



15th Legislative Assembly of the Northwest Territories

Standing Committee on Governance and Economic Development

Report on the Review
of the Draft 2005-2006
Main Estimates

Chair: Mrs. Jane Groenewegen

MEMBERS OF THE STANDING COMMITTEE ON GOVERNANCE AND ECONOMIC DEVELOPMENT

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Susan Martin
Committee Researcher



Northwest
Territories

Legislative Assembly
Standing Committee on Governance and Economic Development

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SPEAKER OF THE LEGISLATIVE ASSEMBLY

Mr. Speaker:

Your Standing Committee on Governance and Economic Development is pleased to provide its Report on the Review of the 2005-2006 Draft Main Estimates and commends it to the House.

A handwritten signature in cursive script, appearing to read "Jane Groenewegen".

Jane Groenewegen, MLA
Chairperson

**STANDING COMMITTEE ON
GOVERNANCE AND
ECONOMIC DEVELOPMENT**

**REPORT ON THE REVIEW OF THE
2005-2006 DRAFT MAIN ESTIMATES**

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**Standing Committee on
Governance and Economic Development**

**Report on the Review of the
2005-2006 Draft Main Estimates**

INTRODUCTION

The Standing Committee on Governance and Economic Development (GED) met from January 13 to January 18, 2005 to review the 2005 – 2006 Draft Main Estimates. The GED envelope includes the Departments of Industry, Tourism and Investment, Environment and Natural Resources, Public Works and Services, Municipal and Community Affairs and Transportation.

GENERAL COMMENTS

Streamlining Programs and Cost Savings

As a result of the restructuring of the Department of Resources, Wildlife and Economic Development, 17 additional positions will be created in the Departments of Investment, Tourism and Industry and Environment and Natural Resources. This will mean an on-going cost to the public of over \$2 million. The Committee strongly urges the Government to find further cost savings to balance this increase.

The Committee believes the Government has made a reasonable attempt so far to reduce its expenditures, however, Members have identified several more areas throughout this report where services could be combined to achieve further savings. These further changes would have the added benefit of improving service to the public by streamlining programs and locating them within one Department.

Changes to Accounting and Capital Planning Process

The Committee strongly believes it is time for the GNWT to review some of its business practices for practicality, transparency and accountability.

Currently, the *Financial Administration Act* requires funds to be spent in the year in which they are appropriated. If the departments do not spend them, the funds

lapse. This inability to accrue funding leads some Departments to questionable spending at year-end. These funds could better be diverted into a reserve for initiatives like the Arctic Winter Games or serve as an emergency fund for extraordinary circumstances such as high forest fire seasons. Moreover, departments need to have more control over their own revenue sources. For instance, the Department of Transportation could turn revenues from Driver License fees into initiatives like paved roads instead of profits disappearing into the Consolidated Revenue Fund. If each Department had greater control over their own expenditures and revenues, perhaps this would allow greater responsibility in spending and reduce or eliminate the supplementary funding process.

However, the Committee still expects departments to account for expenditures and revenue in a transparent and accountable manner. Further to this point, the Committee has some issues with respect to the way departments currently account for their expenditures. Each department can describe expenditures in their main estimates differently. For example, FMBS has a zero-based budgeting practice; other Departments do not. MACA's Capital Plan is split between two places in the budget; other Departments are not. The Committee is concerned that this complicated process may make it difficult for members of the general public to review the main estimates and determine how the Government is spending their money. The Committee would like to see a plain language approach to Government accounting and would appreciate the opportunity to have more discussions with the Minister with regard to this matter.

Finally, the Committee again would like to see changes to the Corporate Capital Planning (CCP) process. The Committee would also like to reiterate its concerns with the CCP, which it provided in its report on the draft 2004-2005 main estimates:

1. The prioritization process, which includes the protection of people and protection of assets, unfairly penalizes less developed and less populated communities.
2. Cost overruns on large projects, a lack of adherence to maximum construction costs in some cases and major increases to the scope of existing projects have the potential to impact funding and timelines for other projects. Members are concerned there may be an incentive for contractors to purposely bid low if they are led to believe by past practices that overruns will be approved later.
3. The membership of the Capital Review Committee is made up entirely of Deputy Ministers. Regional representation on the Capital Review Committee is non-existent.

