

13th Assembly

Standing Committee on Infrastructure

Report on the 1997/98 Main Estimates

Edward Picco, M.L.A.,
Chair

January 29, 1997

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 1997/98 Main Estimates for the Departments of Finance, Public Works and Services, Municipal and Community Affairs, and the Executive, including Intergovernmental and Aboriginal Affairs and the Financial Management Board Secretariat. Your Committee commends it to the House.



Edward Picco, M.L.A.
Chair



MEMBERS OF THE
STANDING COMMITTEE ON INFRASTRUCTURE

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Jake Ootes
M.L.A. Yellowknife Centre

Staff Members

Doug Schauerte
Committee Clerk

Robert Slaven and Evan Walz
Committee Research

WITNESSES

Department of Intergovernmental and Aboriginal Affairs

Hon. James Antoine, Minister

Mr. Peter Bannon, Director, Policy and Coordination

Mr. Bruce Cates, A/Director, Finance and Management Services, Department of Executive

Financial Management Board Secretariat

Hon. John Todd, Chairman of the FMB

Mr. Lew Voytilla, Secretary of the FMB

Department of Municipal and Community Affairs

Hon. Manitok Thompson, Minister

Mrs. Penny Ballantyne, Deputy Minister

Mr. Vern Christensen, Assistant Deputy Minister

Mr. Jim France, Director of Finance and Administration

Department of Public Works and Services

Hon. Goo Arlooktoo, Minister

Mr. Ken Lovely, Deputy Minister

Mr. Dave Waddell, Director of Finance and Administration

Department of the Executive

Hon. Don Morin, Premier

Mr. Jeff Gilmour, Secretary to Cabinet

Mr. Bruce Cates, A/Director, Finance and Management Services

Department of Finance

Hon. John Todd, Minister

Mr. Eric Nielsen, Deputy Minister

Mr. Bill Setchell, Director of Finance and Administration

INTRODUCTION

The Departments in the Infrastructure envelope fall into two categories. The Departments of Public Works & Services and Municipal & Community Affairs both have provided services to government, municipalities, and individuals. The other areas in this envelope — Executive, Aboriginal Affairs, Finance, and the Financial Management Board Secretariat — are central organizations which serve the entire Government and provide central direction.

In all departments in this envelope, the two themes that have governed the development of the 1997/98 business plans and Main Estimates are Community Empowerment and 'User-say/User-pay'. The effects of these themes are most obvious in Municipal & Community Affairs (MACA) and Public Works & Services (PWS), respectively. Many of the services provided to communities by both MACA and PWS will be devolved to the communities through the Community Empowerment initiative. As well, the authority to pay for — and in some cases contract for — most of the services provided to Government departments and communities by PWS will be devolved to those departments and communities through 'user-say/user-pay' initiatives.

As a result, both MACA and PWS are changing from service-providing departments to service-monitoring departments. The change will be especially dramatic in PWS; of their current 1997/98 planned expenditures of \$88 million, about \$56 million will be transferred to other departments during the 1997/98 fiscal year. By 1999, PWS appropriations will have been reduced to about one-tenth of their historical levels.

Throughout this review, Committee Members have examined these devolution initiatives carefully. The Standing Committee wonders whether such initiatives as Community Empowerment and user-say/user-pay would have been introduced in a time of fiscal plenty. Given that these initiatives are being introduced only at a time of severe fiscal restraint, Committee Members want to ensure that these initiatives really are aimed at making Government more efficient and effective. The Committee does not want to see these initiatives used as excuses for off-loading important responsibilities onto other agencies.

Information Flow:

The Standing Committee acknowledges that the consultative way in which departmental business plans and budgets have been developed during the term of the 13th Assembly is new both to Cabinet and the departments. With that in mind, it is understandable that the information flow to the Standing Committees will not be perfect.

However, after more than a year to get used to the new way of doing things, Committee Members continue to be frustrated by the timing of information received by the Committee, including information requested following meetings on

the draft Business Plans in October. Far too often, information relevant to a Committee meeting arrives a day or two before the meeting; or, often, at the beginning of the meeting itself!

