



# **Northwest Territories Legislative Assembly**

## **Standing Committee on Governance and Economic Development**

Report on the 2001-2002 Main Estimates

Chair: Mr. Floyd Roland





Northwest  
Territories

Legislative Assembly  
Standing Committee on Governance and Economic Development

February 15, 2001

THE HONOURABLE ANTHONY (TONY) WHITFORD, MLA  
SPEAKER OF THE LEGISLATIVE ASSEMBLY

Mr. Speaker:

Your Standing Committee on Governance and Economic Development has the honour of presenting its Report on the Review of the 2001-2002 Main Estimates, and commends it to the House.

A handwritten signature in black ink, appearing to read 'Floyd Roland', written in a cursive style.

Floyd Roland, MLA  
Chair

**MEMBERS OF THE STANDING COMMITTEE ON  
GOVERNANCE AND ECONOMIC DEVELOPMENT**

Floyd Roland  
MLA Inuvik Boot Lake  
Chair

Sandy Lee  
MLA Range Lake  
Deputy Chair

Bill Braden  
MLA Great Slave

Paul Delorey  
MLA Hay River North

David Krutko  
MLA Mackenzie Delta

Steven Nitah  
MLA Tu Nedhe

**STAFF MEMBERS**

Doug Schauerte  
Committee Clerk

Laurell Graf  
Committee Researcher

Doug Pon  
Committee ResearcherP

**Standing Committee on Governance &  
Economic Development**  
**Report on the Review of the 2001-2002 Main Estimates**

INTRODUCTION .....	1
GENERAL COMMENTS .....	1
TRANSPORTATION STRATEGY .....	1
HYDRO-ELECTRICITY PROJECT .....	2
PROGRAM AND FUNCTIONAL REVIEW .....	3
COMMUNITY GOVERNANCE CAPACITY .....	3
DEPARTMENT OF THE EXECUTIVE – EXECUTIVE OFFICES .....	4
BUSINESS PLAN AND MAIN ESTIMATES REVIEW .....	4
REGIONAL REORGANIZATION .....	5
DEVOLUTION AND REVENUE SHARING .....	5
EVENTS/PLANNING CHART .....	6
MINISTRY OF ABORIGINAL AFFAIRS .....	7
BUSINESS PLAN AND MAIN ESTIMATES REVIEW .....	7
SECTORS OF GOVERNMENT INVOLVED IN SELF-GOVERNMENT NEGOTIATIONS .....	7
INCREMENTAL COSTS OF SELF-GOVERNMENT .....	8
HYDRO-ELECTRIC POTENTIAL .....	9
PAY EQUITY .....	10
NWT/PC DEBT .....	10
POWER SUBSIDY PROGRAM .....	10
INCREMENTAL COSTS OF SELF-GOVERNMENT .....	11
DEPARTMENT OF FINANCE .....	11
LIQUOR ACT PLEBISCITE .....	12
FORECASTING .....	12
TAX COLLECTION .....	13
DEPARTMENT OF RESOURCES, WILDLIFE AND ECONOMIC DEVELOPMENT (RWED) .....	14
WILDLIFE AND ENVIRONMENTAL PROTECTION FUNDING .....	15
HOTEL ROOM TAX AND TOURISM STRATEGY .....	16
OIL AND GAS, AND OTHER SECTORS .....	16
NUMBER OF STRATEGIES .....	16
GIANT MINE CLEAN-UP .....	17
ARTS AND CRAFTS .....	17
HARVESTERS' PROGRAM .....	17

DEPARTMENT OF MUNICIPAL AND COMMUNITY AFFAIRS (MACA) .....	18
SPORTS AND RECREATION.....	19
VOLUNTEERISM .....	20
COMMUNITY GOVERNANCE CAPACITY .....	20
CAPITAL PLANNING PROCESS.....	21
EXTRAORDINARY FUNDING V. SUPPLEMENTARY APPROPRIATION .....	21
TAXATION.....	22
PUBLIC WORKS AND SERVICES .....	22
BUSINESS PLAN AND MAIN ESTIMATES REVIEW .....	22
<i>Functional Audit:</i> .....	22
<i>Records Management:</i> .....	23
PROGRAM AND FUNCTIONAL REVIEW FEE INCREASES .....	23
VACANT AND DELETED POSITIONS .....	24
<i>Vacant Positions:</i> .....	24
<i>Deleted Positions:</i> .....	24
PWS WATER AND SEWAGE SERVICES OPERATING AGREEMENTS WITH COMMUNITIES .....	24
PETROLEUM PRODUCTS .....	25
<i>Privatization Proposals:</i> .....	25
<i>Misconceptions Regarding Privatization:</i> .....	25
<i>POL and the Business Incentive Policy:</i> .....	26
SERVICE DELIVERY .....	26
DEPARTMENT OF TRANSPORTATION.....	27
TRANSPORTATION STRATEGY.....	27
PROGRAM AND FUNCTIONAL REVIEW FEES .....	28
BID PROCESS .....	29
HIGHWAY SAFETY .....	29
AIRPORT MAINTENANCE AND FIRE SAFETY .....	30
RECRUITMENT AND RETENTION.....	31
LUPIN ICE ROAD .....	31
SMALL BOAT SAFETY .....	32

## Standing Committee on Governance & Economic Development Report on the Review of the 2001-2002 Main Estimates

### Introduction

The Standing Committee on Governance and Economic Development (GED) met from Tuesday, January 16, 2001 to Wednesday, January 24, 2001 to review the government's 2001-2002 Main Estimates. The GED envelope includes the following Departments: Executive, Ministry of Aboriginal Affairs, Financial Management Board Secretariat (FMBS), Finance, Public Works and Services (PWS), Municipal and Community Affairs (MACA), Transportation, and Resources, Wildlife and Economic Development (RWED). The Committee would like to take this opportunity to acknowledge and thank the departments and the Legislative Assembly committee staff for their hard work.

### General Comments

#### Transportation Strategy

The Department of Transportation introduced its proposed Transportation Strategy to the Standing Committee on Governance and Economic Development during discussions on its 2001-2002 Main Estimates. The strategy is expected to cost 100 million dollars over the next four years. Further, the strategy would introduce a user fee of 5 cents per tonne per km for commercial traffic on territorial highways and is projected to generate 15 million dollars in revenue that would be directed specifically to improving the territorial highway system. User fees would be managed from a dedicated highway investment fund trust and leveraged to meet initial capital requirements. A user fee would not affect federal funding transfers to the territorial Government.

The Committee, while recognizing the need for a safe and well-maintained territorial highway system, advised the Minister that any user fee would be passed on by the transportation companies to the consumer, northern business

and Government. With transportation costs already high because of our remoteness and the rising cost of fuel, this user fee would significantly impact upon our standard of living. The Department replied that some of the increased costs would be mitigated by a cost-of-living tax credit for NWT residents. The Committee supports this strategy in principle. However, final support is conditional upon the Committee receiving and reviewing additional financing and strategy details and assessing their impact upon northern residents.