DEPARTMENT OF INDUSTRY, TOURISM AND INVESTMENT

General Comments

The Standing Committee on Governance and Economic Development met with the Department of Resources, Wildlife and Economic Development (RWED) on January 13, 2005 to review the 2005-2006 draft Main Estimates. The restructuring of RWED into two new departments will occur in the new fiscal year but had yet to divide as of this report. In this unique year, the main estimates of the Departments of Industry, Tourism and Investment (ITI) and Environment and Natural Resources (ENR) were reviewed simultaneously by the Committee and defended by the Minister of RWED.

The mandate of the Minister and the Department of ITI is to promote economic self-sufficiency through the responsible development of the Northwest Territories natural resource industries and the promotion and support of tourism, trade and investment, business and manufacturing to create a prosperous, diverse and sustainable economy for the benefit of all NWT residents.

Cost of Restructuring

The Committee appreciates that the Government restructured RWED into the two new departments to improve program delivery. The Committee also appreciates the difficulty in trying to quantify the cost of restructuring versus the cost of lost opportunity. However, the fact remains that the creation of Industry, Tourism and Investment alone will cost the Government \$1.765 million in ongoing costs. The Committee is concerned about this expenditure.

Investment and Economic Analysis (IEA) and the Business Development Investment Corporation (BDIC) Amalgamation

The Committee understands the focus of the IEA and the BDIC are different. The BDIC's main mandate is to help clients access programming in order to start businesses while the IEA provides economic strategic and policy advice to the Government.

However, the Committee believes there is still opportunity to amalgamate portions of these two programs. There are several positions within IEA that either duplicate positions in the proposed BDIC or may be more effective there. The NWT/Canada Business Centre would be one of several examples.

Amalgamating portions of the two programs would not only conserve resources but would streamline services to the public. The Committee was pleased to hear that once both the BDIC and the Department of Investment, Tourism and Industry are operational, the Minister is prepared to further discuss this issue with the Committee.

Expo 2005 Japan

As the Committee observed in their review of the 2005-2008 Business Plans, the Government plans to devote to the 2005 Expo only a fraction of the millions spent on past Expos in Spain and Vancouver. The Japanese tourists spent an estimated \$16 million last year in the Northwest Territories.

The Committee argued this Expo requires a larger expenditure than \$500,000 because there is competition from other places in the world for Aurora viewing.

However, after hearing more information about the plans for the proposed funds, the Committee is more confident of ITI's ability to increase the NWT tourism industry's exposure to the Japanese and international tourists at Expo 2005.

For instance, ITI will be maximizing private sector involvement by developing a sponsorship program to ensure that the private sector is involved. Furthermore, ITI has consulted with the NWT Tourism Association on the best dates for the NWT to exhibit at the Canadian Pavilion where one of three themes will be the Aurora Borealis.

Mackenzie Valley Pipeline

The Committee is concerned about the Government's human resources for the Mackenzie Valley Gas Project. The Committee wrote to the Government House Leader on October 6, 2004 asking for a list of all the government positions devoted to the Mackenzie Valley Pipeline Project. The list was to include all positions both existing and proposed, including those in the regions and in all of the departments that are on the task team.

Further, the Committee asked to see a justification for each position and explanation of what their role contributes to the planning and monitoring of the Mackenzie Valley Pipeline. Finally, the Committee asked how all of the information is collected, coordinated and communicated to the lead Department.

The Committee has received some of the information but believes it to be incomplete because the response only shows positions for two departments and fails to identify those housed elsewhere in the Government.

The Committee is also concerned about the complicated committee structure. There are five inter-departmental committees that report to the Deputy Minister's Pipeline Steering Committee. The Governance and Economic Development Committee is unsure of these committees' responsibilities and their membership.

Finally, although not all of the staff has been hired for this initiative and the office will not be operational until April 2005, all of the money for compensation, benefits, operations and maintenance has been expended for 2004-2005. ITI is still operating the MVPO on a transitional approach between Yellowknife and Hay River until the Hay River office can open.

The Committee has expressed all these concerns during their review of the 2005-2008 Business Plans and is disappointed to see that no positive changes have been made, in order to safeguard their interest and to answer any questions the public might have:

Recommendation:

The Committee recommends that the Department of Industry, Tourism and Investment develop a communication strategy to advise the public how the Government is organized;

And further, that a senior MVPO position be placed in the Deh Cho to better enhance communications in that region.

