4.0 CURRENT SYSTEM COSTS AND SERVICE LEVELS

The **Current System Costs** reflect the short seasonal access, slow speeds, and high vehicle maintenance costs on winter roads. Current system costs are:

- 60 percent higher for winter road freight than for a similar All-Weather Road.
- A factor of 10 higher for air freight than for an All-Weather Road.
- At least double for air passenger traffic compared to personal vehicle travel on an All-Weather Road.

Service Levels are typically poor due to:

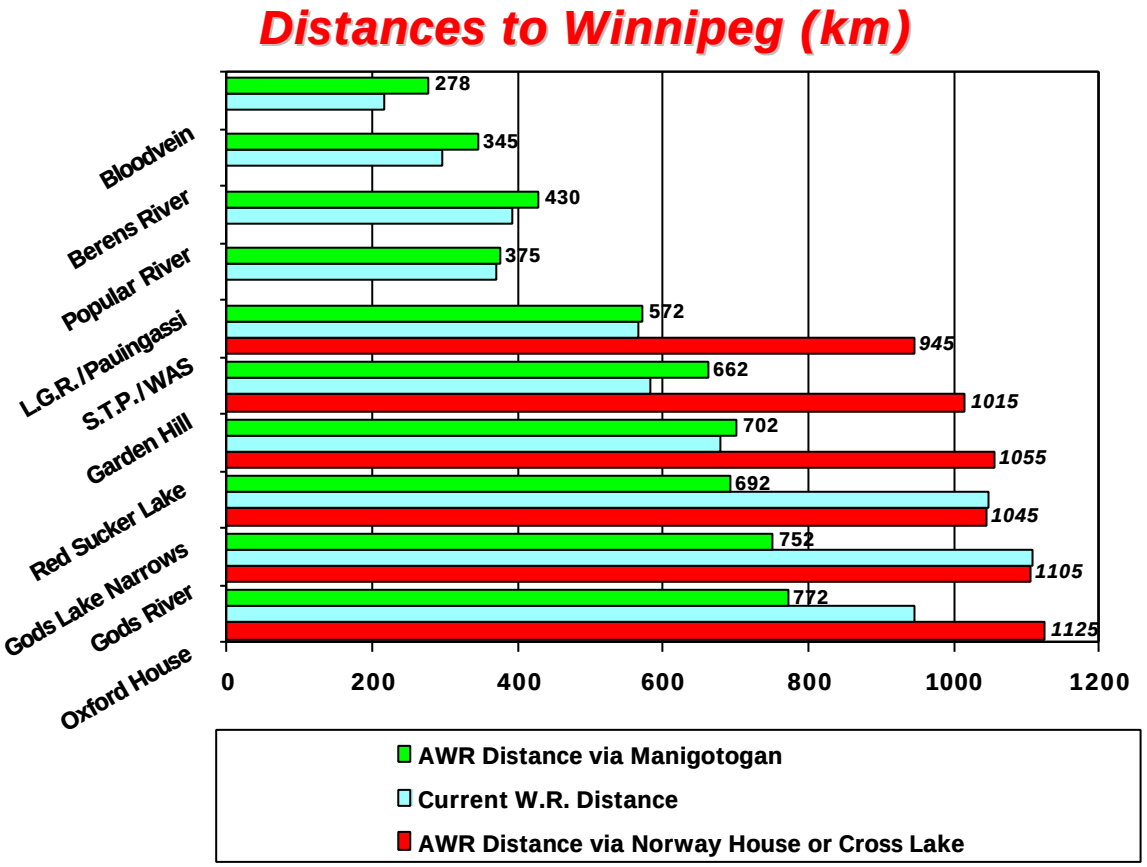
- 30 to 60 days/year availability of winter roads; periodically no availability at all.
- Three to four month shipping season on Lake Winnipeg, which can be further reduced by bad weather.
- Variable, demand driven, air service; scheduled daily but with many cancellations due to low demand.
- Substantial weather delays or outright failure of service in some months due to fog, storms, and fires.

5.0 FUTURE SYSTEM OPERATIONS

Road Freight Costs, which are a function of **Travel Distance** and **Travel Time** will be reduced with an All-Weather Road system. Existing winter road freight and 90 percent of air freight are expected to make use of an All-Weather Road and this will result in significant cost savings.