Due to the significant impact of this initiative upon the northern economy and the cost of living, the Department of Transportation and the Department of Finance agreed to give a presentation on the proposed transportation strategy and cost of living tax credit for NWT residents to the Standing Committee on Accountability and Oversight which includes all Regular Members. The Committee referred this issue to the Standing Committee on Accountability and Oversight in order to extend discussion to include other Members of the Legislative Assembly.

### Hydro-Electricity Project

The Financial Management Board Secretariat presented the Government's hydro resource initiative to the Standing Committee during review of the Secretariat's 2001-2002 Main Estimates with the Committee. The Committee pointed out that substantial funding would be required to develop the proposed Talston River hydro project and connect it to the Alberta power grid.

Committee Members noted that this resource would outlast other resources, including minerals, oil and gas, as there will always be customers for electricity and our hydro-electric potential is almost unlimited. The project and future projects will provide a steady revenue stream to NWT businesses and government in addition to providing employment to NWT residents. There is also a potential for energy cost savings for the NWT.

Committee Members acknowledged that timely development is important, but urged a prudent approach to ensure all impacts are considered, including environmental and land claims in addition to economic issues. Furthermore, the Committee asked where the money for development will come from, especially in light of the Government's proximity to the debt wall. In light of the overall significant impact of this proposed initiative upon our Territory, the Committee referred further discussion on this matter to the Standing Committee on Accountability and Oversight.



### Program and Functional Review

The Committee is concerned that the territorial Government's program and functional fee increases will significantly affect our cost of living. In particular, fee increases in the transportation sector including airport land fees, general terminal fees and increased airport leases would be initially borne by the airline companies, but inevitably passed on to the northern consumer, business and Government. Committee Members note that residents will also be directly impacted by increases to motor vehicle licenses and related administrative fee increases.

The Committee further remarked that northern residents would not only be affected by some fee increases, but by rising fuel costs as well. This translates into higher living and operating costs for both the consumer and businesses. In particular, people on a fixed income and businesses that are marginally profitable will be severely impacted. As a result, the Committee in recognition of the wide-ranging and significant effects of this issue upon our entire region referred this matter to the Standing Committee on Accountability and Oversight for additional exposure and discussion.

### Community Governance Capacity

The issue of community governance capacity continues to remain an ongoing concern of the Standing Committee on Governance and Economic Development. As the Government of the Northwest Territories continues its practice of devolving more and more responsibilities to the community level, Committee Members are concerned these additional responsibilities are not accompanied by adequate funding, technical knowledge, qualified personnel, facilities and equipment. Increasing and already high fuel costs have already magnified operating costs for communities.

The Committee noted that in many cases, communities are not involved in decision-making processes at the territorial or departmental level on issues that directly impact them. Committee Members are of the position that communities should be and must be involved in any process that affects them.

Further, the Committee pointed out to the Government that facilities and equipment in most communities require immediate repair, upgrading or replacement. Committee Members are very concerned that inadequate facilities,

equipment and the shortage of qualified staff to maintain and operate them represents a major safety issue. These facilities and equipment must be brought up to standard. The Committee is of the position that the territorial Government has to invest more in community infrastructure. This was also mentioned on page 5 of the Standing Committee on Accountability and Oversight's Report on the Review of the 2000/2003 Business Plans and the 2000/2001 Main Estimates,

... it was brought to the attention of the Committee that there appears to be an increase in the percentage of funds being used to increase and sustain bureaucracy – it is the opinion of the Committee that these funds could be better spent on infrastructure or other essential programs or services for the people of the Northwest Territories.

#### Department of the Executive – Executive Offices

The Department of Executive is composed of three separate and distinct programs under the authority of their own Ministers: the Executive Offices, the Financial Management Board Secretariat and Aboriginal Affairs. Corporate Services supports all three programs of the department by providing budgetary, financial and administrative services. The Financial Management Board Secretariat and the Ministry of Aboriginal Affairs submit their own business plans and Main Estimates for Committee review.

The Standing Committee on Governance and Economic Development met to review the Main Estimates of the Executive Offices, Department of Executive on January 16, 2001.

#### Business Plan and Main Estimates Review

Business planning is crucial as a planning process and as a means to arrive at the budget figures presented in the Main Estimates. The only change in budgeting for the 2001/2002 fiscal year, since the Business Plan review, is an increase of \$342,000 to meet the requirements of the collective bargaining agreement that was ratified by the UNW in December.

During the review of the 2001/2004 Business Plans, it came to the attention of the Committee that the Executive Offices planned to consolidate the Women's Advisory with the Office for the Status of Women in the 2002-2003 fiscal year. In

### Wildlife and Environmental Protection Funding

The Committee's examination of the Department's fiscal allocations showed there is a need for more support for wildlife and environmental management and protection programs. These responsibilities deserve similar levels of funding that have been directed towards resource development. With the dramatic growth in resource development, including minerals, and oil and gas, wildlife and environmental protection programs and services become even more important.

The Minister replied that he would consider any recommendations to support wildlife activities. The Committee further added that since the Department was amalgamated, there has been a continual decrease in programs and services in this area. Committee Members advised that with major resource developments occurring, at the end of the day we need to know their effects upon our environment and wildlife. Due to reductions in programs, services and other resources in this area, our data may be limited. The Committee suggested to the Department that as a potential cost effective alternative, consultation with aboriginal groups who are completing their own wildlife work may be considered as an additional information resource.

Committee Members pointed out that many territorial Government wildlife responsibilities are actually the domain of the federal government. If we continue to assume and complete some of the federal government's responsibilities, our already limited resources will be further depleted. The territorial Government does not receive additional federal funding to complete their duties. Therefore, the Committee encourages the territorial Government and the Department to ensure the federal government meet their own responsibilities.

Finally, the Committee stated that in order to have effective programs and services, we need to ensure we retain and recruit "good people" and that they have the necessary resources to do their jobs.

**The Standing Committee on Governance and Economic Development recommends that the Department of Resources, Wildlife and Economic Development pursue the federal government for additional resources and to ensure the federal government meets their wildlife management and protection obligations.**

### Hotel Room Tax and Tourism Strategy

The Committee agreed with the Department that tourism is a growth industry in the Northwest Territories. Tourism opportunities in the North must be maximized in concert with an effective and responsive tourism strategy.

The territorial Government has proposed to fund their tourism strategy with a hotel room tax. Committee Members expressed concern about the hotel room tax and the potential consequences to our accommodations industry and its overall impact upon tourism.