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

General Comments

The Standing Committee on Governance and Economic Development met with the Department of Resources, Wildlife and Economic Development (RWED) on January 13, 2005 to review the 2005-2006 Draft Main Estimates. The restructuring of RWED into two new departments will occur in the new fiscal year but had yet to divide as of this report. In this unique year, the main estimates of the Departments of Industry, Tourism and Investment (ITI) and Environment and Natural Resources (ENR) were reviewed simultaneously by the Committee and defended by the Minister of RWED.

The mandate of the Minister and Department of ENR is to promote and support the sustainable use and development of natural resources and to protect,

conserve and enhance the NWT environment for the social and economic benefit of all NWT residents.

Working Relationship

As the days of the Department of Resources Wildlife and Economic Development come to a close, the Committee would like to commend the Minister and the department for considering and implementing many of the Committee's recommendations.

The Committee has also appreciated the briefings and updates provided by the Minister throughout the restructuring process. The sharing of information has been appreciated and contributes greatly towards forming a strong working relationship.

The Committee looks forward to having the same rapport with the two new Departments of Industry, Tourism and Investment and Environment and Natural Resources.

Cost of Restructuring

The Committee appreciates that the Government restructured RWED into the two new departments to improve program delivery. The Committee also appreciates the difficulty in trying to quantify the cost of restructuring versus the cost of lost opportunity. However, the fact remains that the creation of Environment and Natural Resources alone will cost the Government \$1.074 million in on-going costs. The Committee is concerned about this expenditure.

The Committee recommends that the Government investigate how to further mitigate this expenditure as well as the ongoing restructuring costs for Industry Tourism and Investment.

MUNICIPAL AND COMMUNITY AFFAIRS

The Standing Committee on Governance and Economic Development met with the Minister of Municipal and Community Affairs and his staff on January 14, 2005 to review the Department's Draft Main Estimates for 2005-2006.

The mandate of MACA is to provide community governments with the support to deliver public programs and services essential to sound community life, to assist

with the development and maintenance of community governments, and to provide the resources necessary to achieve community goals.

Arctic Winter Games

The Arctic Winter Games will be hosted by the NWT in 2008 and will provide an excellent opportunity for northern athletes to compete. The International Committee will make an announcement late this spring as to whether Yellowknife or the South Slave will host the Arctic Winter Games. In 2005-2006, MACA will be allocating funds to support the NWT's role as host for three fiscal years. The Committee noted that funding for the Arctic Winter Games was missing from the MACA's draft main estimates and that the announcement with regards to funding will be made after the host community is chosen.

In the interest of transparency and accountability, the Committee suggests the Department announce funding for this initiative before the International Committee makes their decision.

The New Deal

The New Deal is a proposal from MACA to the communities which is to provide communities with greater control and decision-making over community infrastructure, including planning and decision-making for capital projects.

Capital projects can run into difficulty and require all kinds of expensive advice in the form of legal, engineering and contracts expertise, to name only a few. The Committee is pleased to see that MACA is committed to working with the NWT Association of Communities (NWTAC) to make the New Deal a graduated process for communities. The Committee feels there needs to be a central pool of professionals for communities to access. Most importantly, communities also require guaranteed funding to help them budget for long-term capital projects.

Currently, although community government funding is based on a three-year projection, it is only guaranteed year-to-year because of the *Financial Administration Act* requirements.

The Committee recommends that the Department of Municipal and Community Affairs continue to press the Financial Management Board Secretariat to find a means to guarantee multi-year funding for community infrastructure.

Municipal and Rural Infrastructure Funding

The Northwest Territories will receive \$16 million towards green municipal infrastructure over four years, starting in 2005-06. After receiving this news, MACA has been working in partnership with the NWT Association of Communities to seek the association's input on priorities for application of the fund, as well as the application formula.

The funding will be devoted mainly to water and sewer repair. Fifty-five percent of the funding will go to non-tax based communities and forty-five percent will go to the tax based communities, who MACA and the NWTAC feel are better able to fund their own projects.

Before any additional Federal funding is announced, in the interests of transparency and accountability, the Committee urges MACA to decide on and communicate in advance a fair and equitable approach to distributing funding. The approach should be based on criteria such as remoteness of a community, the cost of doing business in the community, the age of existing infrastructure, impact of population demand and the impact of resource development.

