

13th Assembly

Standing Committee on Infrastructure

REPORT ON THE REVIEW OF THE 1996-97 MAIN ESTIMATES

Edward Picco, M.L.A.,
Chair

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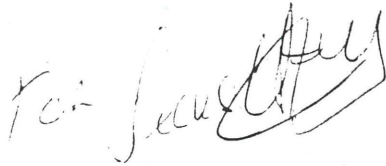
DEPUTY CLERK

May 3, 1996

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 Review of the 1996-97 Main Estimates, and commends it to the House.



Edward Picco, M.L.A.
Chair



**MEMBERS OF THE STANDING COMMITTEE
ON INFRASTRUCTURE**

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Chair

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M.L.A. Yellowknife South
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Staff Members

Doug Schauerte
Committee Clerk

Robert Slaven
Committee Researcher

STANDING COMMITTEE ON INFRASTRUCTURE

REPORT ON THE REVIEW OF THE 1996-97 MAIN ESTIMATES

INTRODUCTION

A recurring theme throughout the business plans of the departments in this envelope was one of devolution. Where the Government of the Northwest Territories used to be the most important provider of public services in the NWT, the trend now is towards the Government being the co-ordinator of the delivery of those services. Transferring powers and programs to communities, privatizing services formerly provided by government, and developing user-pay systems for services still provided by government are all part of a new direction for the Government.

Committee Members appreciated that they have had a degree of input into the development of these Main Estimates. Through the business plan review process, recommendations by the Ordinary Members who sit on the Standing Committees have been incorporated into the business plans and budgets of all Government Departments. Given the critical impact of the measures taken in this budget, however, Committee Members would like to see the process expanded to allow for public input during the review. Cuts had to be made; however, all Members would appreciate hearing now from our constituents where they would suggest further savings and reductions should occur.

The presentation of business plan and budget documents concerned Committee Members. Documents were often delivered very late to members, sometimes only as meetings with the relevant Department were beginning. Documents were also subject to frequent changes, leading to some confusion. Members appreciate that this process was rushed due to the timing of the 1995 election, and that the novelty of this process was a factor in the ability of staff to produce timely documents. However, for the fall review of the 1997-98 business plans and budget, Members would like to see the following improvements:

- Documents to be provided to Members well in advance of meetings (preferably a week, or more if possible);
- More consistent format among Departmental business plans;
- When documents are updated, supplying only changed pages to replace rather than wasting large amounts of paper on printing completely new versions;
- Highlighting changes between updates (*e.g.* Redlining or shading).

EXECUTIVE

Committee Members have noted the way in which the Regional and Area Directors positions have evolved. In the past, Regional Directors wielded quite a bit of administrative power in regional offices.

The Standing Committee felt that the positions of Area Director would no longer be needed. Therefore, the Standing Committee recommended that Area Director positions be eliminated by March 31, 1996. The Standing Committee also recommended that the Executive prepare a detailed review of the remaining Regional Director positions by March 31, 1996.

However, the Government decided instead to eliminate all Area Director and Regional Director positions, without a review. Committee Members expressed concern regarding this proposal, as Regional Directors often had the important task of co-ordinating community efforts in transfer initiatives, and of co-ordinating interdepartmental initiatives in the regions. The effort to reserve \$555,000 of the savings from the elimination of Regional Director positions to alleviate the difficulties that might arise did meet with some agreement from the Standing Committee.

PERSONNEL

The outgoing Government directed the creation of a number of Government Structure and Process Review Options (the '24 Options'), which provided some very broad direction to the 13th Assembly. Incoming Members reviewed these options, and, in many cases, recommended their implementation. One recommendation of this exercise was that responsibility for staffing functions be transferred from the Personnel Secretariat to individual departments, and that a small policy unit be established within the Executive to develop and monitor policies (such as Affirmative Action) and coordinate interdepartmental initiatives. The Standing Committee recommended that this option be reviewed by the Government.

The Government has now implemented the change, and it is reflected in these Main Estimates. Some elements of the Personnel Secretariat have been retained in the Executive in order to ensure that departmental staffers be appropriately trained, and to ensure that the Affirmative Action policy and other relevant policies are followed by Government Departments.