Further, as part of the legislative process, the Standing Committee on Governance and Economic Development recently met with stakeholders and residents on the proposed hotel room tax legislation. The Committee wishes to ensure that the view of all Northerners and tourism operators will be considered in its deliberations and the Committee will be reporting on the hotel room tax in the very near future.

### Oil and Gas, and Other Sectors

In the Committee's review of the Department's 2001-2004 Business Plan and 2001-2002 Main Estimates, Committee Members remained concerned that there are other economic sectors other than diamonds that require assistance and attention. Other sectors include agriculture, fur, forestry, tourism, arts and crafts, and oil and gas.

Again, the Committee Members were of the opinion that there may have been an initial requirement to support the secondary diamond industry, but other economic sectors also deserve at least similar levels of support. Committee Members were especially concerned that current and proposed resources may be inadequate to take full advantage of recent developments in the oil and gas sector.

### Number of Strategies

The Committee, after reviewing both the Department's most recent Business Plan and Draft Main Estimates, noted that too much money and resources are dedicated to the development of strategies rather than on implementing current ones. Committee Members suggested that funding for most of the new strategies

could be used for priority issues or for other essential department programs and services. The Committee restated from their review of the Department's 2001-2004 Business Plan that it is concerned about "what we can realistically do in the life of this Government".

### Giant Mine Clean-Up

The Committee is of the opinion that the Giant Mine clean-up operation is a priority. The Standing Committee is concerned that the federal government is not living up to its obligations, and this government should not assume responsibilities that are within the domain of the federal government. Finally, the Committee encourages the Minister to lobby the federal government to clean up the mine site in a safe and timely manner.

### Arts and Crafts

Committee Members maintained the position that the arts and crafts industry deserves increased levels of support. Further, the Committee noted that this sector has the highest participation rate amongst the over-60 age group. Without a growing arts and crafts industry, many people in this age group will become solely dependent upon limited pensions and income support.

Furthermore, the Committee observed that funding might have been disproportionately allocated elsewhere, especially to the secondary diamond industry. In many communities, arts and crafts represent a significant component of the local economy and some people may prefer to participate in the arts and crafts industry. Arts and crafts represent a viable employment choice for many people.

### Harvesters' Program

The Committee is of the opinion the current Harvesters' Program is not responsive to its clientele and, as a result, changes will have to be made to ensure harvesters are paid in a timely fashion. This slowness in payment may have contributed to a decline in the industry.

The Committee pointed out that more support is needed for this sector. In many communities, harvesting is one of the few viable industries and many people may prefer to work in the harvesting industry. The Minister agreed to revisit and augment the program, and that the Department will also review the Fur Marketing Strategy and Fur Pricing Model. The Committee looks forward to examining the results of this review.

#### Department of Municipal and Community Affairs (MACA)

The Department of Municipal and Community Affairs is responsible for the development and maintenance of community governments, that is responsive to the needs of residents, with sufficient legal authority and resources to carry out community responsibilities, to provide their public programs and services essential to good community life and to deal effectively with other governments and organizations. The Department is also responsible for protecting the interests of consumers.

The Standing Committee on Governance and Economic Development met with the Minister of Municipal and Community Affairs and his staff on Monday, January 22, 2001 to review the Department's 2001-2002 Main Estimates.

The Committee noted a \$58,000 projected decrease in operations expense from the Department's 2001-2004 Business Plans. Changes from the Business Plan include:

- a \$562,000 increase in compensation and benefits arising from the recent UNW collective agreement;
- a reduction of \$14,000 in amortization estimates;
- a decrease of \$1,665,000 in Financial Management Board (FMB) approvals representing a transfer to the Department's capital expenditure program to pay for solid waste and water system upgrades in various communities;
- a \$437,000 increase to help community governments to offset increased operating expenses caused by the increase in world fuel prices; and
- an increase of \$622,000 transferred from other Departments to help pay for increases in compensation and benefits, and other operations.

As mentioned earlier, Committee Members noted a \$1,665,000 increase in the Department's capital acquisition plan from the Department's 2001-2004 Business

Plan compared to the Department's 2001-2002 Main Estimates to pay for water and sewer upgrades in various communities.

There were no adjustments in the Department's revenue projections from their Business Plan. However, the Department's 2001-2004 Business Plan had already incorporated increases in fees proposed in the Government's Program and Functional Review. There was an increase to the land document fees, and a plan review fee was adopted and will be applied to projects in communities where this service is not provided at the community level.

### Sports and Recreation

The Committee expressed its concerns on sports and recreation to the Department, who replied that they are developing a sports and recreation policy framework. Committee Members remarked that sports and recreation organizations are already knowledgeable about related programs, services and funding. The Committee is of the opinion that these organizations need more support, and especially funding, not more regulatory hurdles. If the funds are not there to operate a facility or run a program, then that facility or program is wasted. The Department replied that unfortunately given this Government's short to near term fiscal outlook, there is not enough money available to upgrade sports and recreation facilities.

There is concern on the part of some Committee Members that recreation funding is not allocated equitably between various organizations and communities. Committee Members remarked that communities have difficulty procuring funding and support for their sports and recreation programs, while "hundreds of thousands of dollars are spent on the Arctic Winter Games". The Committee noted that sports and recreation is a concern that has overall territorial implications and referred this issue to the Standing Committee on Accountability and Oversight to ensure it is brought to the attention of all Members. The Minister will provide a briefing on sports and recreation organizations including Sport North, and the Aboriginal Sports Circle to the Standing Committee on Accountability and Oversight.

The Committee submitted further concerns on the Arctic Winter Games (AWG) to the Minister and his Department. Committee Members pointed out that the Arctic Winter Games do not have a rationale for the removal of sport events at the Games. The Committee suggested that the cost of attending the AWG and the

intent of the Games be revisited. The Committee understands that this will be addressed in the Department's briefing to the Standing Committee on Accountability and Oversight.

Finally, the Committee emphasized the importance of sports and recreation and its positive role in the development of youth. The Committee urged the Department to work with the Department of Education, Culture and Employment to improve the working relationship between physical education departments in the schools and the community recreation co-ordinators and to ensure improved sports and recreation benefits for our youth. Shortfalls in school sport and recreation programs are taken up by the community recreational coordinator. The extra stress placed upon these coordinators lead to burnout and the eventual loss of some community programs and services.

### Volunteerism

The Committee suggested that volunteerism must be appropriately recognized as funding for many programs and services are minimal. Committee Members added that more training programs must be initiated, supported and made available to volunteers. This will allow volunteers to bring needed skills and experience back to their communities.

Committee Members stated that if funding for training is not available for volunteers, then many programs, services and facilities are wasted. The Committee emphasized that "volunteerism is more than sports and recreation, it is an area that unites communities".