Committee Members, and their staff, need to have adequate time to review information provided by the departments, especially during reviews of the business plans and Main Estimates. When information arrives only a short time before meetings, neither Members nor staff are able to properly analyze the information and prepare for meetings. As a result, important issues may not receive the detailed attention they deserve.

ABORIGINAL AFFAIRS

Western Constitutional Development Process

As the Western Constitutional Development process continues, the funding of this process remains a concern. The Ministry has committed funds to this process, but the Standing Committee notes that the Federal Government has a significant responsibility towards funding constitutional development for the Western NWT. As of the Committee's meeting with the Minister in December to review the Main Estimates, meetings with DIAND staff concerning this funding had not yet taken place.

The Minister informed the Committee that they intended to provide one-third of the funding necessary for the process, and that they expected the Federal Government to provide the other two-thirds. However, to date, the Federal Government has not committed funds for the process. Committee Members are concerned that without Federal funding, either the Territorial Government will be expected to pay for the entire process, or that limited Territorial funding will result in the process being inadequately funded. Neither alternative is acceptable.

The Standing Committee is also concerned that funding for this process is coming from a number of different sources. For example, the Legislative Assembly is using some of their funding to assist the process by providing some office space and salary funding.

THE STANDING COMMITTEE RECOMMENDS THAT THE GOVERNMENT CONSOLIDATE ALL TERRITORIAL GOVERNMENT FUNDING FOR THE WESTERN CONSTITUTIONAL DEVELOPMENT PROCESS UNDER ONE

DEPARTMENT OR MINISTRY, IN ORDER TO ENSURE THAT THE FUNDING FOR THE PROCESS IS EFFECTIVE AND EFFICIENT.

Makivik Offshore Claim

The Ministry is participating in the negotiations related to Makivik's offshore claims in Hudson Bay, Ungava Bay, and Hudson Strait. The Standing Committee appreciates that the Québec Inuit have legitimate claims on the use of those waters and the resources therein. However, it is important to remember that all islands in James Bay, Ungava Bay, Hudson Bay, and Hudson Strait remain in the jurisdiction of the NWT, and it is important that the NWT's interests be protected during these negotiations. The Standing Committee will continue to monitor the Ministry's progress in these negotiations, and urges the Government to protect the interests of the NWT in any future land claims negotiations from Québec, Newfoundland and Labrador, Ontario, or Manitoba which relate to the NWT's jurisdiction in those waters.

EXECUTIVE

Committee Members acknowledge the Executive's initiatives to better meet its mandate in providing 'overall management and direction to the Executive branch of the Government.' One of the Executive's initiatives is to undertake a review of Government policies and regulations. The Committee agrees that reducing overlap and confusion, and removing unnecessary regulatory burdens, is necessary to improve the efficiency of the Government. Committee Members look forward to seeing further details of this planned review.

The Committee appreciated hearing about further efforts to devolve more provincial-type responsibilities from the Federal Government, including resource management and criminal prosecutions. Committee Members look forward to further details on these and other devolution initiatives, as well as details about the devolution framework agreement with aboriginal organizations. Of special interest to Committee Members is the need to ensure that any programs devolved to the Territorial Government are accompanied by adequate funding from the Federal Government. Other intergovernmental affairs — notably the place of Northern issues in the upcoming federal election, and issues related to Québec — are also of interest to the Committee, and the Premier is urged to ensure that all Members are well-informed of the progress of these issues.

The Committee noted that self-government talks with the Gwich'in and Inuvialuit in the Beaufort-Delta area could be a precursor to regional government in the NWT. Members felt that it was important to establish what GNWT powers would and would not be available to such regional governments. Members would like the Premier to clarify this issue by outlining what responsibilities will be available for devolution from the GNWT to possible future regional governments.

Finally, Committee Members expressed some concern about the plan to cut 10% from funding to women's organizations. The Standing Committee understands the need to reduce Government spending in this time of fiscal difficulty. But here, as in every other area, the question is one of priority.