Concerns were expressed by Committee Members regarding the implementation of this initiative at the regional level. The Standing Committee wants to ensure that

regional implementation of this amalgamation does not end up being less efficient and more costly. As well, Committee Members had some concern that, if adequate controls were not in place, this initiative might lead to less compliance with the Affirmative Action policy, and more opportunity for nepotism.

FINANCE

Another of the '24 Options' was a proposal to consolidate the Department of Finance and the Financial Management Board Secretariat. The Standing Committee discussed this proposal with the Minister over the course of the business plan review process. At first, Members felt that the proposal had merit. However, following discussions with members of the Auditor-General's staff, Committee Members now feel that the Department of Finance and the Financial Management Board Secretariat should remain separate. The auditors expressed some important concerns about merging the agency primarily responsible for revenue (the Department of Finance) with the agency primarily responsible for budget and expenditure co-ordination (the FMBS). We understand that the Minister and his staff are examining options for this proposal, and the Standing Committee looks forward to reviewing those options with the Minister later this year.

Committee Members appreciate that this Department's budget is being forced to increase to cover the borrowing costs associated with the deficit. However, the Standing Committee is impressed with the efforts of the Department to minimize the borrowing costs necessary through efficient collection of accounts receivable and other such measures, and encourages the Department to continue to be diligent in keeping Government borrowing costs down.

FINANCIAL MANAGEMENT BOARD SECRETARIAT

Again referring to the '24 Options', the Standing Committee suggested that the Financial Management Board Secretariat (FMBS) should develop proposals for sharing its staff and services — such as payroll and other human-resource-related functions — with health boards, education boards, hospitals, and related agencies in the regions. Further, the FMBS should also develop further proposals to devolve compensation services and other human resource-related functions to departments. While options have been developed by FMBS for consideration, **the Standing Committee recommends that specific proposals be developed and provided to the Committee for evaluation by June 15, 1996.**

Committee Members noted that responsibility for Staff Housing is being transferred from Public Works and Services to the FMBS. Members expressed some concerns related to staff housing, especially in the area of long-term leases. Long-term lease commitments have totalled between \$85 and \$120 million over the last three years. Given that the Government has expressed its intention to get out of the business of 'being a landlord', the Standing Committee appreciates the Minister's comment that new long-term leases for staff housing will not, as a general principle, be entered into in future.

As the Government agency primarily responsible for expenditure control, the Standing Committee feels that the FMBS should be more active in developing and implementing creative solutions to the Government's expenditure crisis. Committee Members would like to see the FMBS encouraging Government Departments to implement more cost-saving measures, such as:

- requiring that all air travel be on excursion-fare tickets;
- replacing grants to third parties with low-interest loans where possible;
- re-implementing an incentive program for employee suggestions;
- amalgamating regional boards and authorities where practical; and
- gearing income support programs towards job creation and away from 'handouts'.

Committee Members feel strongly that much of the Government's budgeting and spending problems can be corrected through creative measures such as these.

PUBLIC WORKS AND SERVICES

The Standing Committee noted with approval the significant reductions in proposed Capital spending by the Department of Public Works and Services. Committee Members recommended only small further reductions in the amounts proposed for Office Accommodation capital improvements. However, the Committee felt that the Department was able to handle further reductions in Operations and Maintenance spending. As a result, the Department was able to trim about \$4 million further in proposed expenditures over the review process.

This Department is moving away from its traditional role as an actual provider of services to Government and municipalities, towards being a co-ordinator for providing these services. As a result of this trend, and the spending reductions forced upon all Government Departments, many of the reductions in this Department relate to the project management function. Committee Members recognize that the Department will need fewer staff in this area. However, reductions should take place in an efficient manner. The Department should discuss project management needs with other Departments, to ensure that the best use is made of the Government's existing staff and other resources.