### Community Governance Capacity

Committee Members noted that a number of communities are running operating deficits. One explanation may be that these communities do not have sufficient means to raise their own revenues. The Committee further added that the current funding formula is too broad based. Communities must be addressed on an individual basis, acknowledging their unique circumstances and operating requirements. For example, fuel costs have greatly contributed to increased operating costs in the communities. The Committee encourages the Department to proactively work with communities which may have encountered financial difficulties.



This was also a Committee concern in its review of the Department's 2001-2004 Business Plan that if programs, services and facilities are transferred to communities, adequate levels of funding, technical information and support should accompany those additional responsibilities. In some cases, communities did not have access to essential operating information and/or were excluded from decision-making processes that affected them. The Committee reiterated that a community should be fully involved in any process that may affect their community and funding levels should realistically reflect higher operating costs such as fuel in smaller and remote communities. The Standing Committee is aware the Department is reviewing and proceeding with proposed legislative changes in this matter and the Committee encourages the Department to complete these changes in a timely and responsive manner.

### Capital Planning Process

In the Department's 2001-2002 Draft Main Estimates, infrastructure contributions to communities were included with the Department's activity summaries. An overall Government of the Northwest Territories Capital Acquisition Plan is included in a separate section as part of the Main Estimates package, but infrastructure projects owned by communities are only included as part of infrastructure contributions for the Department. Conversely, capital projects owned by the territorial Government are exclusively included in the Capital Acquisition Plan section. Previous to the territorial Government's implementation of its tangible capital assets accounting protocol, all capital projects were included in one document, categorized by community, department and project. This comprehensive document was known as the Five-Year Capital Plan. Committee Members are of the position that all capital projects should be included in one document for greater clarity and transparency.

### Extraordinary Funding v. Supplementary Appropriation

During the Committee's examination of the Department's 2001-2002 Main Estimates with the Minister and his staff, Committee Members uncovered an extraordinary fund that had been built into the Department's Directorate activity. The Department rationalized that the funds are there for emergencies and that if there were no emergencies, the funds would be reallocated elsewhere in the Department for other programs and services. However, the Committee informed the Minister and his Department that emergency funds are usually procured

through the Supplementary Appropriation process. Further, such as in the case of Fort McPherson last summer when there was a water treatment crisis, the Department replied that it did not have any funding to resolve the situation.

### Taxation

Within some General Taxation Area communities, there are band lands. Band residents living on band lands do not have to pay municipal taxes as the federal government pays a grant-in-lieu of municipal taxes to the GNWT. Committee Members point out that a concern occurs when another band member lives off band land in the same community and has to pay their municipal taxes themselves.

The Committee encourages the Department and the Department of Finance to work with the federal government to find a fair solution to this taxation disparity. Committee Members added that this is an ongoing concern and previous Committees have also sought resolution on this matter.

### Public Works and Services

The Standing Committee on Governance and Economic Development met with the Minister and his staff to review the Main Estimates of the Department of Public Works and Services on January 23, 2001. The Department is divided into four ongoing activities: Directorate, Asset Management, Systems and Communication, and Petroleum Products. The Committee noted a \$462,000 increase between the previous year and the 2001/2002 Main Estimates. The recent collective agreement with the UNW is projected to cost the Department an additional \$896,000 for the upcoming fiscal year. The Committee also noted that the department plans to decrease the number of staff by eight.

### Business Plan and Main Estimates Review

#### Functional Audit:

In its report, "Review of the 2001/2004 Business Plans" the Committee made a recommendation that a functional audit be performed upon the Department of

Public Works and Services. Changes in government, which include community empowerment, privatization initiatives, user pay, aboriginal self-government, and the formation of Nunavut have resulted in a new operating environment. The Committee was of the opinion that it was time for Government to review the present delivery of Petroleum, Oil and Lubricants, Capital Purchases, Records Management, and Asset Management Programs.

Since the review of the business plans, the Department proposes to add a senior policy advisor position to research the role and relationship of the department in regard to self-government and look at different models of service delivery. A questionnaire has been sent to clients in an effort to determine the "shape" the Department will have to assume to reflect client needs. However, given all the changes in the operating environment, the Committee feels that this still falls short of what they wanted. The Committee is of the opinion that it is time for the Government or an outside agency, not the Department, to review the Department of Public Works and Services to determine the best methods of delivery for services the Department presently provides.

**The Committee recommends a functional audit be conducted to determine the best long-term delivery method for the services presently delivered by the Department of Public Works and Services.**

#### Records Management:

Also in the report, "Review of the 2001/2004 Business Plans", the Committee recommended that the Government revisit their overall approach to records management with a view to a more customer-oriented approach to suit individual departments.

To date there has been no resolution to this issue – departments do not feel that they can conform to the Administrative Records Classification System (ARCS) that PWS wishes to implement. The Committee understands the Knowledge Management Strategy will address records management and hopes that the strategy will suggest a resolution which can work for all departments.

#### Program and Functional Review Fee Increases

The Committee notes that the Department has incorporated into the Main Estimates, fee increases for electrical permits, boiler registrations, gas permits

and elevator permits. These increases were first presented in the Program and Functional Review. These fee increases result in an increase of \$187,000 in revenues. The Committee is concerned about the cumulative impact of fee increases on the residents of the Northwest Territories.

### Vacant and Deleted Positions

#### Vacant Positions:

The Committee notes that salary dollars from vacant positions are being used to cover funding shortfalls in the Department. As was highlighted in the Standing Committee on Accountability and Oversight's report, when positions are held vacant, programs and services suffer. Members feel that monies approved by the Legislative Assembly for salary purposes should be used for such.

#### Deleted Positions:

The 2001/2004 Business Plans contained a list of changes in the staff positions for the Department. There were nine positions deleted and one position added, resulting in a net effect of a reduction of eight positions. During the review of the Main Estimates, the Committee observed that the net reduction of positions remained at eight. However, upon questioning the Department, the Committee learned that the method to arrive at the eight deleted positions had changed. Now, the Department will be deleting ten positions and adding two positions. Further to this, in comparing the list of deleted positions supplied in the Business Plans with the list supplied during the Main Estimates review, there have been changes in the positions to be deleted. The Committee requests that, as was the protocol in the 13<sup>th</sup> Legislative Assembly, Members of the Legislative Assembly be notified in writing of any deletions and additions of Government of the Northwest Territories positions in their riding.

### PWS Water and Sewage Services Operating Agreements with Communities

The recent problems with drinking water quality in Fort McPherson has brought the issue of the Department's water and sewage services operating agreements with communities to the forefront. In some operating agreements which presently exist, the municipality does not have the ability to have input respecting proposed costs before the costs are incurred on behalf of the community.

its report, "Review of the 2001/2004 Business Plans" the Committee recommended this consolidation not occur and that the funds be reinstated in the 2002-2003 Operations Expenses for the Department. The Committee was pleased to learn that the Department has decided not to proceed with the proposed consolidation.

