



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

# **Standing Committee on Industry, Science and Technology**

---

INDU • NUMBER 035 • 1st SESSION • 42nd PARLIAMENT

---

**EVIDENCE**

**Wednesday, November 23, 2016**

—  
**Chair**

**Mr. Dan Ruimy**



## Standing Committee on Industry, Science and Technology

Wednesday, November 23, 2016

• (1535)

[English]

**The Chair (Mr. Dan Ruimy (Pitt Meadows—Maple Ridge, Lib.)):** Welcome, everybody, to meeting 35 of the Standing Committee on Industry, Science and Technology. Today we have the honour and the pleasure to have some outside guests here from the Government of the Northwest Territories.

We have the Honourable Robert McLeod, premier. Welcome today, sir.

We have the Honourable Robert C. McLeod, deputy premier, Minister of Environment and Natural Resources, Minister of Finance, and Minister of Human Resources. We have the Honourable Caroline Cochrane, Minister of Municipal and Community Affairs. We have the Honourable Louis Sebert, Minister of Lands and Minister of Justice. We have the Honourable Alfred Moses, Minister of Education, Culture and Employment. Finally, we have the Honourable Glen Abernethy, Minister of Health and Social Services.

We thank you and welcome you to our industry, science, and technology committee.

We understand you have some presentations, so without further ado, I'll give you the floor.

**Hon. Robert R. McLeod (Premier, Government of the Northwest Territories):** Thank you, Mr. Chair.

I will also introduce Mr. Wally Schumann, Minister of Industry, Tourism and Investment, Minister of Transportation, and Minister of Public Works and Services.

**The Chair:** My apologies, Mr. Schumann.

**Hon. Wally Schumann (Minister of Industry, Tourism and Investment, Minister of Transportation, and Minister of Public Works and Services, Government of the Northwest Territories):** I'm good.

**Hon. Robert R. McLeod:** Thank you, committee, for meeting with the Government of the Northwest Territories this afternoon.

We are here for some business meetings with the Prime Minister, ministers, and a number of standing committees about some of the challenges and opportunities facing the people of the Northwest Territories today. We're very pleased to have the opportunity to meet with the Standing Committee on Industry, Science and Technology.

Before we get to the presentation, I would like to take a few minutes to talk about our territory. I was pleased to hear that some of you had been up to the Northwest Territories and visited us.

In the Northwest Territories, 44,000 residents live in 33 communities that stretch from the southern border with the provinces of Saskatchewan and Alberta to Banks Island in the Arctic Ocean. Our biggest community is Yellowknife, with approximately 21,000 people, while our smallest community is Kakisa, with fewer than 50. Twenty-seven of our communities have fewer than 1,000 people, and 16 of these have fewer than 500.

Only 12 of the Northwest Territories' 33 communities have year-round road access to southern Canada, and four of them can only be reached by air or water. Although the Northwest Territories has substantial hydroelectricity potential, only eight Northwest Territories communities are powered by hydro. The remaining 25 are powered by stand-alone diesel generators.

Lack of transportation and energy options drives up the cost of living for Northwest Territories residents far beyond what our fellow Canadians face. In 2015, for example, residents of Ulukhaktok paid \$8.25 for a 540-millilitre tin of tomatoes, and residents of Fort McPherson paid \$7.85 for a single litre of milk.

People in Fort Smith, a community of 2,500 people near the Taltson hydro facility, pay 16¢ a kilowatt-hour for electricity. Most of the territory pays much more. In Yellowknife, home to half the Northwest Territories population, we pay 30¢ per kilowatt-hour, while the cost in diesel communities is 65¢ a kilowatt-hour—compare that to on-peak rates of 18¢ per kilowatt-hour here in Ottawa.

At the same time, the Northwest Territories is experiencing the effects of climate change at a faster pace than southern Canada. In Inuvik, the average annual temperature has already risen by 4°C since the 1950s, while in the southern part of the Northwest Territories, we are already experiencing annual temperature increases of 2°C.

Climate change is resulting in coastal erosion, thawing permafrost, landslides, increased snow loads on buildings, and drought. Shorter winter road and marine operating seasons as a result of warmer temperatures result in incomplete or more costly community resupplies. Building techniques have had to adapt, resulting in more complicated and costly public infrastructure projects. At the same time, transportation of people and goods is being disrupted, as permafrost degradation contributes to uneven roads and runways.

One thing about northerners though is that we have always had to rely on our own ingenuity. With limited access to outside resources and supplies for much of its history, the people of the Northwest Territories have always had to be creative with their solutions. We continue to use that creativity and innovation to address modern problems and lead the way in applying new techniques and technology for cold-weather building construction, road construction, and renewable power solutions.

We are second in Canada in installed solar photovoltaic capacity per capita and a national leader in wood pellet use. Projects like the Mackenzie Valley fibre optic line and the Inuvik to Tuktoyaktuk highway demonstrate our forward thinking.

We think the lessons that we have learned in the Northwest Territories can be applied to southern Canada as well, particularly in transition to a green economy.

