

13th Assembly

Standing Committee on Infrastructure

Report on the 1998/99 Main Estimates

Edward Picco, M.L.A.,
Chair

Standing Committee on Infrastructure

January 23, 1998

THE HONOURABLE SAM GARGAN, M.L.A.
SPEAKER OF THE LEGISLATIVE ASSEMBLY

Mr. Speaker,

Your Standing Committee on Infrastructure has the honour of presenting its Report on the 1998/99 Main Estimates for the Financial Management Board Secretariat and the Departments of Finance, Municipal and Community Affairs, Public Works and Services, Aboriginal Affairs and the Executive, and commends it to the House.



Edward Picco, M.L.A.
Chair



Members of the Standing Committee on Infrastructure

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M.L.A. Iqaluit
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M.L.A. Yellowknife South
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Staff Members

Doug Schauerte
Committee Clerk

Doug Pon
Committee Researcher

Standing Committee on Infrastructure

Report on the Review of the 1998/99 Main Estimates

Introduction

The departments in the Infrastructure envelope fall within two categories. The Department of Public Works and Services and the Department of Municipal and Community Affairs provide services to the government, to municipalities and to individuals. Other departments in this envelope include the Executive, Aboriginal Affairs, Finance and the Financial Management Board Secretariat. These last four departments are central organizations, which serve the entire government and provide central direction.

The issues that were of most concern to Members include matters relating to Division, block funding to regional bodies and the public/private partnership proposal. A major concern and recurring theme of the Committee's review was that the Government should wait until Division is implemented prior to any large commitment or significant change, such as the privatization of the Petroleum Products Division and the Keewatin Resupply Project. Both have been understandably postponed until after Division. These projects may be addressed by the next Legislative Assemblies, as recommended by Members of this Committee and other concerned Members. Overall, the Committee was concerned with the incremental and transitional costs of Division, and until there is definite political direction by the affected parties, there should be a halt on any further commitments unless they are absolutely necessary.

Committee Members have examined the proposal for block funding to the Keewatin Regional Airport Authority. The block funding comprises both capital and operations and maintenance moneys. This proposed transfer represents a profound change in the way Government conducts its business. There has never been a block transfer of capital and operations and maintenance funding to a regional authority. This proposal clearly requires further discussion.

Revenue generation is a significant challenge for departments within the Infrastructure envelope. There are many infrastructure deficiencies that need to be addressed by the Government, and funding sources are dwindling. The Government recently proposed the public/private partnership initiative, which is intended to address some of these deficiencies through partnerships with the private sector and to reduce the Government's potential financial burden. Other possible sources of revenue generation include a

highway commercial truck tax and an increase in corporate income tax. These matters are discussed in greater detail elsewhere in this report.

Finally, the Committee appreciates the assistance of the departments within the Infrastructure envelope during its review of the Main Estimates, especially given the tight timelines and the requests involved in this process.

Department of Finance

Revenue Options

The Committee reviewed the options available to the Department of Finance to increase revenues to help pay for existing and proposed programs and services. In the Minister's opinion, increasing corporate income tax at this time would deter any new businesses that are considering coming to the north, and would be a hardship on existing businesses. The Minister also noted that most of the corporate income tax is paid by a small number of corporations and any increase would be borne largely by these few businesses.

The proposed private/public partnership (P3) initiative was discussed as one of the financing tools available to address capital infrastructure deficiencies. The Committee is of the opinion that if the proposed P3 program is implemented efficiently, effectively and responsibly, it may address some of the infrastructure problems the Government is confronting.

Committee Members discussed the current resource royalty tax regime, which is projected to provide little direct benefit by way of additional revenues from the pending diamond industry. The Minister indicated that the Department is attempting to renegotiate the existing tax regime to develop a more appropriate royalty structure, particularly for the diamond industry.

Other creative options must also be considered. Committee Members are of the opinion that since the diamond sector makes extensive use of Northwest Territories infrastructure, the industry should contribute to its maintenance and development.

The Committee recommends that the Government examine additional revenue options such as a highway toll tax for commercial trucks involved in the mining industry, specifically the diamond sector.

Northwest Territories Child Benefit

The Committee examined the proposed Northwest Territories Child Benefit, which would provide a tax credit to families based on the number of children, in proportion to their annual income. The program would be administered by the federal government in conjunction with its national child benefit program. The benefits would be mailed out to families in monthly payments.

The Committee recommends the adoption of the proposed Northwest Territories Child Benefit for low-income families.

Formula Financing: Incremental And Transitional Costs for Division

Committee Members were concerned about the negotiations relating to the incremental and transitional costs for Division. Issues such as severance pay and office leases, which are in part responsibilities of the Government of the Northwest Territories, are of particular concern. These figures will be more clearly identified in the Division transition document being prepared by the Nunavut Interim Commissioner.

The Committee looks forward to reviewing the Interim Commissioner's analysis of incremental and transitional costs for Division.

