*English*]

Hon. Robert R. McLeod: You have to recognize that there was significant oil and gas activity in the Beaufort Delta back in Prime Minister Pierre Trudeau's days. There were significant incentives whereby, if you spent a dollar, 90% of that was subsidized. There was a lot of drilling activity in those days. People in the region invested money and were looking forward to benefiting from oil and gas development over the years and they're still hoping for that.

Work is bid on in the neighbourhood of \$2.3 billion. The land claims that were negotiated with aboriginal governments also recognize that. We also had a devolution agreement where there was a legal commitment to negotiate offshore management of the Beaufort. Those were the kinds of things that were out there. Also, in the land claim with Inuvialuit was a requirement for consultation and that didn't happen either.

[*Translation*]

Mr. Gérard Deltell: Could climate change, and the fact that we may soon see vessels more often on the high seas of the Canadian North, have a direct impact on the development of oil resources in the territories?

[*English*]

Hon. Robert R. McLeod: As you know a lot more cruise ships are going through with the Northwest Passage being open much longer. I think the most we've ever had is about 75 cruise ships in the northern part of Canada. A joint study was done with Alberta on pipelines. If you can't go north, east, or west, perhaps you could look at north. The study concluded that it was feasible and that you could export on a regular basis at some point. You would obviously need some icebreaker support and some more infrastructure developed in Tuktoyaktuk and some of the other places up and down the valley. The potential is there. It could be done but that remains to be seen.

• (1205)

The Chair: Ms. O'Connell.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): Premier, welcome, and thank you very much for attending here today. I'm going to give my time over to Mr. Bagnell.

Thank you.

Hon. Larry Bagnell (Yukon, Lib.): Thank you.

I'd like to thank the Parliamentary Secretary, Ms. Petitpas Taylor. She came north last week and did a round table on education. The three colleges are putting together an application to help people when they get out of high school—it's about \$60 million, I think—to get to the next level to apprenticeship, to professions, to university.

Could you talk about whether you're supportive of that and the importance of education in your economic development?

Hon. Robert R. McLeod: Obviously, education is one of the highest, if not the highest, priorities for our government. For people in the smaller communities, education is a way to allow them to gain marketable skills. We do have a very good student financial assistance program, but we don't have any universities, for example, so we're not able to access the billions of dollars that are available in universities in the south, and all these centres of excellence.

We do have a community college, Aurora College, and we are doing a review of the college and its programs. There are at least two other institutions that are looking to get accreditation so that they can access funding. We think it's very important—apprenticeship programs and all of these different educational programs. We would certainly like to see a university of the north, preferably in the Northwest Territories, at some point.

Hon. Larry Bagnell: Thank you. I'll ask one more question, but it will have three parts, so it will probably use up all the time.

First, we haven't talked about arts yet. In my territory it's a very important part of the economy. I'd appreciate if you could talk about that.

Second, do you have any needs related to airports and ports?

Hon. Robert R. McLeod: Certainly, in the Northwest Territories art is very important. I know many people, many households, rely on arts to make a living and survive, even our own. When I was growing up, my mother was very big on arts. She made a lot of money doing moose hair tufting. These are the kinds of programs that our government likes to support, because we know that money goes directly to the people and stays in the communities. We support trapping, the arts, and all the artisans. We try to make it easier for them by making materials available. We even have business loans that they can access. We also work with them to develop markets

Airports are very important to us. They are very concerned about the additional requirements that are being put on airports, the length of the runways, and the types of aircraft that can land and so on. They are critical to the health of a community.

Regarding ports, we would certainly like a port. We don't have a port in the Northwest Territories and we think that if we had a port, it would certainly improve and help diversify our economy. Now that we have a road to Tuktoyaktuk, we think Tuktoyaktuk would be a good place to have a port.

The Chair: Thank you both.

Mr. Tootoo, welcome.

Hon. Hunter Tootoo (Nunavut, Ind.): Thank you, Mr. Chairman. It's good to see you again, Premier McLeod. I see there are two Mr. McLeods here—clan McLeod.

I have three questions that I will try to get through. You mentioned, along with Nunavut and the Yukon, sitting down and coming to a mutual agreement with the federal government in relation to carbon pricing. I think all three of us understand and recognize the uniqueness of the circumstances of the north, which is totally reliant on diesel and already hitting the highest cost of living in the country. Would your goal be to look at coming to some kind of agreement that would mean that for all the territories, this would be a cost-neutral exercise?

• (1210)

Hon. Robert R. McLeod: That's something we've talked to the Government of Canada about. We've all agreed that we'd work together to make sure that we understood what the implications of an introduction of a carbon pricing mechanism would be before we would introduce it. I think that gives us some flexibility. There is a lot of concern, for example, with the diamond mines in the north. There's been a suggestion that if we introduce a carbon tax without some investigation of the implications, it might shorten the life of these mature mines. We've been given assurance that any revenues from a carbon tax would stay in the north, stay in the jurisdiction. Perhaps there's some flexibility there.

As I said, we are consulting with all of the communities, all of the industry sectors, so that we will have a very good idea of what the implications would be when we look at doing so.