In February, the Premier announced a number of privatization initiatives, mostly within this Department: Petroleum Products, Computer Systems and Services, Property Management, and Community Resupply operations. The Standing Committee on Infrastructure has discussed these proposals with the Minister and his staff, and is looking forward to seeing the detailed plans for privatization as soon as they are complete. **Therefore, the Standing Committee recommends that no privatization initiatives be implemented until the detailed privatization plans have been reviewed by the appropriate Standing Committee.** In this case, privatization plans for Petroleum Products, Computer Systems and Services, Property Management, and Community Resupply operations should be forwarded to the Standing Committee on Infrastructure before implementation.

While Committee Members agree with the Premier that the Government should 'get out of government functions that can be handled better by the private sector', the Standing Committee wants to ensure that any privatization initiatives are done in the right way, for the right reasons. Privatization should be a way to provide better service for lower costs, and if a given privatization initiative does not meet that test, it should not be implemented.

Related to privatization was a concern noted by Committee Members regarding the Petroleum Products stabilization fund. This fund is in a deficit position of

approximately \$2 million, and the deficit is apparently growing. **The Standing Committee recommends that privatization of the Petroleum Products division not take place without a plan to recover that deficit.**

The Standing Committee also welcomed plans by the Department to invoke a 'user-pay' strategy for services provided by the Department. Making client Departments and other organizations pay for services rendered is more likely to encourage efficient use of those services. This policy is already being implemented for telecommunications costs, and **the Standing Committee recommends that the 'user-pay' concept be implemented in other areas as soon as possible.**

This is especially important when it comes to services provided to communities by this Department. If the communities are receiving services without having to pay for them, they will not have any incentive to reduce costs and operate more efficiently. The 'user-pay' concept must be implemented with communities as well as with client Departments, in order to strengthen the Government's message of Community Empowerment.

One topic that attracted much of the Standing Committee's attention was the Business Incentive Policy (BIP). This has proven to be a difficult subject, and the source of much disagreement within the Committee. Opinions differ on whether the Policy should be changed, frozen, eliminated, or left alone, and whether the existing policy is not meeting its objectives. Committee Members did agree that this important Policy should be debated by the full Assembly. While the administration of this policy is being taken over by Economic Development and Tourism, the Standing Committee on Infrastructure still wishes to make some comments regarding the BIP.

Committee Members expressed concern over the unsubstantiated cost of the BIP. Given that the Finance Minister has tabled a budget with a substantial deficit, the Standing Committee took understandable notice of the figures provided to the Committee on the cost of this policy. The Government has provided a number of different estimates of the total cost, and the Standing Committee is awaiting a final analysis of the costs of this policy, to be provided by the Department as soon as the analysis is complete.

While the Standing Committee recognizes that many benefits have accrued to the NWT business community as a result of the BIP, we also recognize that we can't afford to do everything we want to in the current fiscal climate. Therefore, the Standing Committee recommends that the Government include reducing total costs

to the Government as a prime objective in its plans to change or replace the Business Incentive Policy.

INTERGOVERNMENTAL AND ABORIGINAL AFFAIRS

In reviewing the draft business plans of this Ministry, the Standing Committee rejected some additional funding and staffing proposals, and accepted the Ministry's proposed reduction options. However, Committee Members felt that more could be done in this area. Therefore, the Standing Committee recommended that the role and structure of this Ministry be reviewed, and consolidation options developed, which would result in more efficient operation. As a result, the responsibility for the Community Transfer Initiative formerly held by the Ministry will now be undertaken by the Department of Municipal and Community Affairs. MACA is obviously best suited for managing the Community Empowerment process, and the Standing Committee approves of this transfer.

As well, Committee Members approve of the plans to incorporate the Ministry more closely with the Executive. However, some of the side effects of this move seem to be contributing to increased duplication and confusion. It now appears that the responsibilities of this Ministry are being supervised by three Cabinet Ministers: Mr. Antoine for Aboriginal Affairs, Mr. Kakfwi for National and Constitutional Affairs, and the Premier, Mr. Morin, for Intergovernmental Affairs. Committee Members feel that this will only lead to more confusion and inefficiency, and that the principle of accountability could be strained by this arrangement. **Therefore, the Standing Committee recommends that the structure of this Ministry be more clearly outlined, that the responsibilities of the Ministry fall under one Minister, and that the Government present a proposed solution to this situation to the Standing Committee on Infrastructure by June 15, 1996.**