Training Positions for Nunavut

The Committee noted that no Nunavut training positions are identified in the Department of Finance's Main Estimates. Committee Members are aware of the Interim Commissioner's role in relation to staffing the new Nunavut Government. However, there needs to be adequately trained staff in advance of Division to fill positions in the new territory.

The Committee recommends that the Department of Finance consider taking steps to access the training funds available through the Nunavut Unified Human Resource Development Strategy, which provides funding for Nunavut training positions.

Financial Management Board Secretariat

Public Service Act Amendments

Committee Members were concerned about the amendments made to the *Public Service Act* in 1996, and expect to revisit and review the amendments.

The Committee recommends that the Government vigorously pursue the resolution of the issues surrounding the Public Service Act amendments through ongoing and committed dialogue with the union.

Financial Information System (FIS)

The current FIS computer system needs to be replaced. Replacement of the computer system is estimated to cost somewhere between six to eight million dollars.

There was a proposal to share the existing computer system with the new government of Nunavut, but the Interim Commissioner has indicated that the new territory will procure its own system. However, the most recent Auditor General's Report posed serious questions regarding dual systems post-Division in terms of compatibility, data integrity and whether time will allow the proposed Nunavut computer system to be operational by Division.

Digital Communications Network

The Committee was concerned that the proposed government server (the Digital Communications Network, or DCN) will compete with local private sector servers. Committee Members were also concerned with the technical viability of the proposed project. Members understood that the deadline for completion of the proof of concept was November 30, 1997. The Committee would like to receive a copy of the proof of concept, when completed. The Committee is also encouraged that the Government is attempting to address concerns expressed by local service providers and anticipates a satisfactory resolution.

Staff Housing

The Committee was concerned that there are few housing options available to accommodate transitional staff such as teachers, nurses or doctors. Some professionals have difficulty finding adequate housing, or are forced to pay exorbitant rents for existing housing. This may deter other essential service personnel from relocating to some northern communities.

The Committee requests that the Department provide a listing of the remaining staff housing units by community and the age and condition descriptions of each of the unsold units. The information provided should indicate where units are not marketable at this time, due to title or leasing concerns. Committee Members would also like to receive a list of units that are currently abandoned or otherwise uninhabitable.

Pay Equity

Committee Members were concerned about the costs associated with the ongoing pay equity negotiations. Members were also concerned with the length of time involved in these discussions and the potential liability of the Government of the Northwest Territories. The Committee encourages the Government to resolve this issue in a fair and fiscally prudent manner by March of 1998.

Municipal and Community Affairs

Property Assessment Arrears

Committee Members were concerned that a comprehensive assessment has not been completed for all of the communities in the General Taxation Area. There was concern that there may be a number of tax arrears cases, and that their aggregate may be significant.

The Committee requests a list of commercial, institutional and residential properties in the General Taxation Area that are currently in arrears by community, their respective cumulative arrears, and a list of communities that may not have up to date property assessments.

Nunavut Incremental Infrastructure Program

The Nunavut Incremental Infrastructure Program provides for improvements to existing infrastructure in Nunavut, and is funded by the federal government. This program is over and above the infrastructure program of the Government of the Northwest Territories. The Minister advised the Committee that these are not Government funds, but are flow through dollars for improvement projects. These projects are not listed in the Capital Estimates.

The Department has agreed to provide to the Committee a list of approved projects for the program.

Regional Infrastructure: Block Funding Transfer Keewatin Airports

The Keewatin regional leadership has made a proposal to manage the region's airports under a regional authority, and is seeking the appropriate block funding. The Committee was concerned that this may be the beginning of another level of government. The Committee is not aware of any other region in which mayors receive block funding for operations and maintenance and capital infrastructure. The Committee was also concerned with the effects of Division on this initiative, and holds the view that this proposal should wait until after Division. The Committee was also concerned with the human resource implications at headquarters and in the region.

According to the Department, this was a community-generated initiative and is supported by the local mayors. Committee Members note that this is a profound change in the way the Government of the Northwest Territories does business.

In the Committee's view, the initiative should be postponed until after Division. The Committee noted that the Standing Committee on Government Operations is of the same opinion. Both Committees are of the opinion that this initiative will create another level and form of government. The Committee noted that regional structures are not envisioned in the Nunavut Implementation Commission's proposed Government Structure. In their response to the NIC Report, the GNWT agreed that there should be only two levels of government in Nunavut – community and territorial. It is unclear whether the Interim Commissioner for Nunavut has been consulted or involved in any way in this substantive change to long term service delivery in Nunavut.

In addition, the Committee notes that there have been other concerns expressed with similar empowerment initiatives within the Keewatin Region including health service delivery mechanisms and the various resupply proposals. Community Empowerment initiatives within the Keewatin Region appear to be taxing public sympathies as well as government resources. Too many questions remain unaddressed to warrant consideration of this proposal at this point in time.

Public Works and Services

POL/PPD Fuel Price Subsidy

Committee Members were concerned that some regions may have been receiving a disproportionate amount of fuel price subsidies. The Department agreed to provide the Committee with the appropriate price subsidy information.