### Regional Reorganization

In the 2000-2003 Business Plans, reviewed by this Committee in June 2000, the Executive Offices presented their strategy to "support a collaborative approach to effective and efficient program delivery and capacity building". An outcome measure for this strategy would be "a plan for regional reorganization and capacity building is developed and initiated". The Committee was informed that a review of regional organization is underway. Further to this, in those same 2000/2003 Business Plans, the Executive Offices announced the formation of a Regional Relations section tasked with enhancing communications within the regions, and between regions and headquarters. The new section will also assist the regions in preparation for the transfer of government programs and services through capacity building and aboriginal self-government.

It is apparent that the Government has lost its focus and purpose on the Regional Reorganization Initiative announced last year. The Committee was told this issue is much more complex than originally conceived and that the responsibility for regional reorganization has now shifted from the Department of Executive to a ministerial committee.

The Standing Committee is at a loss to define or make tangible suggestions on the state of this initiative, especially given the Government's confusion in this matter. The Committee urges Government to reassess their need for regional reorganization and, if it still exists, redefine and review this initiative.

### Devolution and Revenue Sharing

In his opening remarks to the Committee, the Premier stated, "On December 1, 2000 the GNWT and a majority of aboriginal leaders across the Northwest Territories agreed to begin a formal bilateral negotiating process to determine how the transfer of authority, currently held by the federal government, over lands and resources will devolve to appropriate territorial and aboriginal

governments and to develop a position of resource revenue sharing.”

The Committee is pleased with this development but worries that the Government may hold itself in limbo awaiting finalization of negotiations. While the focus is on devolution at the territorial level, opportunities for development at the regional and community level may be lost.

**The Committee requests an up to date status report on devolution and revenue sharing negotiations.**

### Events/Planning Chart

During the Review of the 2001/2004 Business Plans in October, the Committee requested that an events chart be developed to give Members a perspective of what has to be done as the Northwest Territories moves towards devolution and revenue sharing. An events flow chart was circulated to Members. However, the Committee was surprised to hear that Cabinet has abandoned this chart as a planning tool and have not circulated it outside of Caucus. Departmental staff indicated that by suggesting target dates, aboriginal partners might feel that negotiations with the Government of the Northwest Territories are “pre-cooked”.

The Committee is of the opinion that there are events that the Government and other organizations have already agreed upon that could be put into a schedule. The Committee is aware of legislation which is new or is under review that could easily be put in the events calendar. It is also well understood that our pursuit of devolution and resource revenue sharing requires a sequence of events to occur. It would be helpful for these events to be identified, not necessarily with a target date.

The Committee hopes that Cabinet revisits its decision not to use an events chart as a planning tool. The Committee empathizes with the difficulty in setting target dates when negotiations are involved. However, Members and the Committees still would like to have targets and a sequence of events to assist them in their planning for the remaining term of this government.

## Ministry of Aboriginal Affairs

The Ministry of Aboriginal Affairs is one of the three separate and distinct programs operated within the Department of Executive. The Ministry, in order to fulfil its responsibilities is comprised of the following activities, the Directorate, Policy, Implementation, and Negotiations.

The Standing Committee on Governance and Economic Development met to review the Main Estimates for the Ministry of Aboriginal Affairs, Department of Executive on January 18, 2001. The Committee noted a \$206,000 increase in operations expense from the Ministry's 2001/2004 Business Plan projections, of which \$176,000 is attributed to the UNW Collective Agreement and \$30,000 as an increase in the amortization figures.

### Business Plan and Main Estimates Review

Business planning is a means to arrive at the budget figures presented in the Main Estimates. Changes in budgeting for the 2001/2002 fiscal year, since the Business Plan review in October 2000, include an increase of \$176,000 to meet the requirements of the collective bargaining agreement and a \$30,000 change in the amortization figure.

During the 2001/2004 Business Plan review, the Committee made a number of requests for information to the Ministry. The Committee would like to compliment the Ministry on its prompt response to all but one of the requests. The Minister committed to sending regular updates on negotiations at the seven tables. The Committee has just recently received the first of these updates.

### Sectors of Government Involved in Self-Government Negotiations

In its "Report on the Review of the 2000/2003 Business Plans and 2000-2001 Main Estimates", the Committee expressed serious concerns over the numerous sectors in Government that are involved in self-government, land claims, devolution and resource revenue sharing negotiations.

In the spring of 2000, the Executive Offices added the Intergovernmental Forum Secretariat, a Regional Relations section and an Intergovernmental Affairs section, all of which are involved in self-government issues. Along with the Ministry of Aboriginal Affairs, there are staff in the Department of Municipal and

Community Affairs; Resources, Wildlife and Economic Development; FMBS; Justice; and Health and Social Services involved in intergovernmental negotiations. Information supplied to the Committee in October by the Ministry indicated that the GNWT devotes 44 positions and \$6,195,000 to negotiations. During the recent review of the 2001-2002 Main Estimates, the Committee was informed of the newest addition to the self-government milieu – a Committee of Ministers.

The Standing Committee on Governance and Economic Development recommends that the co-ordination of the new ministerial committee and impact of government-wide negotiations be clarified and that the Government establishes clear lines of authority for all sectors of Government involved in self-government negotiations.

#### Incremental Costs of Self-Government

The Government of the Northwest Territories has assumed the position that all incremental costs for self-governments are the responsibility of the federal government. However, to identify what the additional costs will be, the Government of the Northwest Territories has to determine what the present costs of programs and services are. It is time that the GNWT recognizes this responsibility and acts upon it.

#### Financial Management Board Secretariat (FMBS)

The Financial Management Board Secretariat, along with the Ministry of Aboriginal Affairs and the Executive Offices is part of the Department of the Executive. Each one submits their own Business Plans and Main Estimates for Committee review.

FMBS is comprised of the following activities; the Directorate, Labour Relations and Compensation Services, Government Accounting, Budgeting and Evaluation, and the Audit Bureau.



The Standing Committee on Governance and Economic Development met with the Chair of the Financial Management Board and his staff on Wednesday, January 17, 2001 to review the Secretariat's Main Estimates for 2001-2002.

The Committee noted a \$1,719,000 increase in the operations expense from the Secretariat's 2001-2004 Business Plan projections. This projected increase reflects:

- amendments arising from increases in compensation and benefits in the amount of \$623,000 as the result of the recent UNW collective agreement;
- a reduction in amortization estimates of \$29,000;
- an increase of \$1,280,000 in the base funding for the Power Subsidy Program (which provides subsidies for both domestic and commercial consumers of electricity who pay for their own power and reside in high cost areas); and
- a decrease in other adjustments of \$155,000.