A further concern of Committee Members was the GNWT office in Ottawa. While the Ministry did discuss some of their justification for maintaining this Office, the Standing Committee is still not convinced. Three provinces have chosen not to have an office in Ottawa, and we may not be able to afford such a luxury in this fiscal climate. As one member put it, 'Do we really need an office in Ottawa when we're laying off Northerners?' We understand that a comprehensive review of the role of the Ottawa office is being developed, and should be ready by the summer. **The Standing Committee recommends that the comprehensive review of the Ottawa office be presented to the Standing Committee on Infrastructure by June 15, 1996.** The Committee can then review the report and make appropriate recommendations at that time.

Committee Members raised some concerns about Grants and Contributions made by this Ministry. The Standing Committee suggested that the Grants and Contributions to Organizations for Special Events be revised into a dollar-matching program,

where the Ministry would match funds generated elsewhere for special events rather than just granting 'free money'. This would encourage all organizations to broaden their funding base. We understand the Ministry is examining this suggestion, and look forward to seeing the results of the Ministry's review.

Committee Members also noted with appreciation the efforts underway in the Self-Government division to work with communities and aboriginal organizations on furthering community government and self-government. The Committee agrees that the community is often the most effective, if not necessarily the most cost-effective, level at which to deliver programs and services to the people of the North.

MUNICIPAL AND COMMUNITY AFFAIRS

The Standing Committee appreciated the efforts of this Department in reducing 1996-97 Capital spending by deferring a number of Capital projects. As well, over the course of the business plan review process, the Department also introduced further O&M reductions, bringing their efforts into line with those of other Departments in the Infrastructure envelope.

The Standing Committee felt that further Capital cuts might be possible in this Department. However, the Financial Management Board disagreed, saying that the Department had already done its share. Committee Members appreciate that reducing Capital programs in this Department will have a noticeable impact on our communities. But Committee Members would rather see arenas and new subdivisions cut before nursing stations or schools. Many of the programs offered by this Department are of a lower priority than the social programs offered by the Government, and reductions to the Government's overall budget should reflect that.

The Standing Committee did appreciate the emphasis on 'Community Empowerment'. Committee Members agree that greater responsibility and accountability should be transferred to municipalities. This can have significant advantages, both for providing services more efficiently to NWT residents at the community level and for reducing the strain on the Government's limited financial resources. However, the Standing Committee urges the Government not to use Community Empowerment as a way of 'dumping' programs on communities and then reducing contributions. Downloading programs at the community level should carry assurances of appropriate funding levels.

The Standing Committee noted a number of training initiatives being undertaken by the Department. Committee Members agree that the effectiveness of Community Empowerment will be directly related to the quality of the training and education available to elected leaders and administrators in the communities. However, Committee Members also want to see that training initiatives are efficient, cost-effective, and appropriate for the needs of NWT communities. The Standing Committee recommends that the Department provide details of all current training initiatives to the Committee for review.

Committee Members noted the work done by the Department last summer in helping communities build fire breaks to protect from forest fire damage. However, the Committee was concerned that this effort seemed somewhat unplanned and *ad hoc*. **The Committee recommended that the Department consult with the**

Department of Renewable Resources to develop a clear set of policies and procedures for building fire breaks around communities. Discussions are apparently underway between the Departments, and the Standing Committee recommends that the final plans be presented to the Standing Committee before June 1, 1996.

The Standing Committee approved the elimination of the Homeowner's Property Tax Rebate program. Committee Members do recognize that homeowners generally contribute significantly to local economies. However, the original purpose of this program was to encourage home ownership. Committee Members do not feel that a rebate of \$300 or \$75 is sufficient incentive to potential homeowners to justify the continuation of this program.

