



# **16<sup>th</sup> Legislative Assembly of the Northwest Territories**

## **Standing Committee on Government Operations**

Report on the Review of Bill 10:  
*Northwest Territories Heritage Fund Act*

Chair: Mr. Kevin Menicoche

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Nord-Ouest

Legislative Assembly  
Standing Committee on Government Operations

Assemblée législative  
Comité permanent des opérations gouvernementales

August 18, 2011

SPEAKER OF THE LEGISLATIVE ASSEMBLY

Mr. Speaker:

Your Standing Committee on Government Operations is pleased to provide its Report on the Review of Bill 10, *Northwest Territories Heritage Fund Act* and commends it to the House.

Kevin Menicoche, MLA  
Chairperson

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**STANDING COMMITTEE ON  
GOVERNMENT OPERATIONS**

**REPORT ON THE REVIEW OF BILL 10:  
*NORTHWEST TERRITORIES HERITAGE FUND ACT***

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**STANDING COMMITTEE ON  
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**REPORT ON THE REVIEW OF BILL 10:  
*NORTHWEST TERRITORIES HERITAGE FUND ACT***

**INTRODUCTION**

The Standing Committee on Government Operations is pleased to report on its review of Bill 10: *Northwest Territories Heritage Fund Act*. The Bill would establish a heritage fund for the present and future residents of the Northwest Territories, to extend the benefit of today's economic development and resource development to future generations.

The Bill sets up the framework for investing funds allocated to it by the Legislative Assembly. Those savings will become the principal of the fund, which are permanent contributions. Only gains on the principal can be withdrawn, and such withdrawals cannot begin for at least 20 years.

Bill 10 received Second Reading in the Legislative Assembly on March 10, 2011, and was referred to the Standing Committee on Government Operations for review. The review began May 19, 2010, with opening comments from the Minister of Finance. The Committee then held a public hearing in Yellowknife on May 20<sup>th</sup>, and a public clause-by-clause review on August 12, 2011.

**SUPPORT FOR THE BILL AND  
RECOMMENDATIONS FROM THE PUBLIC**

All submissions to the Committee supported the creation of the Northwest Territories Heritage Fund, and included thoughtful suggestions for strengthening the Bill. The Committee received oral and written submissions from:

- Canadian Federation of Independent Business;
- Pembina Institute;
- West Point First Nation;
- Ecology North; and
- Alternatives North.

In addition, a written submission was received from Weledeh MLA Bob Bromley. The Committee thanks all those who contributed their time and effort to this important initiative for the people of the Northwest Territories.

The majority of the submissions agreed on the following:

- 1) The *Act* should describe the purpose of the fund as ensuring continuing benefits to current and future NWT residents from revenue generated by the development of non-renewable resources;
- 2) The *Act* should specify what Heritage Fund withdrawals can be used for;
- 3) The *Act* should set a fixed annual percentage of defined revenue sources for deposit into the Heritage Fund;
- 4) More than ten years is required for funds to accumulate before any withdrawals (at least 20 years was the most common suggestion);
- 5) The Fund and projects it contributes to should be free of political interference; and
- 6) The Fund should be managed at arm's length from government.

Half the submissions also recommended that the Heritage Fund be invested ethically, with standards for doing so described in the *Act*.

One intervener suggested that one goal of the Heritage Fund should be to minimize future tax increases.

One submission advised that the Heritage Fund should be able to issue government-guaranteed bonds in which the public could invest.

Committee Members carefully considered all this input, including the need for transparency and regular reporting to the public on the management and performance of the Fund. The Committee shared the Minister's view that the cost of managing the Fund in its early years be kept to the minimum in order to maximize returns.

Balancing public feedback and practical necessities, Committee Members brought five amendments forward at the public clause-by-clause review on August 12, 2011:

- 1) Describing the purpose of the Fund as providing benefits from on-going economic development, including the development of non-renewable resources;

- 2) Ensuring that Section 96 (as well as Sections 89, 97 and 100, as originally proposed) of the *Financial Administration Act* applies to the Heritage Fund, providing for properly detailed annual reports, tabled in the House;
- 3) Extending the “no withdrawal” period from ten years to 20 years;
- 4) Providing for a Committee review of the *Northwest Territories Heritage Fund Act* every ten years, and determining that the first review should include:
  - a. An examination of the operation of the *Act*;
  - b. Recommendations respecting how to obtain public input on the expenditures to be made from the Fund;
  - c. Recommendations respecting independent oversight and management of the Heritage Fund; and
  - d. Recommendations respecting any amendments that should be made to the *Act*;and
- 5) Establishing that the *Northwest Territories Heritage Fund Act* only be amended by a special two-thirds majority of Members of the Legislative Assembly.

The Minister of Finance concurred with all the amendments except the final one. Thus, the first four amendments are included in the Bill as referred to the Assembly for consideration in Committee of the Whole. The Standing Committee on Government Operations appreciates the Minister’s cooperation in the development of this historic Bill.

## **ADDITIONAL COMMENTS AND RECOMMENDATIONS**

Members of the Standing Committee on Government Operations agree with the Minister of Finance that the *Northwest Territories Heritage Fund Act*, while a major step forward, represents a “bare-bones” framework for investment. It will be the job of future Assemblies to flesh out the *Act* and regulations to ensure sufficient public input and accountable, independent management when the time is right. It will also be the job of future Assemblies to allocate money to the fund. Growth of the fund will be a significant challenge in the next several years.

However, once the Heritage Fund is established, NWT residents will expect to see deposits made even if they are modest.

**Recommendation 1**

**The Standing Committee on Government Operations recommends that the 17<sup>th</sup> Legislative Assembly Standing Committee on Rules and Procedures strongly consider adding the automatic referral of the annual reports of the Northwest Territories Heritage Fund to the terms of reference of the appropriate Standing Committee.**

**Recommendation 2**

**The Standing Committee on Government Operations recommends that the Government draft Regulations for the operation of the Heritage Fund and refer them to the appropriate Standing Committee for review and feedback in a timely manner.**

**Recommendation 3**

**The Standing Committee on Government Operations recommends that the Caucus of the 17<sup>th</sup> Legislative Assembly establish a process convention to facilitate the referral of a limited category of Regulations to Standing Committee for review and comment prior to their final enactment.**