FMBS did not propose any new capital expenditures from their 2001-2004 Business Plan.

There were no changes to FMBS's revenue projections. Although the Secretariat proposed a six position increase from their 2001-2004 Business Plan, this readjustment results in an actual two position decline from their 2000-2001 Main Estimates.

### Hydro-Electric Potential

In addition to the Committee's earlier comments in this report, Members questioned why this project is with FMBS instead of the Department of Resources, Wildlife and Economic Development or the Northwest Territories Power Corporation. Committee Members had previously noted in the review of FMBS's 2001-2004 Business Plan, that there had been a significant growth in the Secretariat's funding, responsibilities and human resources over the past few years. FMBS explained that this hydro initiative is an overall government issue as it will have significant financial impact. The Committee concurred and referred this issue to the Standing Committee on Accountability and Oversight as a government-wide concern.

Some Committee Members added that the proposed hydro project will be located in the South Slave region and reminded the Government that jobs associated with the project should be located there too.

### Pay Equity

The cost of the pay equity dispute amounts to \$3,000,000 annually for this Government. The Government reports an 83% settlement rate. The Government added that if they could locate the remaining employees, a 100% acceptance rate could be achieved, effectively retiring the pay equity issue for this Government. The Committee encourages the Government to find and settle with the remaining employees. However, FMBS added that this process might be further complicated as the Bell Canada pay equity decision has been overturned.

The Committee was also concerned with the financial implications of the next collective agreement with the teachers. The Minister advised the Committee that the Government and the union are still negotiating.

### NWTPC Debt

NWTPC's long-term debts shared with Nunavut needs to be settled. Although Nunavut funds their portion of the debt service, the debt principal is nonetheless carried on our books and restricts our borrowing capacity. Committee Members stated that if we divide the assets of the NWTPC with Nunavut, then we must divide the debt too.

Our debt limit or maximum borrowing limit is \$300,000,000 as per the NWT Act. Most of this debt is for NWTPC. There is some program debt, but the NWTPC debt accounts for the largest portion of our total debt. If the Nunavut portion is transferred, this will increase our borrowing capacity. At the very least, it will move us away from the debt wall. Our territorial Government's guarantees for the NWT Power Corporation accounts for \$124,458,000 of our total debt for the upcoming 2001-2002 fiscal year. Our total net debt is expected to be \$250,815,000 and our available borrowing capacity will be \$49,185,000.

### Power Subsidy Program

The Committee noted that the program had initially projected a decrease of \$180,000. However, upon review of the Main Estimates with FMBS, the Committee learned that there will be no decrease as the government decided to retain the program to help offset power rate increases. Instead, there will be an upward adjustment in the 2000-2001 power subsidy program of \$1,280,000.

Committee Members were concerned how the Government will pay for the expenditure increase. The Minister replied that he will come forward with a Supplementary Appropriation to address program demands in the short term and hopes that development of alternatives such as hydro-electricity will economically meet our energy demands in the future.

### Incremental Costs of Self-Government

The Committee recognizes that self-government negotiations have an impact on the development of future regional organizations. However, the Committee is of the opinion that rather than focusing on the end product and doing nothing, Government should focus on developing an effective and responsive process for future regional reorganization to occur.

Furthermore, the Committee concluded that the territorial Government needs to be aware of their responsibility in this matter to accurately determine the current costs of program and service delivery. The Committee added that economic development opportunities are dependent upon and are delayed by land claim negotiations. Negotiations require that at least the present costs of program and service deliveries be identified.

### Department of Finance

The Department of Finance is responsible for obtaining the financial resources to carry on the functions of government, for intergovernmental fiscal negotiation and arrangements, for regulating the insurance industry, and for controlling the sale of liquor in the Northwest Territories. In order to meet its responsibilities, the Department is organized into the following activities; the Directorate, the Treasury, Fiscal Policy, and the Bureau of Statistics.

The Standing Committee on Governance and Economic Development met with the Minister of Finance and his staff on Wednesday, January 17, 2001 to review the Department of Finance's 2001-2002 Main Estimates. The Committee noted a \$1,073,000 decrease in operations expense from the Department's 2001-2004 Business Plan projections. This resulted from an increase of \$198,000 arising from increases in compensation and benefits as the result of the recent UNW collective agreement, and a \$1,271,000 reduction in expenditure requirements

resulting from lower debt servicing costs that resulted from a corporate tax windfall. The Department of Finance did not propose any capital expenditures. The Department proposed an additional position to its Human Resource Plan to administer the hotel tax, should the proposed tax become law.

Committee Members restated their request for a more consistent financial reporting format from their review of the Government's 2001-2004 Business Plan. The Standing Committee suggests that financial data should be more user friendly and presented in lay person's terms. Further, a separate section should also be established on debt management in the program detail area. Understandable, readable and accurate financial data is requisite for effective debt management and the promotion of economic growth. The Committee expects to see progress in this matter in the next business planning cycle.

### Liquor Act Plebiscite

Committee Members pointed out that in many communities, there is dissatisfaction with the liquor plebiscite process. The Committee expressed concern that plebiscite results are accepted only when a community achieves a 60% voter turnout. A 60% voter turnout may be too rigorous as many people may have out-of-town responsibilities or duties. Some Committee Members further remarked that communities should be able to set their own plebiscite parameters. Many communities want to regulate alcohol sales, but there is nothing in place to address this. Each community has its own unique set of concerns and a plebiscite process must be able to respond to these interests. The Standing Committee recalled that a review was conducted on the Liquor Act in a previous Assembly and questioned why nothing came forward from it.

The Standing Committee on Governance and Economic Development recommends that the government review the plebiscite process to better reflect the wishes of the communities and report back to the Committee with options by next business plan cycle.

### Forecasting

Clearer and more accurate financial forecasting is required, especially in light of our increasingly difficult financial circumstances. Forecasting by the Department of Finance is based primarily on historical values. This methodology may

exaggerate expenditure or revenue increases, especially given our recent corporate tax windfall of \$60,000,000 from a single filer. Anomalies such as this recent development, may misdirect government spending. The Committee cautioned that the Government prudently manage the \$60,000,000 tax windfall. Unless we work harder to attract similar tax filers in the future, this windfall will be a one time event. Committee Members suggested that the Government consider lowering our corporate tax rates further to ensure we remain competitive in relation to other Canadian jurisdictions. A competitive reduction in our rates increases the likelihood that today's tax windfalls become the standard.

Committee Members further remarked that all the windfall did was delay the debt wall. The Government built the windfall into their budget and got themselves out of trouble temporarily, but our financial troubles remain. However, because the Government incorporated the windfall into their base, the Government's forecasting model, which appears to be based upon historical values, assumes that we will receive a similar amount in the future. If the forecast is used without consideration for the windfall anomaly, we may compound our financial difficulties.