While the work of the Special Advisor on Women's Issues is important, Members consider the work done by the Status of Women Council, the Native Women's Association, and other groups to be even more important to the North and to Northerners. During the review of the draft Business Plans in October, the Committee did suggest another option for this reduction in funding. The Committee suggested cutting the grants by only 5% instead of 10%, and making up the difference by reducing the position of Special Advisor on Women's Issues to a half-time position. However, the Premier chose not to accept this suggestion.

Committee Members would still rather not see the work of these important organizations be hindered by a 10% funding cut. The Standing Committee therefore offers two further suggestions:

- 1) Leave the grants unchanged (cancel the 10% cut), and eliminate the position of Special Advisor entirely. The Minister Responsible for the Status of Women could then be advised directly by the boards and executive directors of women's associations;
- 2) Second the Special Advisor to work with the Status of Women Council. The Special Advisor could then continue to advise the Premier and Minister, but her services could assist the Council sufficiently to ease the effects of the 10% cut in grant funding.

FINANCE

Committee Members were glad to see that the Minister has put on hold any plans to amalgamate the Department of Finance and the Financial Management Board Secretariat. Should this option be raised again in the future, the Committee looks forward to discussing it again with the Minister.

Payroll Tax

The Standing Committee and the Minister of Finance discussed issues related to the Payroll Tax in great detail. During the review of the business plans, Committee Members discussed the possibility of eliminating the tax — and the associated Cost of Living Tax Credit — due to the relatively small return compared to the administration costs of the tax. However, the potential increase in fly-in/fly-out workers which could occur with increased mining activity in the NWT is a development which merits further analysis. The Standing Committee understands that the Minister and the Department are reviewing various revenue-generating options, and look forward to discussing any possible initiatives that might arise from that review.

Discussion also took place on the continued non-payment of the tax by the Dene Nation. Committee Members will continue to monitor these issues with the Minister.

Borrowing Costs

With the revelation that the deficit for 1995/96 is lower than was forecast, the Department of Finance will show a significant reduction in borrowing costs from previous estimates. Revenue forecasts for 1996/97 are up, both from taxation and from the Grant from Canada, and this will help offset any expenditure slippage.

FINANCIAL MANAGEMENT BOARD SECRETARIAT

The Financial Management Board Secretariat (FMBS) occupies a central position in the Government organizational structure. As a result, many important — and sometimes controversial — initiatives fall under its jurisdiction.

Staff Housing

The most notable of these is the sale of staff housing. Ever since the plan to sell staff housing in level II and III communities was announced, concerns have been raised about the availability of suitable housing for Government staff. Especially in recent months, teachers and others have expressed concerns that the sale of staff housing will lead to difficulties.

Committee Members noted concerns that have been brought to their attention in discussions with the Minister. The Committee appreciates that the Minister has undertaken efforts to address the concerns of these employees, and to complete the sale of staff housing. The Standing Committee will continue to monitor this issue

and the concerns of constituents, and will continue to discuss staff housing sales with the Minister as necessary to ensure that those concerns are addressed.

A further concern relates to the sale of staff housing to those not occupying the housing. In some cases, the tenant employees are choosing not to buy the homes. The Government's plan is then to sell the staff housing to private concerns who will then lease the house back to the Government for the employee's use. Committee Members did not agree that selling an asset just to lease it back was a good idea. Therefore, the Committee will reiterate a recommendation made following the review of the draft Business Plans in October:

THE STANDING COMMITTEE RECOMMENDS THAT THE CHAIRMAN OF THE FINANCIAL MANAGEMENT BOARD NOT PROCEED WITH SALES OF STAFF HOUSES TO ANYONE OTHER THAN OCCUPANTS.

Staff housing that is leased from private landlords was also discussed. Some concerns were raised about instances where the Government and its employees may be subject to unreasonable lease costs. As well, some Committee Members noted the Minister's frequent assertions that the Government was 'getting out of staff housing', yet still entering into new leases for staff housing units. The Standing Committee will continue to address these and other concerns with the Minister.