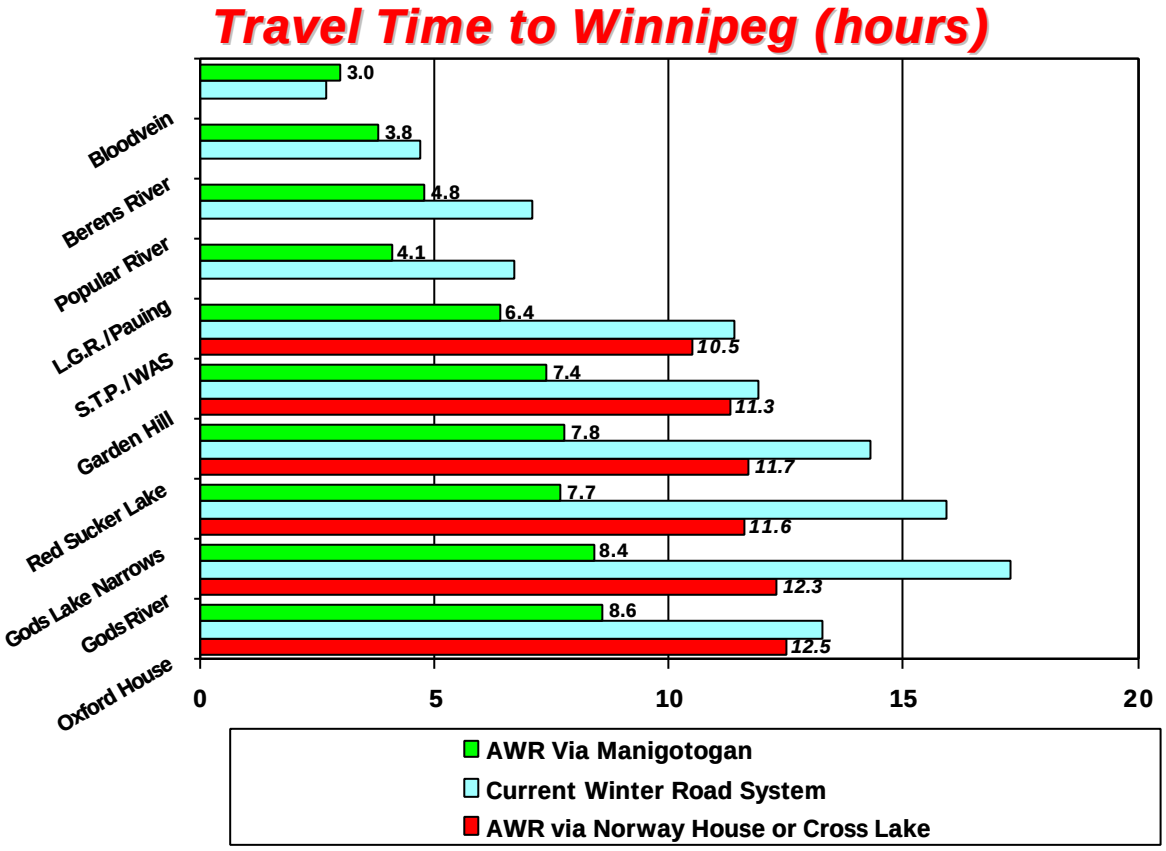
As illustrated below, an All-Weather Road going west to Norway House from the KTC communities will have relatively unchanged travel distances. The same All-Weather Road going to the ILTC communities will result in a 40 percent increase in distance on trips to Winnipeg, compared to the current winter road system.

A north-south All-Weather Road would see slightly longer distances for SERDC and ILTC communities compared to the winter road system, but would achieve a 30 percent distance reduction for the KTC communities.