We are here to today to talk to you about three priority projects where we believe there's substantial opportunity for the Government of the Northwest Territories and the Government Canada to work together to bring about transformative change in the north and to achieve national goals with respect to climate change.

Mr. Chair, I would now like to turn you over to Minister Wally Schumann, who will speak about these opportunities in greater detail.

• (1540)

**Hon. Wally Schumann:** I'm very pleased to be here this afternoon to provide the committee with some perspectives from the Government of the Northwest Territories on areas where we believe the Northwest Territories can make significant contributions to the overall national objectives related to green energy, and can support economic growth and development in the knowledge-based economy.

I would like to begin by speaking about some priorities in the Northwest Territories that we believe will provide benefits for the residents of the Northwest Territories and for Canada.

The first priority is phase one of the Taltson hydroelectric expansion project. This project would see the expansion of the existing Taltson hydroelectric system in the southeast area of the Northwest Territories. The project includes a 60-megawatt expansion of the Taltson hydro site and the construction of a 200-kilometre transmission line to Saskatchewan. This project is a potential game-changer for the N.W.T. and for Canada, in increasing the availability of clean, renewable power.

By connecting NT Hydro—currently stranded—to the national energy grid through Saskatchewan, we could then help reduce the national greenhouse gas emissions by 360,000 tonnes annually over several decades. Given the expected life of the facility, that is a big step forward in achieving the national climate change priorities and in living up to the terms of the Vancouver declaration. The expansion would rely on existing water storage, with no new flooding to generate ongoing revenues. In a territory where aboriginal partnerships are part of our daily reality, this project would be built in partnership with aboriginal governments, creating economic opportunities for them and for aboriginal-owned businesses across the N.W.T.

Our second priority is innovative renewable energy solutions for remote northern communities that currently rely on expensive, carbon-intensive diesel for power. Stand-alone diesel generation is the only source of power for 25 of the Northwest Territories' 33 communities. This situation is costly from both an economic and an environmental perspective. The Government of the Northwest Territories has been advancing solutions for this issue for over a decade now. What we have today are the best and most innovative solutions for addressing diesel-generated power use in Canada's remote north. Like many of our priorities, this one involves several approaches designed to respond to the unique demands of our many communities. It includes a wind energy project in Inuvik, high-penetration solar for projects in 15 off-grid communities, and a hydro transmission line to Fort Providence.

The Inuvik wind project includes the development of up to four megawatts of wind energy and a 10-kilometre transmission line to the town of Inuvik. We estimate that this project will reduce greenhouse gas emissions by 4,300 tonnes per year and will eliminate the need for 1.3 million litres of diesel annually in the largest diesel community in the Northwest Territories. This is a groundbreaking project that would be the first large-scale wind project north of the Arctic Circle in Canada.

The second solution includes the installation of high-penetration solar, with batteries or efficient variable speed generators, in 15 diesel-powered communities in the Northwest Territories. Batteries and variable generators are the only way to significantly decrease greenhouse gas emissions in remote communities, and can achieve diesel and greenhouse gas emission reductions of 20% to 25%, as opposed to the 2% to 4% from solar alone. We have already demonstrated the success of this approach in two High Arctic communities: Colville Lake and Aklavik. Reproducing this success in 15 additional communities in the N.W.T. would provide annual greenhouse gas reductions of 2,600 tonnes per year, would improve energy security for these communities, and would advance our national goal to reduce our reliance on diesel power generation.

The third solution is the construction of a transmission line to connect Fort Providence, one of the N.W.T.'s larger diesel communities, to the Taltson hydroelectric system. This transmission line will reduce greenhouse gas emissions by 4,900 tonnes per year and will permanently supply renewable power to the community.

• (1545)

The final priority I would like to talk about is the construction of all-weather road infrastructure for adapting to climate change impacts. As the premier indicated at the beginning of our presentation, inadequate transportation links are a challenge for N.W.T. communities. With only 33% of our land mass within 100 kilometres of an all-weather road, we are highly dependent on seasonal transportation links such as winter roads and ice roads. Climate change is greatly affecting the reliability of these links, particularly at vulnerable ice crossings.

New road corridor projects, such as the Mackenzie Valley Highway and the Slave geological access corridor, will mitigate the impacts of climate change, connect our communities to each other and to the rest of Canada, and increase the safety, reliability, and resiliency of the transportation system.

At the same time, these new links would enable new trade opportunities and economic prosperity. The Mackenzie Valley Highway corridor will connect several N.W.T. communities to the public highway system and provide reliable access to a wealth of petroleum and mineral resources. Substantial planning work has already been completed. Priority components of this project include the construction of the Bear River bridge, engineering and environmental studies for the remaining Wrigley to Norman Wells phases, and the construction of the Tulita to Norman Wells segment, including the completion of environmental assessment activities.