Labour Relations/Human Resource Issues

The FMBS also has central responsibility for labour relations and human resources issues. While many human resource functions have been and are being devolved to departments, the FMBS retains central authority, including the responsibility to carry out collective bargaining with the UNW and the NWTTA.

Following the NWTTA's decisive vote against the Government's contract offer, and the subsequent imposition of the contract offer on the teachers pursuant to the provisions of the *Public Service Act* (as amended by Bill 2 in February 1996), Committee Members remarked on the difficult state of labour relations in the Government. Some Committee Members felt that the current state of labour relations is extremely low, as is the morale of Government staff. The changes to the *Public Service Act*, the many layoffs and resulting lack of job security, and the uncertainties of the future regarding division and possible further cutbacks have led to a situation where the Government's most important asset — its employees — are not able to contribute the way they would if morale were higher.

Much of the problem relates to poor communication. Some Committee Members noted that when the Federal Government started major cutbacks in their civil

service, they gave as much as three years' notice to employees, giving them time to examine other options for their careers. The Standing Committee understands that the Territorial Government did not have the luxury of such notice; however, we seem to have gone to another extreme, with employees often being 'the last to know' about major changes which will affect their positions. The result is a perception that there is a lack of direction and overall strategy to the cuts. It is critical that the Government communicate effectively with employees, in order that they might be best prepared for the difficulties that they face as a result of fiscal restraint, division, and other massive changes to the way Government operates in the NWT.

Committee Members were pleased to see that one area where communication was a problem — the issue of pay to UNW workers over Christmas and the mandatory days of leave without pay ('Donnie Days') — has been resolved, and unionized Government workers will now not have to cope with severely reduced paycheques right after Christmas.

Finally, a new Affirmative Action Policy Review is expected to be tabled in the House during the 4th Session, and Committee Members look forward to seeing this policy debated by all Members.

MUNICIPAL AND COMMUNITY AFFAIRS

Community Empowerment

The recurring theme throughout the Department of Municipal and Community Affairs' (MACA) business plan is Community Empowerment. Everything the Department is planning for 1997/98 revolves around Community Empowerment.

Having received more information on Community Empowerment, and having had the opportunity to debate it in the House, Committee Members are more supportive about implementing the initiative. While no-one disagrees that Community Empowerment as a principle is worth promoting, there has been much debate about the details of implementation.

Many of the concerns expressed relate to the fear of 'off-loading'. Are programs being transferred to communities merely to dump them from the Government's books? Will the programs be more efficient and effective at the community level, or is it merely an excuse to cut Government spending? These are legitimate fears,

reinforced by such things as the Department's plan to cut more than 5% from existing municipal Operations and Maintenance funding* this year.

Committee Members do find it ironic that it is only now — in a time of fiscal restraint — that we are changing from a highly centralized government to one where more power is at the community level. Would such an initiative have been implemented in a time of plenty? The Standing Committee wants to be sure that Community Empowerment is being implemented because it is good for Northerners, not just because it's a way to offload responsibilities and programs as a way to save money.

On the other hand, Committee Members did note with approval the efforts of the Department to ensure that communities are adequately prepared for Community Empowerment. The redirection of almost \$3 million in capital funds to O&M funding for training and related initiatives was the most significant change related to this area. As well, the Department has changed its organizational structure to meet the changing demands resulting from Community Empowerment and to incorporate business, lottery, and real estate licensing, and fire safety programs from the now-dismantled Department of Safety and Public Services, as well as to effect some savings. The Standing Committee encourages the Department to ensure that there is no conflict between the requirement of the Fire Marshal to strictly enforce building fire codes, and those parts of the Department responsible for building and maintaining structures in municipalities.