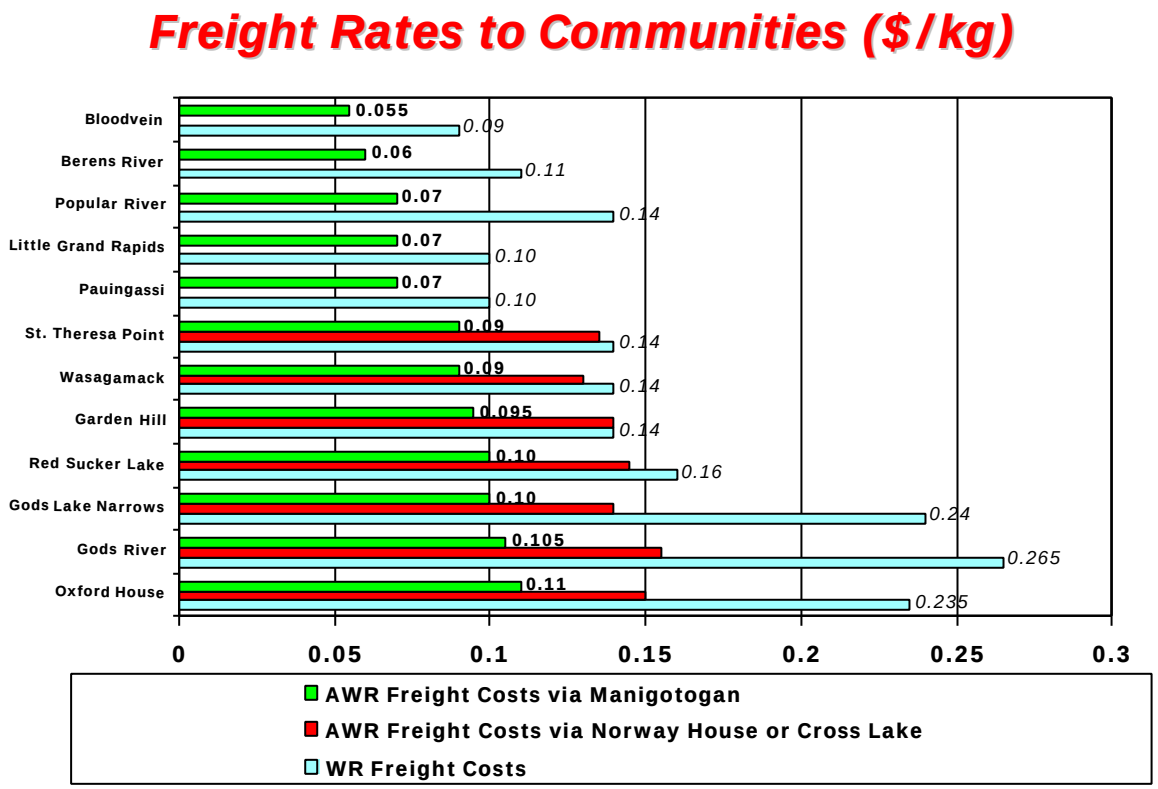
Travel Times on an All-Weather Road will typically be 30 to 40 percent faster than the travel time on a winter road. As illustrated below, travel times for an east-west connection from Norway House will be 5 to 25 percent less than winter road time for the KTC communities. However, the times will only be reduced by 5 to 15 percent for the ILTC communities.

A north-south All-Weather Road via Manigotogan will reduce winter road travel times by 25 percent for SERDC communities, 40 percent for ILTC communities, and 50 percent for KTC communities.



All-Weather Road Freight Rates will be significantly lower (40 to 60 percent) for all communities under a north-south route scenario. In comparison, an east-west connection through Norway House or Cross Lake, as shown below, would see little, if any, freight rate reductions for ILTC communities, and a 40 percent reduction for the KTC communities.

Consequently, because ILTC communities contribute the greatest freight volumes, potential freight rate savings are substantially higher for a north-south All-Weather Road than for an east-west All-Weather Road.



Air Passenger Travel within this region is primarily destined for Winnipeg. Except for the KTC communities, 80 to 90 percent of the scheduled air service originates or terminates in Winnipeg.

Overall air passenger travel will be significantly reduced by an All-Weather Road, largely as a result of the more reasonable road travel times. The following table suggesting the probable shift from air travel to All-Weather Road travel reflects the better travel times available for a north-south All-Weather Road compared to an east-west connection.

Potential travel cost savings for a north-south route are based on a 60 percent modal shift largely due to lower costs associated with individual vehicle travel. An east-west All-Weather Road will only be able to achieve a 40 percent modal shift because of longer travel times or distances and higher costs for individual vehicle travel.

All-Weather Road System - Air Passenger Traffic

Travel By	Winter Road System Allocation (%)	All-Weather Road Community Access Via Manigotogan (%)	All-Weather Road Community Access via Norway House (%)
Local Government	15	-10	-5
Senior Governments	10	-5	-5
Medical Services/Evacuation	15	-10	-5
Educational/Social Services	10	-5	-5
Law Enforcement/Justice System	10	-5	-5
Utilities/Infrastructure/Lodges/O&M	10	-5	-5
Tourism/Commercial/Industrial	20	-10	-5
Personal/Individual	10	-10	-5
TOTALS	**100**	**-60**	**-40**