Hon. Hunter Tootoo: Thank you, Premier.

The second question I have affects all three territories similarly.

These national formulas that you mentioned on a per capita funding basis historically haven't worked for us, for all three territories. With the huge infrastructure deficit, the low level of services and health outcomes with health care funding and things like that, do you think that these national formulas don't work for the territories and that the government needs to look at thinking outside the box and outside these national formulas in dealing with the unique circumstances of the north?

Hon. Robert R. McLeod: I think that would be helpful. I think the government is doing that in the health care system; there are specific provisions for the three territories.

I think on not only the infrastructure side but also, for example, on-reserve and off-reserve funding for housing and so on, a lot of times we lose out because we don't have reserves and we do have status or treaty Indians who live in the Northwest Territories. Those are the kinds of things that we are concerned about. This is something that we constantly raise. I think that our members of Parliament do a good job of making sure that the government of the day is aware of these subtle differences. It's important for us because we're a small jurisdiction and we have to keep a very close eye on our budgets.

The Chair: This is your last question, Mr. Tootoo.

Hon. Hunter Tootoo: Thank you, Mr. Chair.

I think you hit the nail on the head in your opening comments when you talked about the lack of public infrastructure. To me, that's probably one of the biggest barriers to sustainable economic growth in all three territories. Canada put in the roads across the country. It put in the rail line. It put in the airports. It put in the ports on the east

and west coast, but that didn't happen in the north. I think Canada needs to make a significant investment in infrastructure in the north beyond where they are right now.

Increasing your borrowing limit is just like giving you more rocks in a leaky boat. Recognizing that the territories have limited opportunities to generate own-source revenues and that because of the historic way that things have been rolled out we are so far behind, to me, that's an investment. It's expensive for some of the projects, like the Grays Bay project, or the Manitoba road and hydro project, and the deep sea port in Iqaluit. All these types of infrastructure projects cost a lot of money. You have to remember that a dollar down here is 33¢ up there because of the high cost of doing things. Investing in infrastructure in the north, or any investment in the north, as you pointed out, is an indirect investment into the southern economy.

Do you feel that the federal government needs to make a significant investment in infrastructure in the north in order to create a strong, stable, vibrant economy that will lead to the self-sufficiency of the territories and help with your problem of people leaving because there are no opportunities?

• (1215)

Hon. Robert R. McLeod: Certainly that's a very important element for us. It's a message we are constantly given. We recognize that we're a very small population. We are asked why the government should spend money in an area where there's a small population. I think it's very important because the north is part of Canada. We shouldn't be penalized for where we live.

I think investing in the north also helps provide for Arctic sovereignty. If everybody left the north, then I think it would be an issue. I think that the people who are there like living there. They think it's a good place to live, work, and invest. We'd like to keep it like that. With some more investment I think we can get economic development and more people to come and stay there.

The Chair: Thank you, both.

I have one last question, Mr. Premier.

In your submission you point out that there are opportunities in exploration and mining related to minerals such as lithium, bismuth, and other rare earths. Rare earths are very important in this day and age, and are key components in the emerging green technology and digital sectors. You go on to say that two mines for those commodities have already received their environmental regulatory permits but can't get the required funding to commence operations.

What can the federal government do in that regard to help? I really do believe that is an opportunity for the north. It's an opportunity for the country as a whole. It would add to growth in our economy. What needs to be done there to hit the end goal?

Hon. Robert R. McLeod: We were in the situation where we had four mining projects that went through the regulatory process and were fully approved. All the permits were approved. Only one of them went ahead, and that was the Gahcho Kué diamond mine because they had the money and they were able to go into immediate construction. The Nechalacho rare earth project had to raise \$1.6 billion to start construction. NICO gold and lithium project has to raise about \$500 million to go ahead.

We are working with the federal government. The Tlicho all-weather road will help facilitate raising capital for the NICO project because the all-weather road will reduce their costs of building a road to the mining project. The federal government could find a way to help us work with these companies to access capital, perhaps with the infrastructure bank that's been talked about. We haven't heard the full details about that. That might be an opportunity.

Certainly, I've been to China five times. We always have mining companies along to try to find ways to raise capital. We think that, if

the commodity prices improve and if we can find a way to work with industry to raise capital, that would certainly help go a long way.

Thank you, Mr. Chair.

The Chair: Thank you very much, Premier, for your presentation.

Thanks to committee members for their questions. We will leave it at that.

Just for the committee's information, we do have another committee meeting right after votes around 3:30. To give members something to think about between now and then, the Minister of Finance has offered to come to committee on the 10th to appear before us on estimates and on the budget, not the budget implementation act because we won't have it by that time. If we want to accept that offer, we'll determine that at 3:30.

Thank you again, Mr. Premier.

This meeting is adjourned.

Published under the authority of the Speaker of
the House of Commons

SPEAKER'S PERMISSION

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the Parliament of Canada Web Site at the following address: <http://www.parl.gc.ca>

Publié en conformité de l'autorité
du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante : <http://www.parl.gc.ca>