The Committee recently received the fuel subsidy information as requested. The document outlines in detail, positive or negative subsidy amounts by community and product. The Committee looks forward to reviewing the data.

Deferral of the Proposed Privatization of POL/PPD

The Minister informed the Committee that he and his Department concurred with the Committee's recommendation that the privatization of POL be postponed until after Division.

The Minister also indicated that the privatization initiative would require the implementation of an alternative supply system. However, alternative resupply projects were also deferred upon advice of the Committees and residents of the affected region.

Aviation Gas

Aviation gas, or AV gas, is fuel specifically used by piston driven aircraft. There is no AV gas available in the smaller communities. Currently, piston aircraft have to haul their own fuel, which decreases cargo space, increases operating costs, and compromises the safety of the passengers and crew.

The Department stated that there is no need to have AV gas available in the smaller communities, as turbo-prop aircraft, which do not require AV gas, will eventually replace most planes. However, the Committee is aware that there are many piston driven aircraft currently in operation in the north and that there will continue to be so, as turbo-prop aircraft are expensive to purchase and operate. The Committee does not anticipate rapid changes to the current situation.

The Committee further noted that piston driven aircraft form the majority of aircraft being used in the north. The lack of available AV gas in many communities gives an unfair advantage to a limited number of airlines.

The Committee feels strongly that if fuel is available for turbo-prop aircraft, fuel should be available for piston driven aircraft as well. More importantly, the few airlines that do use turbo-props serve only selected communities.

The Minister recently wrote to the Committee to comment on some of our initial concerns. He advised the Committee that there are significant issues to consider regarding the supply of AV gas. These issues include the limited shelf life of AV gas, environmental issues related to its use and disposal, and the special handling and storage requirements associated with AV gas. He has directed his officials to re-examine options to provide 100LL Avgas in isolated communities. The Committee looks forward to reviewing the upcoming evaluation.

Consolidation of Office Space

In Yellowknife, the Department is working on a major office plan to deal with the downsizing associated with the creation of two new territories. Committee Members noted that the plan might result in large penalties or buyouts on long term leases.

The Committee requested that the Department provide a copy of the office space consolidation plan, and that they provide an explanation of how landlords may be assured that they will be treated equitably in any office space consolidation initiative undertaken by the Government.

The Committee recently received the Office Space Plan as requested. The Plan describes lease commitments and the consolidation of office space in the city of Yellowknife. Committee Members look forward to reviewing the document.

Aboriginal Affairs

Negotiations with DIAND: Funding for the Constitutional Working Group

The Minister informed the Committee that he had met with the Honorable Jane Stewart, Minister of Indian and Northern Affairs, and had negotiated a federal contribution of \$500,000 to fund the Constitutional Working Group for the remainder of the current fiscal year.

Funding Allocation to the Ministry of Aboriginal Affairs

The Minister indicated that his Ministry requires additional operating funds and staff to effectively represent the Government of the Northwest Territories at the large number of land claim and self-government negotiations. The Committee encourages the Minister to quantify the Ministry's resource needs and to pursue this matter with the Financial Management Board.

Overlapping Claims

The Committee is concerned about the potential overlapping of claims, as this will slow the claims settlement process. At the request of the Committee, the Minister provided additional information on the Makivik Offshore Land Claim negotiations, and agreed to continue to provide updates on the developments related to the Makivik claim and the James Bay overlap negotiations. The Committee anticipates that similar updates will be provided as negotiations warrant.

Executive

Personnel Secretariat

The Premier advised that his Department is re-examining the functions of the Personnel Secretariat. He indicated that it may be too soon to know what, if any changes may have yet to be made. If further reorganization is required, it will likely have an impact on the budget for 1998/99. The Committee noted that there appears to be more human resource personnel in government than there were in the centralized Department of Personnel.

The Committee requests an analysis of the potential efficiencies and economies of scale realized by the current decentralized service delivery model.

Witnesses

Department of Finance

The Honourable John Todd, Minister
Ms. Margaret Melhorn, Deputy Minister
Mr. Bill Setchell, Director, Finance and Administration

Financial Management Board Secretariat

The Honourable John Todd, Chairman
Mr. Lew Voytilla, Secretary of the FMB/Comptroller General

Department of Municipal and Community Affairs

The Honourable Manitok Thompson, Minister
Ms. Penny Ballantyne, Deputy Minister
Mr. Vern Christensen, Assistant Deputy Minister of Programs
Mr. Chris Keeley, Director of Corporate Affairs

Department of Public Works and Services

The Honourable Goo Arlooktoo, Minister
Mr. Ken Lovely, Deputy Minister
Ms. Gay Kennedy, Director, Corporate Services

Ministry of Aboriginal Affairs

The Honourable Jim Antoine, Minister
Mr. Fred Koe, Deputy Minister
Mr. Peter Bannon, Director, Policy and Coordination

Department of the Executive

The Honourable Don Morin, Premier
Mr. Andrew Gamble, Secretary to Cabinet
Mr. Dave Waddell, Director, Corporate Services