The Slave geological province is the site of N.W.T.'s existing diamond mines and still contains a wealth of untapped mineral potential. However, climate change has resulted in shortened operating seasons for the existing winter road servicing the region, and this has resulted in significant transportation costs and operational difficulties for mining developments. An all-weather corridor into the region would eliminate these difficulties, lowering the cost of exploration and development for industry and supporting the N.W.T. in reaching its full economic potential.

These priority areas build on innovative work that the Government of the Northwest Territories has already been doing, and I would like to take a moment to highlight a few areas that should be of interest to the committee.

First, we are very pleased that this winter we will see the completion of the Mackenzie Valley fibre link. This fibre optic line will cover more than 1,100 kilometres and bring state-of-the-art, high-speed fibre optic communication to small and remote communities along the Mackenzie Valley Highway. This will support economic development and diversification opportunities for our residents and give the Government of the Northwest Territories innovative new ways to deliver programs and services, such as health and education services, to our smaller communities.

In addition to these benefits, the Mackenzie Valley fibre link will provide high-speed connection to the Inuvik satellite station facility, supporting near real-time transfer of Canadian and international satellite data. The data received from these satellites is used for environmental monitoring, northern science, sustainable resource development, climate change, and security and surveillance, particularly for Canada's vast Arctic regions.

Natural Resources Canada, the Swedish space agency, the German space agency, the Norwegian space agency, and private companies already have dishes at the Inuvik satellite station. We expect that, over the next 20 years, the number of satellite dishes at Inuvik could increase to about 25. I'm sure you would share in our vision of Inuvik becoming a hub of research and the potential that the satellite station has, along with the fibre link project, to provide a variety of economic opportunities in the north.

As has been noted, the Northwest Territories has a particular interest in renewable energy, so for many years the GNWT has been

investing millions of dollars into energy projects with a focus on displacing imported fossil fuels. The GNWT has already led efforts to reduce emissions through energy efficiency and by using low-carbon heating sources, such as wood pellets. This extends to our own assets. By 2017-18, nearly 20% of all GNWT heating for facilities like offices, schools, and health centres will be provided through the use of biomass. Overall, our electricity system is powered mainly by hydroelectricity. In an average year, over 75% of community electricity is produced using renewable hydroelectricity. The Northwest Territories is second in Canada in installed solar PV capacity per capita. In a territory that is dark for significant parts of the year, this speaks to our openness to innovation.

Speaking of innovation, I would be remiss if I did not note the work on the Inuvik to Tuktoyaktuk highway. This highway is 138 kilometres long and is a testament to the partnership between the federal and territorial governments and to the need to use leading-edge science and innovation to complete these types of projects. In order to complete the highway construction and protect the permafrost along the highway alignment, typical cut-and-fill techniques could not be used for this project.

• (15:50)

These traditional construction methods cut into protective layers of surface vegetation and organics with the possible result of thawing in the permafrost below. To protect the permafrost, our design used fills only. Geotextile fabric was placed between the existing ground and the construction materials along the entire highway. The bulk of construction activities also took place during the winter months to preserve the permafrost.

Also important is that the completion of the Inuvik to Tuktoyaktuk highway will enable the extension of the Mackenzie Valley fibre link to Tuktoyaktuk.

Self-reliance has made northerners innovative people, and the Government of the Northwest Territories is eager to share the benefits of our innovation with Canada and the world. With the partnership of the Government of Canada, we think we can capitalize on the innovative work that we have already done to adapt to climate change, reduce the cost of living, and transition to renewable energy sources to create increased benefits for people of the Northwest Territories and help achieve national objectives.

Thank you, Mr. Chair.

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

We have until 4:30 p.m., so I suggest we go to five-minute segments and just go back and forth until time runs out.

We'll start off with Mr. Longfield, for five minutes, please.

**Mr. Lloyd Longfield (Guelph, Lib.):** Thanks, Mr. Chair.

Thanks to all of you for travelling the long distance to be with us. It's much more convenient for us to see you when you come to us, but it would be great to go and visit the Northwest Territories. It's the only part of Canada I haven't been to yet, but I have seen the presentation on the highway design and the protection of the permafrost layer. Knowing what has happened over the last 30 years, there have been some drastic changes. Could you comment a little bit on the risk we face, and the need for science to be on top of this?

**Hon. Wally Schumann:** Thank you for that.

Climate change is going to be the big driver of this whole thing. The one thing that wasn't in our presentation is that we've done a number of scientific things along the corridor of this road. I encourage everyone to go to the Government of the Northwest Territories website and go to transportation. There are links to the Tuktoyaktuk highway there and it will have pictures and it has all the work that has been done there.

Climate change is one of the key drivers on this thing. As I said, we've done a couple of things there. We have a number of thermistors to track all the thawing and melting of the permafrost. There are a bunch of test sections that we've done in partnership with the federal government in a culvert-type system. That's being tried out there. There are a couple of geotextile different layers of construction on different sections.

All these things are going to feed into the innovation and technology that's needed to construct more roads in northern and remote communities that are susceptible to permafrost degradation, so I think this is going to be a good test highway for innovation and stuff moving forward and how we design some of these things.