Municipal Funding

The Department is reducing O&M funding to communities with 5% cuts to municipal block funding, the Municipal Operating Assistance Program (MOAP), and the Settlement Operating Assistance Program (SOAP). Committee Members were concerned at inequity in these cuts, however. The MOAP and SOAP formulas make allowance for population growth and other factors, but this is not the case for block funding to larger tax-based municipalities. The Standing Committee feels that it would have been fairer to incorporate similar growth factors into block funding before making the 5% cut.

Committee Members had other concerns related to these cuts. First, the Standing Committee is disappointed that the Government so often resorts to such 'across-the-board' cuts, blindly slashing an arbitrary amount or percentage. Members are very

* These cuts are to funding through the Municipal Operating Assistance Program (MOAP), the Settlement Operating Assistance Program (SOAP), and block funding agreements with larger tax-based municipalities.

concerned and feel that this type of action will lead to increased inefficiency as more and more work will be required of fewer and fewer staff. Committee Members would prefer to see Government place people before programs. In essence, the Committee would like to see Government programs examined, and ineffective or inefficient ones abandoned.

Members are also concerned that these across-the-board cuts were proposed without adequate analysis of the possible ripple effect of the cuts. For example, when the Water/Sewer Subsidy Program was capped last year, the effect varied widely among communities. Some communities saw little or no change in their water and sewer rates, while others saw 30% increases. These sorts of effects should be better anticipated, and communicated to those affected. The Department should ensure that cuts such as these will not result in increased spending by the Government in other areas.

Seniors' and Disabled Property Tax Rebate

Following the elimination of the Homeowners' Property Tax Rebate last year, The Standing Committee took a closer look at the continuing program to provide property tax rebates to seniors and disabled Northerners. The *Senior Citizens and Disabled Persons Property Tax Relief Act* authorizes tax-based municipalities to exempt property from up to 50% of taxes where the property owner or owners meet(s) the criteria under the act (65 years or over, or disabled according to definitions in the Act).

Committee Members are concerned that some homeowners are being deemed ineligible for this rebate. For example, if a house is co-owned by a married couple, and only one partner meets the criteria for the rebate (*e.g.* a couple where one partner is over 65 years old and the other is not quite 65), they are not eligible for any rebate at all in a tax-based municipality. The Standing Committee agreed that this was not fair, and that it would be more appropriate to provide the rebate where any one of the co-owners meets the criteria. (The Act already gives the Minister discretion to exempt property in the General Taxation Area where only one co-owner meets the criteria.) If this is not acceptable to the Minister, Committee Members suggest that another reasonable short-term solution would be to pro-rate the rebate in proportion to the number of co-owners who meet the criteria. (In the example above, where one of two co-owners meets the criteria, a 50% rebate could be provided.)

THE STANDING COMMITTEE RECOMMENDS THAT THE *SENIOR CITIZENS AND DISABLED PERSONS PROPERTY TAX RELIEF ACT* BE AMENDED TO ALLOW ELIGIBLE PROPERTY IN TAX-BASED MUNICIPALITIES TO BE EXEMPT

FROM TAXES WHERE SOME CO-OWNERS OF ELIGIBLE PROPERTY MEET THE CRITERIA.

The extra costs of extending the rebates to properties where some, but not all, co-owners of a property meet the criteria would likely be small compared to the existing \$155,000 annual cost of the program. In the long run, this program should be reviewed in conjunction with other subsidy and assistance programs available to seniors and disabled Northerners (most of which are administered by departments in the Social Envelope).

In a preliminary response to this recommendation the Minister committed to work with the Department of Justice and have the necessary amendments brought before the House by the end of the 1997/98 Fiscal Year. Members are encouraged by this action but question why it will take so long to bring forward such amendments.

PUBLIC WORKS AND SERVICES

Changes in the Department's Mandate

The Department of Public Works & Services (PWS) is continuing to forsake its past of being a provider of services, and evolving towards being an administrator of services. Through various 'user-say/user-pay' initiatives, the Department expects to transfer almost two-thirds of its current \$88 million budget to other departments. Some of the services presently provided by PWS will be privatized. Most, however, will continue to be provided within the Government, but on a chargeback basis.