On a related matter, Committee Members note the discrepancy in mill rates between the tax-based municipalities and the General Taxation Area (GTA). The Committee recommended that the Department develop specific proposals for reducing the disparity between tax rates in the GTA and tax-based municipalities, as well as for removing any other barriers to tax-based status for other municipalities. While proposals for property tax reform have been presented to the Committee, there has not yet been an evaluation of those proposals. Neither has there been a sufficient effort on the part of the Department to identify other disincentives to tax-based status for municipalities. Given that the Minister does have the authority to push communities that are able into tax-based status, Committee Members encourage this development among larger hamlets. **Therefore, the Standing Committee recommends that the Department present an evaluation of property tax reform proposals, as well as an options paper on removing other barriers to tax-based status for municipalities, to the Standing Committee for its review by June 15, 1996.**

The Water and Sewer Subsidy Program has been a source of concern in the past. Not only has there been tremendous growth in the expenditures on this program over the last few years, but Committee Members were concerned that the program was not encouraging efficient delivery of water and sewer services in municipalities. The Standing Committee agreed that growth in this program should be stopped, as proposed by the Department, and also recommended that a further 5% be taken out of the program. As well, the Committee recommended that the Department should identify the amount of subsidy by community, and introduce further proposals towards a more 'user-pay' system. The reductions in this program should be implemented in such a way as to encourage efficient delivery of water and sewage services, and discourage inefficient delivery.

The Department has now put forward a plan to introduce block funding for water and sewer services to communities, and intends to implement that plan by July 1,

1996. The Standing Committee looks forward to seeing its effects on the efficiency of water and sewer service delivery.

Finally, Committee Members recalled an item briefly discussed in the review of the first draft. Members had expressed some concerns regarding the fact that leases for Commissioner's Land are \$250 per year, no matter what size the lease is or its planned use. The Department mentioned that they intend to develop a strategy for recovering the actual costs of leasing the land (especially administration costs). The Department also discussed bringing in a 'user-pay' policy for land developed by the Department in non-tax-based municipalities. The Standing Committee agrees that fees paid for the lease and development of land should be paid for by the users of the land. **The Standing Committee recommends that the Department develop user-pay strategies for development and lease of land and provide those proposals to the Standing Committee by June 15, 1996.**

WITNESSES ¹

Department of the Executive

Hon. Don Morin, Premier
Mr. Don Avison, Principal Secretary
Mr. Roland Bailey, Secretary to Cabinet
Mr. Darryl Bohnet, Acting Deputy Minister (Personnel)

Department of Finance

Hon. John Todd, Minister
Mr. Eric Nielsen, Deputy Minister
Mr. William Setchell, Director, Finance and Administration
Mr. Tony Dawson, Director, Revenue and Asset Management
Mr. Ralph Joyce, Territorial Statistician

Financial Management Board Secretariat

Hon. John Todd, Chairman of Financial Management Board
Mr. Lew Voytilla, Secretary to Financial Management Board/Comptroller-General
Mr. Gordon Robinson, Deputy Secretary, Audit and Evaluation
Ms. Evelyn Dean, Deputy Secretary, Human Resource Management

Ministry of Intergovernmental and Aboriginal Affairs

Hon. Don Morin, Premier
Hon. Jim Antoine, Minister
Hon. Stephen Kakfwi, Minister
Mr. Bob Overvold, Deputy Minister
Mr. Peter Bannon, Director, Policy and Coordination
Mr. Bruce Cates, Director, Policy and Coordination
Mr. Steve Iveson, Director, Self-Government

Department of Municipal and Community Affairs

Hon. Manitok Thompson, Minister
Mr. Dave Ramsden, Deputy Minister
Ms. Penny Ballantyne, Deputy Minister
Mr. Vern Christensen, Assistant Deputy Minister
Mr. Jim France, Director, Finance and Administration

Department of Public Works and Services

Hon. Goo Arlooktoo, Minister
Mr. Bob Doherty, Deputy Minister
Mr. Ken Lovely, Deputy Minister
Mr. Les Clegg, Assistant Deputy Minister
Mr. Randy Cleveland, Assistant Deputy Minister
Mr. Lloyd Henderson, Acting Assistant Deputy Minister
Mr. Dave Waddell, Director, Finance and Administration
Ms. Gay Kennedy, Director, Corporate Services