**Mr. Lloyd Longfield:** It's great to hear all of the countries that are involved with research up in Inuvik, and making sure that Canada is also part of that research. I've seen the ventilation systems under the highway.

I'd like to pivot over to.... It's a great story that you're on the forefront of climate change initiatives, given how much of an impact that is already having on your territory. Food supply is also something that you've experimented with. There is a greenhouse that has been developed out of an old hockey rink, as an example. I also sit on the agriculture committee and we're looking at what we can do to help improve healthy food selection in the north. Your project has struggled a little bit over the years in terms of the rotation of people on the board and trying to maintain the knowledge that you've been accumulating.

Could you maybe comment on how the agriculture industry could be brought north to help new ways of developing greenhouses, or new ways of developing food for the north, using Canadian technology?

**Hon. Wally Schumann:** In fact, I'm meeting with the agriculture minister later today to talk about Growing Forward 2, which has been of great help to the Northwest Territories in developing our agricultural strategy.

In the southern regions, where I'm from, there is a significant amount of agriculture. They don't have an abundance of land available, but there are quite a few producers in the south. But as a government, we have greenhouses in all 33 communities now,

promoting the growth of food in all the communities to address the food shortages and the cost of living in the Northwest Territories. We continue, hopefully, to work with the Department of Agriculture and Agri-Food as to how to develop and promote a movement to commercial agriculture in the Northwest Territories, be it hydroponics or other types of things.

I think a lot of people are surprised when they come north that the Northwest Territories even has an egg quota. We have a farm that produces a significant number of eggs. One of the challenges around that is how to supply eggs to the rest of the Northwest Territories, and the transportation logistics issue.

• (1555)

**Mr. Lloyd Longfield:** I have less than a minute, and I'm sorry to interrupt you, but I want to mention that the University of Guelph has developed some vertical farms for use on Mars or other planets, places of extreme climate. Vertical farms need electricity. Part of your argument around electricity is taking out diesel, but also you need electricity to grow food. Could you maybe speak to that a bit?

**Hon. Wally Schumann:** As you've seen in our presentation around electricity, we are presently out doing an energy strategy right now. We believe that moving forward to help get remote communities off diesel fuel is going to require a combination of a number of things, be it solar or variable speed generators, to bring stability to the situation and lower greenhouse gases.

Moving forward, the cost of energy is extremely high in the Northwest Territories, and most of the northern communities are subsidized substantially to bring the rates down to the Yellowknife rate. Just to give the members of the committee some idea of what electricity costs, in some of the northern communities it is way in excess of 60¢, but it's subsidized back down to the Yellowknife rate of 30¢.

Thank you very much.

**The Chair:** We're going to move to Mr. Dreeshen.

You have five minutes.

**Mr. Earl Dreeshen (Red Deer—Mountain View, CPC):** Thank you very much, Mr. Premier and all of the honourable ministers, for being here today.

I did have the opportunity with Aboriginal Affairs and Northern Development to go to the territories as we were studying barriers to development a number of years ago. Certainly we met some amazing individuals. I noticed in some of your material that you were talking about your aboriginal-owned businesses. The people we met, and I've continued to say this for years, are some of the best CEOs you could find; it wouldn't matter where they were. Here in the rest of Canada, we should be proud of the expertise that is there and the great work that is done.

I know that one of the problems we have here is the economy. You're having some problems as well in the same way because you have great natural resources that are taking a hit right now. Coming from Alberta, we're well aware of some of the concerns that are there. Again, you've had \$1.281 billion in federal transfers, \$44 million in Canada health transfer, \$16 million in Canada social transfer, \$1.22 million in territorial formula financing, but it's even less. It's less money than it was last year. These are concerns that we have. Even the Canada health transfer is budgeted for less than 3% for next year. Hopefully that's something the federal government is going to take a look at.

Again, when we look at energy, and we look at the situations that occur there, I was speaking with a number of folks earlier today, and I think I was the only one old enough to know about the Mackenzie Valley pipeline debate. If we wanted to talk energy, maybe some of these things could have been of benefit over the years. They may or may not have fit into some of the solutions that we could have had. Again, that's gone by the wayside.

I'm just wondering if you could expand a little more because we are looking at a broadband study later on. We have some unique ideas as far as making sure that you build fibre as you're building roads. I think that's a critical thing that people have to be aware of.

Can you expand upon how your work in that area is going to help the communities that you serve? Perhaps you could comment on some of my other rants as well.

**Hon. Robert R. McLeod:** Maybe I'll start. Certainly with oil and gas, we have an abundance of oil and gas, but now it's more potential than reality, I guess. We have the ultimate irony, as we always say, where we're sitting on this oil and gas, yet in Inuvik, we haul LNG from Vancouver to generate electricity other than diesel. We don't have the economies of scale to drill a well and use the natural gas to heat our communities because it's very expensive. That's why we rely a lot on imported diesel.