User-say/User-pay'

The whole 'user-say/user-pay' concept has generally met with approval from the Committee. Requiring those who use a service to pay for the service, and often to dictate how that service will be provided, will undoubtedly provide greater efficiencies and cost savings to Government operations.

However, Committee Members still have some concerns in this area. While devolving authority and responsibility to the clients of services has many advantages, some Members have expressed concern that inefficiencies may result from loss of economies of scale, from decentralization, and from other details of the implementation of these initiatives.

As the Committee has said before, these initiatives should **not** be used merely as an excuse to download programs onto others. The goal should always be more efficient

provision of services with the limited resources available. 'Off-loading' must never be a substitute for more efficient internal initiatives, if they exist. The Government must do more to ensure that these initiatives will not be more expensive than retaining the provision of services and working to provide those services more efficiently.

As well, the Government must be careful not to overestimate the savings from these initiatives. Committee Members understand that money transferred from PWS' budget to departments' budgets to pay for these services will be reduced, due to anticipated savings. However, the reductions must not be too high. If only 60% of the funds for a service are transferred to a department, for example, and the department is not able to realize a 40% savings in that area, the remaining funds would have to come from other departmental programs. This would not be acceptable, and PWS should work closely with other departments to ensure that this does not happen.

Petroleum Products Privatization

The Committee expressed concern about the proposed privatization of Petroleum Products storage and sales. Members are concerned that fuel prices could rise upon privatization and would like more detail on how the GNWT plans to regulate this area. In addition, Members are concerned that once privatized, Northern communities could receive fuel of inferior quality and that this could lead to a host of new problems. Based on these concerns and the lack of information received from the Government, the Committee made the following recommendation:

THE STANDING COMMITTEE ON INFRASTRUCTURE RECOMMENDS THAT THE PRIVATIZATION OF PETROLEUM PRODUCTS STORAGE AND SALES NOT PROCEED UNTIL COMMITTEE MEMBERS HAVE HAD AN OPPORTUNITY TO REVIEW, AT A MINIMUM:

- COST/BENEFIT ANALYSIS OF THE PROPOSED PRIVATIZATION;
- DETAILED DESCRIPTION OF THE ANTICIPATED END RESULT OF THIS MOVE;
- RESPONSES TO COMMITTEE CONCERNS REGARDING FUEL QUALITY AND PRICE.

IT WAS FURTHER RECOMMENDED THAT THE GNWT TAKE NO FURTHER STEPS TOWARDS PRIVATIZATION, INCLUDING A DECISION ON THE REQUEST FOR PROPOSAL, UNTIL SUCH TIME AS THE ABOVE INFORMATION IS MADE AVAILABLE TO MEMBERS AND COMMITTEE CONCERNS ARE ADDRESSED.

The Committee noted that the Government maintains ownership of the NWT Power Corporation because affordable, reliable power is a necessity here in the North. Members feel that affordable, reliable supplies of fuel are as much a necessity. As a result, some Members discussed the possible advantages of NWTPC taking over the delivery and sales of fuel. This move could result in the best of both worlds: privatizing to take advantage of a more efficient private sector; and retaining ultimate public control over the provision of this essential service. Since NWTPC is at present the largest consumer of fuel in the North, and since NWTPC often has its own storage tanks located with PPD's tank farms, there would be many efficiencies to this possibility.

The Standing Committee did note that NWTPC was one of 33 firms expressing interest in taking over some or all of Petroleum Products' storage and sales responsibilities. The Government's response was that once Requests for Proposals were issued, any proposal from NWTPC would be evaluated using the same criteria as all other proposals.

Additional Information:

In addition to the above, Members would like the Minister responsible for Public Works and Services to provide written briefing material on the following:

- An explanation of grants-in-kind given by the Department generally, and specifically related to the office complex in Ft. Resolution.
- A summary explaining the use of PWS Project Officers by the Department of Transportation, along with a brief explanation of the relationship as it relates to the Rankin Inlet air terminal project.