### Tax Collection

The Committee stated that the territorial Government must be more diligent in its collection of tax revenues, particularly in the matter of payroll tax and the non-resident workforce.

Committee Members added that diligence, consistency and fairness in tax collection would ensure northern residents receive their full share of benefits. Fair and effective tax collection are intertwined and represent an important core of our government operations.

**Department of Resources, Wildlife and Economic Development (RWED)**

The Department of Resources, Wildlife and Economic Development has the mandate to promote economic self-sufficiency through the sustainable development of natural resources and to enhance the creation of sustainable opportunities in the traditional and wage economies. It is also responsible for the promotion of sustainable development through the management and protection of the quality, diversity and abundance of natural resources and the integrity of the environment.

In order to fulfil its responsibilities, the Department is organized into the following ongoing activities, Corporate Management, Environmental Protection, Resource Management and Economic Development, and Forest Management.

The Standing Committee on Governance and Economic Development met with the Minister of Resources, Wildlife and Economic Development and his staff on Thursday, January 18, 2001 to review the Department's Main Estimates for 2001-2002. Committee Members noted a \$1,312,000 increase in operations expense for the Department from their 2001-2004 Business Plan. This arose from:

- a \$1,414,000 increase in compensation and benefits resulting from the recent UNW collective agreement;
- a \$18,000 upward adjustment in amortization estimates;
- a \$180,000 increase in Financial Management Board (FMB) approvals; and,
- a \$300,000 reduction in other adjustments.

There were no changes in capital expenditures and in projected revenue levels from the Department's 2001-2004 Business Plan.

During the review of the Department's 2001-2004 Business Plan, the Committee was concerned about the Department's consultation process for the Wildlife Act. Committee Members were apprehensive about the Department conducting stakeholder consultations as this is done in Standing Committee when the proposed bill comes before the Legislative Assembly. The Committee requested that an effective and timely consultation process must be developed as the life of the 14<sup>th</sup> Legislative Assembly is only another three years. The Standing Committee expects to receive a report that outlines the Department's consultation process and projected timelines for the Wildlife Act once it is developed.

Essentially, as the agreement is worded, DPW can perform acts to carry out its responsibilities under the agreement, bill the community and the community has to pay, no questions asked.

Some of these agreements date back over 12 years and are not reflective of community empowerment initiatives. The Minister has stated that the Department is open to renegotiating these agreements. The Committee encourages the Department to approach all communities with water and sewage services operating agreements and advise them that these agreements can be renegotiated. It would be in the best interest of the communities to review their contracts with DPW to prevent future incidents such as that which occurred in Fort McPherson.

### Petroleum Products

#### Privatization Proposals:

The Northwest Territories Power Corporation (NWTPC) has expressed interest in assuming responsibility for Petroleum, Oil and Lubricant (POL) delivery in communities presently served by the GNWT. The Minister informed the Committee that the Department is accepting proposals for the privatization of POL delivery. However, Cabinet will not be awarding any contracts until the Government has considered the recommendations arising from the NWTPC review. The Committee feels that this is unfair to individuals and groups that spend time and money developing their proposals in hopes of acquiring a contract to deliver fuel to a community when, depending on the recommendations from the review on NWTPC, that option may not be possible.

#### Misconceptions Regarding Privatization:

The Committee observed that there may be misconceptions when the term "privatization" is applied to POL. When POL delivery is privatized, the GNWT is not absolved of responsibilities. The Government maintains ownership of POL assets and retains responsibility for the bulk delivery of fuel to some communities. Further, despite privatization, the Government is still responsible for some environmental liabilities.

POL and the Business Incentive Policy:

The Committee requested clarification as to how the Business Incentive Policy applied to the privatization of POL in communities. Departmental staff assured the Committee that the Business Incentive Policy applied.

The Minister reassured the Members that part of the criteria of Cabinet, when it comes to privatization of POL, is political support. Despite these assurances, there still is concern that there may be circumstances where POL contracts are slipping through the cracks and are being acquired by non-northern businesses.

The Committee noted that bulk fuel distribution is exempted from the Business Incentive Policy; a Cabinet exemption that dates back to 1985. The Committee would like clarification for the situation where a contractor may submit proposals for fuel supply in more than one community using their own bulk fuel resupply, and whether these contractors, who may not be headquartered inside the Northwest Territories, be exempted from the Business Incentive Policy when POL contracts are awarded in individual communities.

Service Delivery

As was done in the review of the 2000-2001 Main Estimates, the Committee encourages the government to proceed with care when it comes to privatization of services; such as the delivery of electrical power and petroleum products to northern communities.

The Committee supports industry but believes there must be a means of preventing companies from picking only profitable ventures and leaving high cost areas behind, resulting in a higher cost to Government.



## Department of Transportation

The mandate of the Minister and the Department of Transportation is to plan, design, construct or reconstruct, acquire, operate and maintain public transportation infrastructure in the Northwest Territories. Public infrastructure includes community airports, docks and the highway system, pursuant to the devolved authorities and/or Memoranda of Understanding between the Government of the Northwest Territories and the federal government. The Department is also responsible for the regulation and licensing of vehicles and individuals operating vehicles in the Northwest Territories. To fulfil their responsibilities, the Department is organized into the following ongoing activities; Corporate Services, Ferries, Highways, Airports, Motor Vehicles, Community Access Roads, and Community Marine.

The Standing Committee on Governance and Economic Development met with the Minister of the Department of Transportation and his staff on Wednesday, January 24, 2001 to review the Department's 2001-2002 Main Estimates.

The Committee noted a \$2,135,000 increase in operations expense from the Department's 2001-2004 Business Plan. This variance can be attributed to an upward adjustment in the Department's amortization estimates of \$996,000 and an increase in compensation and benefits of \$1,139,000 arising from the recent UNW collective agreement. Upon further examination, the Committee reports a \$11,496,000 increase in the Department's capital acquisition plan from their Business Plan. Revenue projections have increased by \$129,000. The increase is for work done on behalf of Transport Canada for monitoring and enforcement of standards under the National Safety Code with respect to commercial motor vehicles. The Department's revenues already include most fees proposed by the Department under the Program and Functional Review. Fee increases have been made for motor vehicle licenses, registration and other fees, airport landing fees, and airport leases/rental. There were no proposed changes to the Department of Transportation's human resources from the 2001-2004 Business Plan.