On the Mackenzie Valley fibre optic link, we are connecting all of our communities up and down the Mackenzie Valley. One of the ways to deal with the long distances and lack of infrastructure is to at least have an Internet connection so it will help in our education, and we're starting to see a lot more online purchasing.

As Minister McLeod is responsible for the project, he'll go into more detail.

• (1600)

**Hon. Robert C. McLeod (Deputy Premier, Minister of Environment and Natural Resources, Minister of Finance, and Minister of Human Resources, Government of the Northwest Territories):** Thank you, Mr. Premier.

We've been working with some of the space agencies in Europe. We have seven dishes in Inuvik right now, if I'm not mistaken, and I think there are plans for four more. The Italians are actually coming on board. That's going to bring some revenue to the community of Inuvik.

Next spring, we should have lights on. We ran into a bit of trouble crossing one of the streams, which held up our winter construction. However, there's a lot of potential to it and we've actually doubled the amount of lines that we're putting into the fibre. They were going

to put in 24 lines of fibre, but our minister of finance of the day realized that it wasn't going to cost that much extra to put in another 24 lines, so we have a 48-line fibre. In the future, if we have to expand, we don't have to run another line, because we have the capacity there.

I'm sure you've heard about the location of Inuvik and being able to get satellite information off satellites that are coming over. We were over visiting with DLR and they were saying that, in Inuvik, much like Kiruna, Sweden, you have a half hour to get information off a satellite as it's coming over. They said that, in satellite talk, that's a lifetime, so we're quite pleased with that.

I know it's a high-tech industry, but our kids nowadays are all good on computers and everything. If we can tap into some of that opportunity, if there are opportunities there for some training, I think that's really going to help too. We have a lot of people coming to the Aurora Research Institute in Inuvik, too, doing a lot of studies, especially on climate change, and this is going to be beneficial to them as well.

We're hoping to have lights on next winter. I think we can have lights on right up to Fort Good Hope. Past Fort Good Hope is where we're having some issues with the terrain, but we'll get that resolved this year and it will be lights on throughout the territory. It's going to be huge.

**The Chair:** Thank you.

We're going to move to Mr. Masse, please, for five minutes.

**Mr. Brian Masse (Windsor West, NDP):** Thank you, Mr. Chair.

Thank you, Mr. Premier and members, for being here. It's very much an honour to have you here today. I think it's important for a lot of us to see what the challenges are going to be and how the committee can help, hopefully, in the future as well.

I noted with interest your infrastructure projects. Where I come from in the deep south, so to speak, we have a new bridge process going on and I understand the difficulty of trying to get things done. I've been trying to get a new bridge for a number of years. We have about \$1 billion of trade going through my riding. Basically it happens along two kilometres, and this is per day that it takes place, in culmination, depending on what's actually being transported. Despite that magnitude, to get a project going has been difficult for a lot of different reasons. We are moving forward, thankfully for that.

In terms of your projects that you mentioned here, the government has talked about an infrastructure bank and public-private partnerships. I'll be quite frank; I'm biased against them. I look at what we're doing and the new border crossing that we have. You're building a layer of profit in there, especially given the fact that for other border crossings we've actually done grants and bonds, especially when we do them bi-nationally with the Americans, and can raise the funds in a more cost-effective way and pay dividends to citizens. However, in your situation, what are the pros and cons?

I have no agenda within that question. I just think you should know what I feel on it. Does that lend any opportunities or does it create other complications in looking at that model for these types of projects?

• (1605)

**Hon. Robert C. McLeod:** Thank you.

We have a couple of P3 projects that we're working on right now. We have the Stanton Territorial Hospital renewal project. The Mackenzie Valley fibre line project is another P3 project.

We find that process works fairly well for us because the risk is actually on the proponent. We just book the money and then pay them when the project is done. It has helped us, actually, on the Mackenzie Valley fibre optic line, as in my earlier comments I spoke to the situation that we ran into.

If it were a government-backed project, first of all the price would probably be higher, because anytime you have a GNWT sticker on it, the price goes up.

**Mr. Brian Masse:** Fair enough. That's why I'm asking the question.

**Hon. Robert C. McLeod:** Yes, the price goes up. When you have a GNWT or Canada sticker on it, the price does go up.

In this particular case, because they assumed all the risk, they had to try to remediate the problem, which was good for us. We'll take over the project when we're satisfied that it's going to meet our standards.

The Stanton Territorial Hospital renewal project, a \$350-million hospital that they're building in Yellowknife, is a territorial hospital that is almost twice the size of the old one. We have a P3 partner with that, too, and it's the same principle. They take all the risk. We have some other conditions built into it that make it a little easier to get P3 partners, but we find that's probably the way to go in our particular case.

**Mr. Brian Masse:** With that, is it a long-term agreement, or is it a user fee type of thing? What is the private sector partner getting out of this? I know it can depend on the agreement, but what is the best for your scenarios, or maybe they're different for each one?