Granular Materials

There are many departments working in the various communities that have gravel requirements. Each Department has to look after its own gravel requirements. There are roughly eight communities that require gravel for projects such as lot, airport and road development. In light of these requirements, the Committee expressed concerns regarding MACA's proposed \$250,000 budget cut to granular materials.

The Committee is pleased to hear that rather than simply making this budget reduction, MACA will take the lead in determining all the departments that require the use of gravel in the different communities, their future requirements and how those will be met. The Department advised it would have a plan for review within the next month.

DEPARTMENT OF TRANSPORTATION

The Standing Committee on Governance and Economic Development met with the Minister of Transportation and his staff on January 17, 2005 to review the Department of Transportation's Draft Main Estimates for 2005-2006.

The Department of Transportation's mandate is to provide for the safe, accessible and reliable movement of people and goods throughout the Northwest Territories.

Deh Cho Bridge Corporation

The Deh Cho bridge is being built through a public private partnership arrangement between the GNWT and the Deh Cho bridge Corporation. The Deh Cho Bridge Corporation will raise the capital, design, build, operate and maintain the Deh Cho bridge. The Government of the Northwest Territories will pay the Corporation for the bridge over a 35-year period, largely from toll revenues collected from the traffic crossing the bridge and savings from discontinued ferry operations and winter road construction.

The *Deh Cho Bridge Act* authorizes the Minister of Transportation on behalf of the Government to enter into a concession agreement. The concession agreement gives the concessionaire, the Deh Cho Bridge Corporation, the right to operate a section of the public highway for 35 years. The concession agreement is also a private business deal between the Deh Cho Bridge Corporation and the Government.

The Committee is uncertain how many of the agreement's details will be released publicly. This concerns the Committee because the cost of the Deh Cho Bridge may exceed the current estimate of \$57 million. Some estimates indicate bids could go as high as \$75 million dollars. A tender package for the bridge has yet to be developed. The price of raw steel has also risen substantially since the project was proposed.

A significant cost increase to construct the bridge could impact and increase the bridge tolls the GNWT has to collect to pay for the bridge. An increase to the tolls may mean communities north of the bridge may have to pay more for goods and services than current prices that are already high due to transportation costs.

Transparency and accountability must be maintained in this and any future public private partnerships.

Recommendation:

The Committee recommends that it be given the opportunity to review the Concession Agreement before it is finalized;

And further, that the Government declare a maximum dollar figure, above which it will reconsider its involvement in the project.

Airport Development

Traffic is increasing at the major airports in the Northwest Territories. NAV Canada data shows that there has been an overall seven percent increase in aircraft arrivals and departures. This means that just under half a million passengers traveled through NWT terminal buildings. In the future, DOT anticipates an overall further three percent increase in airport traffic.

In order to accommodate this growth, the Yellowknife Airport may have to expand. However, land is at a premium and there is only a small land reserve to the west of the airport on which it can expand. Otherwise, the airport is bordered by a highway, a lake and valuable infrastructure.

Moreover, private corporations, the City and the Federal Government all have an interest in the land immediately adjacent to the airport, and not all of this development is conducive to airport activities.

This Committee feels that it would be unfortunate if the airport were prevented from expanding because of a land shortage. Not only could this adversely effect the economic growth of territorial industries like tourism, but it could also force the GNWT to pay millions of dollars by having to relocate the airport to a larger area.

The Committee recommends that the Department of Transportation exercise caution and work with the City of Yellowknife to protect the interests and the future needs of the Yellowknife Airport.

Runway Extension Research

The Japanese spent an estimated \$16 million last year in the Northwest Territories. However, the NWT is not the only place in the world from which to view the Aurora Borealis. The NWT is going to have to be competitive with other circumpolar destinations if it wants to continue to reap the benefits of Japanese Tourism. Fairbanks and Whitehorse can accommodate direct flights from Japan but the Yellowknife Airport cannot.

Extending the runway in order to accommodate circumpolar flights was looked at as part of the Yellowknife Airport Development Plan. Although the existing runway currently meets the needs of the carriers, extending the runway could be very advantageous to tourism by allowing direct flights to land from Japan or anywhere else in the world.

The Committee is very interested in the potential of this initiative and will be reviewing the work and research on expanding the airport runway.

