

KEVIN O'REILLY—MLA FRAME LAKE
Aviation Industry Support
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MR. O'REILLY; Thanks, Madam Chair. Yeah, there's a large item here, almost \$15-million support for the NWT aviation industry. I understand most of this money comes from the federal government. But can someone explain to us how this money is allocated amongst various airlines that operate in the Northwest Territories. Thanks, Madam Chair.

CHAIRPERSON (Ms. Semmler); Thank you. Minister.

HON. CAROLINE WAWZONEK; Yes, Madam Chair. I would be happy to provide that, and see if I have it. Madam Chair, I wonder if perhaps-- I'm happy to read it out here if that's-- if the purpose is to have that put on the record. The listing is fairly lengthy. So just to confirm, I'm happy to provide it to committee-- or I'm sorry-- to the House, or to table it, perhaps that might be more efficient, or I can read it out. Just to confirm, please.

CHAIRPERSON (Ms. Semmler); Member for FrameLake.

MR. O'REILLY; Thanks, Madam Chair. Rather than gobble up our valuable time, I'd rather have the Minister table it. But if someone could explain generally how the allocations are made, I think that's what I'm looking for. Thanks, Madam Chair.

CHAIRPERSON (Ms. Semmler); Thank you. Minister.

HON. CAROLINE WAWZONEK; Thank you, Madam Chair. Madam Chair, in-- I do actually have-- Mr.Koe was the lead on this so I'll have him perhaps just describe the process that was used, please.

CHAIRPERSON (Ms. Semmler); Thank you. Mr.Koe.

MR. KOE; Thank you, Madam Chair. I'll try not to get too accountant specific on my response here, but. Since this is the third round of the aviation funding, we've had some pretty good dialog with all the airlines. Actually it's been pretty transparent on both ends but we do ask for all their financial information from their revenue and expenditure projections, so -- their income statements, their cash flow statements and their balance sheets. So we have a good understanding of their entire organization and how they operate. From there, we specifically earmark some time to meet with each airline and go through all their financial statements and ask our questions to do our due diligence to fully understand-- to fully understand their operations and their pressures and how they're evolving as the pandemic as evolved.

From there, we do a calculation of what we call a gross margin approach. So just looking at kind of their revenues and their variable expenses and what we're looking at here is kind of just the cost to operate, the cost to operate the essential flights that they are undertaking within the Northwest Territories to ensure that supplies and patients and people can move around the territory.

So once we do that calculation, you know, we kind of apply that calculation to the overall funding that's available to come down to a breakdown of the funding for each airline. Thank you, Madam Chair.

CHAIRPERSON (Ms. Semmler); Thank you. Member for FrameLake.

MR. O'REILLY; Thanks, Madam Chair. I notice that one of the stories on CBC today is that Air Canada used \$10million of this sort of funding to pay bonuses to its senior executives. Is any of this money that is being given, is it being used for the same sort of purposes here? Thanks, Madam Chair.

CHAIRPERSON (Ms. Semmler); Thank you, Member. Minister of Finance.

HON. CAROLINE WAWZONEK; Thank you, Madam Chair. Madam Chair, I saw that story too. When I saw it, I think the headline actually was that the airlines got a bit of a tongue-lashing from one of my federal colleagues if I might, so. And no, to be short, the contribution agreement that we have in place that is -- that has to be signed by the recipients who are -- the recipient airlines who are receiving this funding are not to be using that for the payment of any sort of bonuses or dividend payments. It is really meant to be provided for -- solely to provide essential air services. There is a holdback provision in the contribution agreement as well so that they are expected to report back in to the Department of Finance so that the officials in the Department of Finance can review their financial information and, indeed, confirm that they have abided by all of what is in the contribution agreement. So, you know, this is our third go around. You know, I think the arrangements with the federal airlines are fairly different. This is our third go now. As Mr. Koe's indicated, there's a good relationship. They're certainly familiar with the information that they are receiving from the airlines, even if each one of them may structure their financial affairs differently. At this point, we've now had three times now gone through them, and three opportunities to review and be familiar with what it is that they are -- how it is that they are structuring their operations. So, you know, fairly able to look at the materials and I'm confident that indeed they are performing as they are expected to under the contribution agreements. Thank you, Madam Chair.

CHAIRPERSON (Ms. Semmler); Thank you, Minister. Member.

MR. O'REILLY; Thanks, Madam Chair. That's good to hear, that the money's going to be used to actually maintain services rather than pay bonuses or shareholders. Can someone tell me what the compliance record is? Have there been instances where the contribution agreements have been not complied with? And I don't need to know names and I wouldn't expect that names would be revealed. But have there been any compliance problems with the contribution agreements and if so, what was the -- have they been resolved? Thanks, Madam Chair.

CHAIRPERSON (Ms. Semmler); Thank you. Minister.

HON. CAROLINE WAWZONEK; Thank you, Madam Chair. And Madam Chair, I just want to say I was flipping through the contribution agreement trying to find the specific section, but it -- just at the risk of repeating, it is quite clear that it is -- there is not to be any dividend payments, share buybacks, shareholder distributions, any management

bonuses relevant to the term of the agreement. So, I mean, there is no lack of clarity that this funding is not meant to be for those purposes - board member salaries or parent corporations to a third party, et cetera. So it is quite clear.

I do not believe there have been any challenges in terms of any of the airlines meeting the requirements. Again, let me get that confirmation from Mr.Koe. I agree with the Member, this is important.

CHAIRPERSON (Ms. Semmler); Thank you, Minister. Mr.Koe.

MR. KOE; Thank you, Madam Chair. No, we haven't had any compliance issues to date. As I said, we do have a very open dialog with them. So if an airline thinks there's something that is close to the definition, they usually contact us and we have that conversation to whether it's allowable under the agreement or not. And, again, through that dialog, we have no-- or no compliance issues to date. Thank you, Madam Chair.

CHAIRPERSON (Ms. Semmler); Thank you. Member.

MR. O'REILLY; Thanks, Madam Chair. It's my understanding that at least one of the airlines-- I'll name them-- Canadian North does receive financial assistance from other jurisdictions, possibly in Nunavut, possibly federal. How is that factored in to the calculations and their financial situation when we have to decide how we're going to allocate our funding as well? Thanks, Madam Chair.

CHAIRPERSON (Ms. Semmler); Thank you. Minister.

HON. CAROLINE WAWZONEK; Thank you, Madam Chair. Madam Chair, so I think it is only Canadian North, if I'm not mistaken, that is of a size that it would be receiving funding from other jurisdictions. They have to report all of their receipts, all of their revenue sources to the Department of Finance. But, again, the funding that we are distributing to them, again, this a federally-- mainly a federal program. The amount that they get from the federal government is for the wage subsidy program. So it is not business relief. It is not relief to assist them in their maintaining of their operations of their fleet of, you know, the cost associated. Otherwise, it is really-- they're two separate things. They also do receive money from the Government of Nunavut which also, again, does get reported to us. But Nunavut is funding for their-- the flights and the routes and the scheduled flights that are within Nunavut, and we are funding for operations that are here in the Northwest Territories. So the information's available and it's factored into revenues, but, again, the funding that is given to those cases is meant to be directed to maintain scheduled services in our respective territories. Thank you, Madam Chair.