We had a private sector involved in creating our parkway—leading to it—and they got caught. They actually had to dig 250 girders out of the ground, and another 250 were destroyed, for an infrastructure project. However, they did assume the risk because they were doing it illegally. It's now in the courts and so forth. It was crazy. They didn't weld them to Canadian standards. You can't make this stuff up. I only found out because at the gym I go to, some of the guys were actually pouring the welds. They were welding the welds in the cement. They actually had bottles and so forth inside of it. It was just unbelievable. At any rate, they're accountable at the end of the day in the courts.

However, what works? Is it a user fee? Is it a long-term cost association? Do they get to keep it? With the border project I'm talking about here, they're going to get to keep the border for 50 years.

**Hon. Robert C. McLeod:** In the case of the stand-alone project, they're getting to use the old hospital, I think.

Maybe I'll let the health minister respond. We just look after the money.

**Mr. Brian Masse:** We can always follow up, too. I'm just curious as to what works for you.

**Hon. Robert McLeod:** I'll ask the health minister if he can expand on that a bit.

**Hon. Glen Abernethy (Minister, Department of Health and Social Services, Government of the Northwest Territories):** Quickly, when we did our analysis, it was determined to be cheaper in the long run. It would have been \$1 billion if we'd paid for it and run it over 35 years. We are contracting them to do food services, security, and a few other services in the building for 30 years—property management—and they're going to do the property management on our old building for 35 years.

At the end of the 35 years, it all reverts to us. It will be \$750 million by the time we're done, compared to \$1 billion if we'd done it straight up.

**Mr. Brian Masse:** That's an interesting way of doing it, actually.

**The Vice-Chair (Mr. Earl Dreeshen):** Thank you very much, Mr. Masse.

Now, Mr. Arya, you have five minutes.

**Mr. Chandra Arya (Nepean, Lib.):** Thank you, Mr. Chair.

Thank you, witnesses. It's an honour to have you here.

As I mentioned, I had the pleasure of visiting Yellowknife this past August. I really enjoyed my stay there. I visited the beautiful legislature building and the museum. I also noticed that a new hotel is under construction. Related to that, how do you think the tourism industry is doing, and what are you doing to improve that sector?

**Hon. Robert R. McLeod:** Thank you.

The tourism sector is defying all of the downturn in the economy. It's the fastest growing part of our economy. In the last few years, especially since Canada received approved destination status from China, the interest of the Chinese in coming to the north has been substantial. In the past six years, since that status was approved, we went from zero to more than 10,000 Chinese coming to visit us.

Before that, we had the traditional forms of tourism, which was what we would call the rubber-tire tourists who come camping and pull their trailers. We also had a lot of hunting and fishing. More recently we've had more adventure ecotourists. But with the aurora, first we had the Japanese—more than 17,000 Japanese come on an annual basis—and now the Chinese have brought that up significantly. With the downturn in the Canadian dollar, tourism has also increased substantially.

We continue to grow by leaps and bounds, and the biggest thing that's holding us back now is the lack of hotel rooms and infrastructure.

Also the Inuvik to Tuktoyaktuk highway, which will open in the fall of 2017, will be part of the Canada 150 celebrations, and we expect to have a significant increase in tourism because it will be the first time Canadians can drive from sea to sea to sea. You will be able to drive to three oceans, at your pleasure, so we expect that will add to tourism in the north as well.

•(1610)

**Mr. Chandra Arya:** From tourism, Premier, I'd like to go to the future of the Northwest Territories with regard to attracting other Canadians or immigrants. Do you have any plans on that?

**Hon. Robert R. McLeod:** We've been in the unfortunate situation where we've had a decrease in the population. We were probably the only jurisdiction in Canada to have a decrease, for about 10 years. They were not significant decreases, maybe in the neighbourhood of 100 to 500 people annually. More recently, last year, we had a bit of a turnaround from the last few years, and our population grew by 0.5%. We've had some very modest goals on increasing our population. We've endeavoured to increase our population by 2,000 people over five years, and obviously it's in our interests to increase our population, because with our territorial formula financing agreements with the Government of Canada, the more people we have, the more money we get.

We've been trying to find ways to attract people. We have a lot of jobs, but it's expensive to live in the Northwest Territories. We've been looking at immigration. We'd like to have a lot more immigration into the Northwest Territories. We're starting to become very multicultural, and we're starting to turn in the right direction with some of the modest increases in our population.

**Mr. Chandra Arya:** Concerning the mining and oil industries, I believe there has been a bit of decline during the last couple of years. Where do you think that is going?

**Hon. Robert R. McLeod:** Mining is the largest part of our economy. The north was built on mining, primarily gold mining. Now 40% of our economy is based on mining, and it's all diamonds. We have four diamond mines. We export over two billion dollars' worth of diamonds annually.

For oil and gas, with the downturn in oil prices, every oil and gas producer in the Northwest Territories has pulled out of the north, so we have no activity other than in Norman Wells, which has been there since 1939, before the war. We're very concerned, and as I said earlier, we have tremendous oil and gas potential. We have over seven billion barrels of oil and about 100 trillion cubic feet of natural gas that's still all underground. Certainly the fact that there's nothing going on in exploration is a cause for concern.

