

**THE HONOURABLE CAROLINE WAWZONEK
MINISTER OF FINANCE**

Public-Private Partnership Projects Capital and Operating Costs and Revenues

Mr. Speaker, I have a Return to Written Question asked by the Member for Frame Lake on May 25, 2023, regarding Public-Private Partnership projects capital and operating costs and revenues.

Over the past ten years the Government of the Northwest Territories has taken part in three Public-Private Partnership, or P3, projects which include the construction of the Mackenzie Valley Fibre Link, the renewal of the Stanton Territorial Hospital and recently the completion of the Tłı̄chǫ All-Season Road.

The Mackenzie Valley Fibre Link project involved the construction of a fibre optic line connecting from McGill Lake to the community of Inuvik to extend the delivery of high-speed broadband connectivity to several communities along the Mackenzie Valley. Construction of the project was completed in partnership with Northern Lights General Partnership and was fully operational in June 2017.

A renewal of the Stanton Territorial Hospital was also completed as a P3 project in partnership with Boreal Health Partnership. The project was initiated to address the aging building systems in the former Stanton Hospital building and provide upgraded facilities to ensure that effective services could be provided to residents of the Northwest Territories. Patient services delivered in the newly constructed hospital commenced on May 26, 2019.

The most recent P3 project to be completed is the Tłıchǵ All-Season Road which opened officially on November 30, 2021. The Government of the Northwest Territories worked with North Star Infrastructure to extend an all-season road 97 km from Highway No. 3 to the community of Whatì. Completion of this project allowed for greater year-round access to Whatì which had formerly only been accessible via winter road or air travel.

The Member had requested the original projected capital and operations costs and associated revenues for all P3 projects that have occurred over the past ten years. The projected costs for each project are as follows:

- For the Mackenzie Valley Fibre Link the projected capital cost was \$91 million and the projected operating cost was \$85.6 million over the life of the project agreement, a debt servicing cost, which includes principal and interest costs of \$147.8 million and \$124.6 million was expected in revenues.
- The capital projection for the Stanton Renewal project was \$350 million, the projected operating expenditures were \$326.4 million and the debt servicing costs were projected at \$270.7 million.
- In relation to the Tłıchǵ All-Season Road a total of \$215.33 million was projected in capital costs along with \$149.6 million projected for operating costs over the life cycle of the project agreement and \$152.3 million for debt servicing costs.

The Member also requested the actual expenditure and revenue totals for each of the last ten fiscal years for these projects.

Actual capital expenditures for the Mackenzie Valley Fibre Link over the past ten years were as follows:

- \$69.142 million in 2015-16;
- \$25.894 million in 2016-17; and

- \$3.28 million in 2017-18.

Actual operating expenditures for the Mackenzie Valley Fibre Link were:

- \$1.212 million in 2016-17;
- \$2.861 million in 2017-18;
- \$3.418 million in 2018-19;
- \$3.445 million in 2019-20;
- \$3.541 million in 2020-21;
- \$3.473 million in 2021-22; and
- \$5.172 million in 2022-23.

The actual debt servicing costs related to the fibre link over the ten-year period were:

- \$9 million in 2017-18;
- \$7.4 million in 2018-19;
- \$7.5 million in 2019-20;
- \$7.4 million in 2020-21;
- \$7.6 million in 2021-22; and
- \$7.4 million in 2022-23.

Revenue generated by the fibre link over the requested period was:

- \$232 thousand in 2016-17;
- \$756 thousand in 2017-18;
- \$1.184 million in 2018-19;
- \$1.461 million in 2019-20;
- \$1.457 million in 2020-21;
- \$1.844 million in 2021-22; and
- \$2.073 million in 2022-23.

Capital expenditures occurring over the past ten years related to the Stanton Territorial

Hospital Renewal project totaled:

- \$4.153 million in 2014-15;
- \$36.632 million in 2015-16;
- \$105.393 million in 2016-17;
- \$92.556 million in 2017-18;
- \$80.331 million in 2018-19; and
- \$3.924 million in 2019-20.

Operating costs over the same time frame for the hospital included:

- \$2.924 million in 2018-19;
- \$6.764 million in 2019-20;
- \$7.704 million in 2020-21;
- \$9.64 million in 2021-22; and
- \$11.512 million in 2022-23.

Costs related to the servicing of debt for the Stanton Renewal project over the ten-year period were:

- \$2.9 million in 2018-19;
- \$10.3 million in 2019-20;
- \$10.4 million in 2020-21;
- \$10.325 million in 2021-22; and
- \$10.258 million in 2022-23.

Construction of the Tịchq All-Season Road resulted in the following capital expenditures:

- \$7.232 million in 2017-18;
- \$24.917 million in 2018-19;
- \$45.357 million in 2020-21;
- \$41.167 million in 2021-22; and

- \$1.604 million in 2022-23.

Operating costs associated with the road were:

- \$3.87 million in 2021-22; and
- \$5.304 million in 2022-23.

Additionally debt servicing costs for the road over the past ten years totaled:

- \$1 million in 2021-22; and
- \$6.1 million in 2022-23.

As a percentage of the Capital and Operational budgets presented in the Main Estimates and Capital Estimates during the past ten years costs for these projects represented the following percentages of the budgets. I would like to note that I will be providing the percentage of the capital costs as a total of the overall project budget as some expenditures were recorded in specific fiscal years as a result of substantial completion check points.

Capital costs for the Mackenzie Valley Fibre Link accounted for 139 percent of the original P3 budget largely due to additional capital costs that were agreed upon between the Government of the Northwest Territories and the project partner after the completion of the project and for which a supplementary appropriation was approved in 2022-23.

Operating and debt servicing costs accounted for the following percentages in each fiscal year:

- 17.3 percent in 2016-17;
- 84.8 percent in 2017-18;
- 77.34 percent in 2018-19;
- 77.53 percent in 2019-20;
- 78.22 percent in 2020-21;
- 79.16 percent in 2021-22; and
- 96.49 percent in 2022-23.

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Revenue generated by the Mackenzie Valley Fibre Link over the past ten years as a percentage of the allocated budget was:

- No revenue budgeted in 2016-17;
- 64 percent in 2017-18;
- 152 percent in 2018-19;
- 122 percent in 2019-20;
- 121 percent in 2020-21;
- 154 percent in 2021-22; and
- 122 percent in 2022-23.

Capital expenditures on the Stanton Renewal Project accounted for 92 percent of the original budget.

Operating and debt servicing costs accounted for the following percentages in each fiscal year:

- 32 percent in 2018-19;
- 93 percent in 2019-20;
- 99 percent in 2020-21;
- 109 percent in 2021-22; and
- 119 percent in 2022-23.

The percentage of actual capital expenditures related to the Tłıchǫ All-Season Road in respect to the budget was 98 percent.

The operating and debt servicing costs accounted for:

- 271 percent in 2021-22, this was due to the projected commencement date reflected in the original model; and
- 81 percent in 2022-23.

Prior to the decision to enter into any P3 agreement a series of analysis is completed to determine the financial, structural, environmental and legal impacts on the territory and the government with respect to the existing infrastructure and service delivery along with proper consultation with Indigenous governments that may be impacted. There is also a Public-Private Partnership Policy that guides the government's use of P3 agreements to complete large scale projects. While the analytical documents are not publicly available the policy documents are. An offer has also been made to present the audit findings in regards to the Stanton Renewal to Standing Committee to provide greater understanding of this project.

Thank you, Mr. Speaker.