Combined Services Building

DOT is building the Combined Services Building in order to amalgamate several of the activities that the Department undertakes. The Committee commends the Department of Transportation for this amalgamation but believes that the Department could go one step further by combining the DOT yard with the Combined Services Building. It is located in close proximity to the highway and therefore convenient to house highway equipment.

In order to preserve resources and the limited land at the airport, the Committee would like to encourage DOT to consider co-locating their highway and airports buildings.

Community Aerodrome Radio Station Program

At the end of this fiscal year, the Department of Transportation will no longer deliver CARS, the Community Airport Radio Services, on behalf of NAV Canada. The Department has worked with NAV Canada to orderly transfer the CARS program to a private sector contractor. CARS will convert to private sector delivery on April 1, 2005 .

When the Department of Transportation operated the CARS program, it provided air navigation services at 17 airports and accounted for more than 30 full-time jobs at the community level in the NWT.

The Committee recommends that the Department of Transportation work closely with NAV Canada and the new contractor to ensure services continue to be delivered at a high level and that northern contractors and northern employees are used to continue to carry out the work.

Highways Chipseal Overlay Project

The Department has a \$3 million a year budget for their highway chipseal overlay project. With that \$3 million, DOT maintains and rehabilitates existing chipseals.

The Committee is unsure of the value of repairing chipseal when road widening, ditching and culverts are needed. On Highway 6 out of Fort Resolution, for instance, the highway is narrow and heaving and there are no ditches. This section of road does not have any chipseal overlay to repair. Reconstruction

dollars are what is required in order to undertake improvements to protect the safety of the cultural camps, schools and residents that use this road everyday. In the interest of public safety, highways should always be built with budgets attached to them for maintenance and repair.

Recommendation:

The Committee recommends that Department of Transportation revisit their Chipseal Overlay Project and look at diverting these funds to much needed highway reconstruction projects.

PUBLIC WORKS AND SERVICES

The Standing Committee on Governance and Economic Development met with the Minister for Public Works and Services (PWS) and his staff on January 17, 2005 to review the Department's draft Main Estimates for 2005-2006.

The mandate of PWS is to design, construct, acquire, operate and maintain, buildings, works and equipment. Its mandate also includes implementing energy efficient projects in Government of the Northwest Territories' buildings and works required for the Government of the Northwest Territories to deliver its programs and services. PWS also provides a system of specialist services intended to enhance efficiency of government departments, and makes essential petroleum products available for the sale to the public where these are not provided by the private sector.

MACA and PWS Amalgamation

In their review of the 2005-2008 Business Plans, the Committee observed that it is not unusual for there to be several problems with the development and execution of capital projects in communities. When projects are delayed or other problems occur, communities are often not informed of the problem or with who they can appeal to about their issues.

Often this is because there is lack of coordination and a communication strategy between PWS, their client departments and the communities.

The Committee suggested that if the regions managed their own repairs and maintenance, this more straightforward approach would help communities to identify whom to contact when problems arise.

The Committee would like to further suggest that PWS explore the Deloitte and Touche Report recommendation to realign infrastructure and maintenance responsibilities. MACA's responsibility for maintenance of municipal roads, community facilities and community water services could be amalgamated with those of PWS. Not only would this approach conserve resources but would also be a one-stop streamlined approach for communities to address their concerns when projects are delayed or cancelled.

Recommendation:

The Committee recommends that the Department of Public Works and Services seek further efficiencies and streamlining of services provided to the communities.

Systems Amalgamation

Although TSC and Systems and Communications have been amalgamated, there are still department specific applications and positions that remain decentralized. The Committee asked if there was a way to further amalgamate these applications in order to realize further efficiencies and savings.

PWS replied there are a number of departments that have a large number of complex applications in-house. PWS, for instance, has the Amanda system, used to manage electrical and mechanical permits. The volume this system handles justifies the personnel required to maintain it. However, there are also a number of smaller departments with smaller requirements that struggle to maintain department specific systems within current resources. The Informatics Policy Committee, a part of the Knowledge Management Strategy, is trying to come up with the best balance between resources that are dedicated to the departments and resources that are pooled corporately. This committee hopes to have some results for the next budget year.

The Committee is supportive of this work and looks forward to seeing the results from the Informatics Policy Committee.