•(1615)

**The Chair:** Thank you.

We're going to move to Mr. Nuttall for five minutes.

**Mr. Alexander Nuttall (Barrie—Springwater—Oro-Medonte, CPC):** Thank you, Mr. Chair.

Thank you, Premier and your delegation, for being with us today. I have a couple of questions.

Mr. Schumann noted there's a quota for eggs, for instance, in your territory. Is there enough quota right now, or do you have to bring them in from outside?

**Hon. Robert R. McLeod:** Thank you.

In the Northwest Territories we've had to fight. We had to go to court to get the egg quota because of supply management. Even with the recent signing of the agreement on internal trade, we can't get our

foot in the door. We wanted to get into dairy, chickens, turkeys, and I think beef, but we can't get in because of supply management.

We went to court and we have the egg quota, and we produce a lot of eggs now. We can supply our own needs and we export the rest. We're still having problems in terms of selling throughout the north, because a lot of vendors have their own suppliers.

**Mr. Alexander Nuttall:** Would you say that is an ongoing issue for you? Is it increasing the cost of food, etc., up there for you, because in a lot of cases it sounds as if you have to transport the goods in rather than their being produced there?

**Hon. Robert R. McLeod:** We also have challenges with land claims. Not all the land claims are settled in the Northwest Territories, so the most fertile agricultural lands are in the southern part of the Northwest Territories and there are still land claims to be negotiated and settled. We think there are significant opportunities for agriculture in the north. In the old days, every community used to grow their own vegetables to offset the high cost of living. We're moving back to that through the help of government programs. I think 28 of the 33 communities are now back to growing their own vegetables in some capacity. The move to greenhouses, and so on, is resulting in growing on a much larger scale.

**Mr. Alexander Nuttall:** I have a couple of other questions, two specific ones.

With the announcement of a carbon tax coming down the line, fully implemented by 2022, has your administration been able to calculate what the cost will be to implement that within your jurisdiction?

**Hon. Robert R. McLeod:** That's part of the reason we're here. We already live in a very high-cost environment. We've already had some significant discussions with the Government of Canada, and we've all agreed that we will work together on this, especially since the northern territories are the most impacted by climate change. We see the effects of climate change every day. We have a very good idea of what's involved.

Right now, as we said, 25 of the 33 communities rely solely on diesel. If we introduce a carbon price, we feel we should only do that if we have a way to get us off diesel.

•(1620)

**Mr. Alexander Nuttall:** Are you looking for an exemption?

**Hon. Robert R. McLeod:** We are in discussions. I think we have made the case that the north is unique, and we have to be treated differently.

**Mr. Alexander Nuttall:** Has the Government of Canada communicated any plan or targets for job growth within your jurisdiction? In your work with them to date, is there a target to grow the economy by a certain percentage, or to grow the number of jobs up there? I know doctor shortages, etc., exist in that area as well. Is there a target being set by the Government of Canada that you are working toward?

**Hon. Robert R. McLeod:** We have been doing some labour market work and some labour market research. We normally enter into labour market agreements with the Government of Canada.

I'll ask Minister Moses to go into more detail on that. Thank you.

**Hon. Alfred Moses (Minister, Department of Education, Culture and Employment, Government of the Northwest Territories):** The GNWT just did its first ever comprehensive labour market report and assessment of needs. Over the next 15 years we're going to be looking at something on the order of 36,000 jobs in the Northwest Territories. We've developed a "Skills 4 Success" action plan to address some of those in-demand jobs.

Going back to the immigration question, we're developing an immigration strategy as well to work on filling some of those jobs. We met with Minister McCallum on how we can do that. We have increased our immigration over the last few years, and with that report and the Skills 4 Success, we're also doing a strategic plan with our post-secondary institutions to make sure that we're providing the programs and services to meet those needs.

There are a lot of things in place that we want to use to try to increase the population, but also to get our own residents into the jobs and to get that skill development that's much needed.

**The Chair:** Thank you.

Mr. Sheehan.

**Mr. Terry Sheehan (Sault Ste. Marie, Lib.):** Thank you very much for that presentation, Mr. Premier and ministers. Thanks for everything that you have done for your territory and thanks for everything that you're going to do, as you've demonstrated.

Mr. Nuttall asked the first question I was going to ask, about the labour market, which you've answered as well. That's really important, noting that these construction projects will take a lot of labour to do.

But to segue from that, we just finished a manufacturing study. What does the manufacturing industry look like up in the Northwest Territories? What are the opportunities and challenges?

Would someone like to answer that?

**Hon. Wally Schumann:** Before I was elected I was spearheading the manufacturing group of people that we have organized. The Government of the Northwest Territories is developing a manufacturing strategy.

Our manufacturing group of people in the Northwest Territories is probably surprisingly small, but it's very diverse, from building our own windows to modular construction not just of camps but also of housing units. We have a tank manufacturer in the Northwest Territories—actually, a couple of them. We have a gentleman in Yellowknife who just designed an innovative energy wall solution, a new type of insulation system.