### Transportation Strategy

The Minister and his Department informed the Committee that the Government is proposing a user fee for commercial traffic on our highway system. This proposed fee would generate funding that will be directed specifically for the

maintenance, development and expansion of our highway infrastructure. A proposed fee of 5 cents per tonne per km (payload charge) will apply to commercial transportation on territorial highways. A user fee as opposed to a tax will not affect our Formula Funding Agreement with Ottawa. Under the current funding agreement, an increase in our tax revenues would incur an almost proportionate reduction in federal funding transfers. A user fee would avoid this costly readjustment in our federal grant funding. This investment plan would increase highway spending by 100 million dollars over a four-year period. Expenditures will be funded by a highway user-toll on commercial trucking that will raise 15 million dollars annually. Additional investment needs will be leveraged with the projected revenue stream into short and long-term borrowing. Revenues will go to a dedicated highway investment trust fund.

The Committee expressed concern that this proposed user fee would negatively impact upon our cost of living, which is already expensive. Compounded by increasing fuel prices and our remoteness, our cost of living will be substantially higher than our southern neighbors. Committee Members commented that a user fee would merely be passed on to the consumer, northern residents, businesses and Government. The Department replied that the government will give a cost-of-living tax credit for NWT residents to offset increased transportation costs that would be passed on to northern residents and businesses by transportation companies.

The Committee stated that a safe and reliable transportation system is an important key to sustained economic growth. Furthermore, a transportation system that would provide supplies to communities safely, cost effectively, economically and efficiently, while providing access to minerals, oil and gas would be on target.

The Committee commented that if the Government is able to mitigate the costs of highway construction with minimal impact upon northern residents, then its Members are in support of this initiative. In recognition of the overall impact of this initiative, the Committee referred this issue to the Standing Committee on Accountability and Oversight to allow further study by all Regular Members.

### Program and Functional Review Fees

The Committee remains concerned about the impact of proposed increases to airport landing fees, general terminal fees and airport leases. These increased

fees will ultimately be passed on the consumer. The consumer is already impacted by proposed Department fee increases for motor vehicle licensing, registration, reinstatement and other motor vehicle administrative fee increases.

Committee Members remarked that the proposed fee increases may end up proportionately worse for the transportation sector and the consumer due to increasing fuel prices. Although the Committee Members can appreciate the Department's efforts to attempt full cost recovery on our facilities, such as airports, the Committee questioned if this initiative is realistic especially in light of our small economies of scale. Committee Members noted that these transportation fee increases did not draw as much attention as the proposed hotel room tax.

The Committee concluded that the territorial Government's proposed Program and Functional Review increases will have a significant impact across the North, affecting most northern residents and businesses. As a result, Committee Members have decided to engage all Regular Members in this discussion and referred the matter to the Standing Committee on Accountability and Oversight.

### Bid Process

The Committee stated that there should be a balance between the use of tendered and negotiated contracts. Nevertheless, Committee Members acknowledge that negotiated contracts will continue to play an important role in allowing aboriginal companies to develop the necessary skills, training and work experience to allow them to be more competitive. This matter was also mentioned in the Committee's review of the Department's 2001-2004 Business Plan. Further, if a movement away from negotiated contracts is considered, the Standing Committee would like assurances that proper criteria be adopted to ensure proper skills and training are in place.

### Highway Safety

The Committee expressed concern to the Minister on the issue of highway safety, specifically emergency response protocols and effective highway patrol. The Minister replied that the Department and the Departments of Justice, and Municipal and Community Affairs, and the RCMP have worked on developing

emergency response protocols. He added that a toll-free number has been established for highway emergencies and this number has been identified in brochures in stops and businesses along the highways.

The Department informed the Committee that for occupational safety reasons, the Department of Transportation will no longer patrol non-commercial traffic on our highway system. Department officers do not have the training or the equipment to effectively handle dangerous confrontations. The Committee has been informed by the Department that it has worked with the RCMP to increase their presence on our highway system.

### Airport Maintenance and Fire Safety

The Department informed the Committee that Transport Canada is introducing regulations to reinstate fire fighting staff and equipment at the regional airports. All regional airports outside of Yellowknife will now require an upgrade.

The Committee and the Department concurred that it will be some time before the required equipment upgrades can be completed as most regional airports in the country will require similar equipment purchases. Further, personnel will have to be hired and this is also in the face of recruitment issues at other Canadian regional airports.

The Committee expressed concern that it would be some time before our regional airports will meet the proposed federal standards. Committee Members suggested that fire fighting duties at the airport might be assumed by community fire fighting facilities. However, the Department replied that response times established by Transport Canada is very tight and it is unlikely that community fire fighting facilities, equipment and staff would be able to meet those requirements.

Finally, airports represent a critical transportation link for many communities in the North. The Committee stated that the Department should review fire fighting capabilities at all community level airports as well. Committee Members encourage the Minister to work with other departments to ensure that fire fighting and airport maintenance equipment at all airports is adequate.

### Recruitment and Retention

The Committee encouraged the Department to make efforts to maintain and recruit expertise. This issue has been an ongoing Committee concern. Qualified staff are required to maintain and deliver many essential programs and services. However, given better competitive packages from the private sector, a strong southern economy and fiscal restraint, the recruitment and retention of qualified staff will continue to be a significant concern of this Department and Government.

Committee Members and the Department were concerned that many senior staff at the Department of Transportation will soon retire. Middle management is capable of replacing the senior staff, however the problem arises with the replacement of some middle management and entry level positions with new graduates, especially in light of our current recruitment and retention problems.

The Committee added that some positions might be filled by summer students, who may be fully qualified later to replace some department positions. Committee Members were assured that the Department plans to hire between 20 and 25 summer students this calendar year.

### Lupin Ice Road

The Minister suggested that the Government of the Northwest Territories take over the Lupin ice road from Echo Bay Mines after their license expires. The Department supported their argument by stating that a Nunavut company currently constructs the ice road and any benefits accrued will stay in Nunavut. Control of the ice road, according to the Minister will ensure benefits go to the NWT. The Department added that control would also result in equal access for all residents.

The Committee replied that although they can appreciate the economic benefits and equal access, they questioned whether the regulatory hurdles and potential liabilities arising from its ownership are worth it.

Committee Members also pointed out that global warming would have an increasingly detrimental effect upon the ice road resulting in a shorter season and sporadic closures throughout the winter. Furthermore, if the power grid is extended to the mine site, the need for an ice road would be diminished as most of the cargo is fuel. The Committee suggested that the Government revisit its intent to take over the ice road.

### Small Boat Safety

The Small Boat Safety Program provides water safety information, courses and education for all recreational boaters and school children in the North. The Committee was concerned about reductions to the territorial Government's small boat safety program. Committee Members had also expressed this same concern during review of the Department's 2001-2004 Business Plan. At that time, the Department had replied that it was working with the federal government to get the program out to more people.

The Department updated the Committee that responsibility for small boat safety will be a federal responsibility under the Canadian Coast Guard effective April 1, 2001.

The Department will continue to be an active partner in this program. The Department added that no O & M expenditures would occur without prior discussions with the Department of Fisheries and Oceans and the Canadian Coast Guard.