There are a number of people, then, who are doing manufacturing, but we're trying to develop a strategy to move forward on ways to get people to be more innovative and to bring more creative solutions to help diversify the economy of the Northwest Territories. It's something we're working on, and we're hoping to have the strategy done by next fall.

**Mr. Terry Sheehan:** Thank you. I'll correct myself. We haven't finished the manufacturing study; we're just landing the plane. We're just dealing with the recommendations right now, so thank you very much for those comments as we deliberate.

I guess the next question is—you're here, we're here—what can the federal government do in the short term, the long term, the medium term to help the Northwest Territories be successful?

**An hon. member:** We didn't say we were going to do it.

**Voices:** Oh, oh!

**Hon. Robert R. McLeod:** This is something that we've been working at for a long time. At first the focus was on political and constitutional development.

As you may know, we have a different system of government in the Northwest Territories. We have a consensus system of government in which we have 19 members of the Legislative Assembly who run as independents. We form a government. Fifty per cent of our population is aboriginal, so there are seven aboriginal governments. We still haven't figured out exactly how everything is going to look once everything is negotiated and settled.

People say, "Why don't you become a province?" We've looked at the possibility of becoming a province, but the fact is that we don't have a lot of people to become a province. We recognize that in order to become a province these days, you have to have a majority, over 50% of five of the most populated provinces. Having said that, if we could even do that, we realize that the amount of funding we get from the federal government would decrease significantly. We would get about one-third of the funding that we get now.

We recognize that we've also achieved devolution, so we think we have the best of both worlds in the fact that the federal government has delegated or devolved almost all of the provincial-like powers that every province has. We manage the land, the resources, and everything a province does. Now, we pretty well have that authority.

The biggest problem we have is that we're a very large territory of almost 1.5 million square kilometres. We don't have a lot of infrastructure. We have a very large infrastructure deficit. Whenever we talk about infrastructure, we're faced with.... We don't like the term "per capita". Because infrastructure funds are allocated per capita, we get very little funding, so we prefer "base-plus" funding.

If the federal government could develop all the infrastructure we need, we would be in a very good situation. Basically, we don't have a lot of housing. The funding from CMHC is supposed to disappear in 2028, I think it is. Our aboriginal population is the fastest growing part of our sector, but we're short a lot of houses. I think we're short a couple thousand houses.

We achieved devolution just when the economy took a real severe drop, so the resource revenues that we were counting on have also declined. With oil and gas pretty well shut down, who knows when or if it will come back? It could be 10 years. It could be 15 years. Some people are saying, "Donald Trump will turn it around tomorrow," but I think that's a bit farfetched.

Basically, we're looking for investment in infrastructure. We're looking for help to develop some of our significant natural resources. We have some very large projects that have gone through the regulatory process and have been approved, but they haven't gone ahead because there's not enough. We can't get capital to build them.

● (1625)

We have the Mackenzie Valley natural gas pipeline, which would be an approximately \$21-billion project. It took six years to go through regulatory approval. As soon as it was approved, the natural gas went down to under two dollars per thousand cubic feet. Now it has a seven-year extension to be built by 2022. We have three mines that have been approved: rare earth, Nechalacho, which costs \$1.6 billion and hasn't been able to raise any capital; the NICO gold and lithium mine, which needs to raise \$600 million; and we have the Canadian Zinc, which needs to raise about \$300 million. All those projects have been approved, but they haven't been able to raise the capital to go into the next phase of construction and implementation.

Thank you.

● (1630)

**The Chair:** Thank you. That takes us to the end of the hour.

We're extremely honoured to have you here today. What's really interesting for me is the perspective. A lot of us come from a mix of urban and rural, but when we talk rural, you guys are out there. It's given us a really unique perspective. We wish you the best of luck on your next committee.

**Voices:** Hear, hear!

**Hon. Robert R. McLeod:** Thank you to the committee. We hope that you could add to our tourism numbers by coming to visit us.

**The Chair:** Thank you very much.

We'll take a couple of minutes just to get set up for in camera and then come back in two minutes.

● (1630)

(Pause)

● (1635)

**The Chair:** We're back.

Mr. Nuttall is going to give us a notice of motion, and then afterwards we'll go in camera and do our thing.

The floor is yours, Mr. Nuttall.

**Mr. Alexander Nuttall:** Thank you, Mr. Chair.

My motion reads as follows:

That the Standing Committee on Industry, Science and Economic Development of the House of Commons invite the Premier of Ontario, Kathleen Wynne, to appear before committee to speak about how the Green Energy Act has affected the manufacturing sector in Ontario.

I know this is just a notice of motion, but certainly if somebody wanted to change that to Mr. Thibeault coming to join us, we could do that as well. I know we'll debate that in future meetings.

**The Chair:** Thank you very much.

We're going to go in camera and get on with committee business.

Thank you very much.

*[Proceedings continue in camera]*

---





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>