

Report of the Standing Committee on Infrastructure

**Report on the 1996/97 Mid-Year
Review**

**Executive
FMBS
Municipal and Community Affairs
Public Works and Services
Intergovernmental and Aboriginal Affairs
Finance**

October 15, 1996

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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 1996-97 Mid-Year Review, and commends it to the House.

A handwritten signature in cursive script, appearing to read "E. Picco".

Edward Picco, M.L.A.
Chair

**MEMBERS OF THE STANDING COMMITTEE
ON INFRASTRUCTURE**

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Chair

Seamus Henry
M.L.A. Yellowknife South
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John Ningark
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Jake Ootes
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Doug Schauerte
Committee Clerk

Brenda Adams
Committee Researcher

Robert Slaven
Committee Researcher

STANDING COMMITTEE ON INFRASTRUCTURE

REPORT ON THE 1996-97 MID-YEAR REVIEW

INTRODUCTION

As this Committee noted in its review of the 1996-97 Main Estimates, the business plans of the departments in this envelope share a recurring theme of devolution. While the Community Empowerment initiative is the most notable undertaking in this area, devolution also encompasses the privatization of services formerly provided by Government departments, and developing user-pay systems for services still provided by Government.

Generally speaking, Committee Members agree with this focus for the departments in the Infrastructure envelope, and applaud the principle, as well as many of the measures taken to date. However, specific concerns regarding the implementation of some of these measures were raised during the review of the business plans and budgets earlier this year. These concerns were repeated during this mid-year review.

The Committee believes that devolution of services from the Government to communities should not take place merely for the sake of devolution itself. Transfer of powers and responsibilities should only take place where such a transfer will genuinely benefit those receiving the service, and this will only happen when adequate preparations have taken place. Committee Members are concerned that communities are not yet ready for the profound transfers of responsibility that are planned and underway.

The decisions and initiatives introduced by the Government must not be arbitrary, or seen to be arbitrary. Every decision and initiative must have a sound rationale behind its introduction, with a visible implementation plan in place. And it is the Government's responsibility to provide and explain those rationales to the House, and to the citizens of the NWT.

Much of the discussion to date has treated Community Empowerment as a 'motherhood' issue. None of the Committee Members will disagree that, generally speaking, decision-making is most effective when the decision-makers and the service providers are on the same level. However, there is more to Community Empowerment than mere decision-making.

And while the principle of Community Empowerment is certainly worthy of open discussion, it is even more critical that the details of the Government's implementation of Community Empowerment be subject to open debate by the

elected Members of the Legislative Assembly. Committee Members are concerned that the full Assembly has not yet had the opportunity to engage in a full, public debate on the Community Empowerment initiative.

The Committee recommends that the Government freeze implementation of initiatives related to Community Empowerment until such time as the Legislative Assembly has a full public debate on the principle and details of Community Empowerment.

EXECUTIVE

Dissolution of the Department of Personnel

When the functions of the old Department of Personnel (later the Personnel Secretariat) were distributed to the departments, the Executive retained a budget of \$2.2 million, along with 9 PY's. The Committee had some interest in the use of the \$2.2 million that was retained by the department. The Minister assured the Committee that the money is being used as planned, in the areas of policy development, auditing, and training.

Community Empowerment

The Committee was interested in the mandate for the "Working Group on Territorial Interest." The Minister stated that this committee is comprised of Deputy Ministers who are developing a mandate for Community Empowerment. The Minister expects a framework to be developed and brought to Cabinet in October.

Committee Members are concerned that the Government is barging ahead with Community Empowerment without having first completed this mandate. Developing a mandate for Community Empowerment should have been complete before any implementation is carried out.

Fiscal & Political Autonomy

The Committee was informed that a strategic plan for intergovernmental relations was being developed and should be ready in September. The Minister noted that the strategic plan is being developed but Cabinet has yet to review it. Committee Members are concerned that this plan should be reviewed by all Members before being implemented.

Devolution/Community Empowerment

The Committee was concerned that the Government does not have a policy in place which lists those programs and services that are options for devolution to regions and communities. Members are particularly concerned about transportation infrastructure. The Committee wants assurance that highways and airports are not on the table of items which can be devolved.

FINANCE

Expenditures & Savings

Noting that the Standing Committee on Government Operations has been informed that the deficit for 1994/95 will be less than forecast, Committee Members requested information on the subsequent savings on interest costs to the government. The Minister stated that the government is only halfway through the year and there has not been a need to borrow yet. However, it is projected that interest payments will be substantially lower, and that there will be a savings of approximately \$1 million.

Tax Options

Committee Members discussed the implications of the BHP Diamond Project with the Minister. Members were told that discussions were underway with BHP regarding the establishment of a sound employment strategy, provisions ensuring the priority of using competitive northern business, and a tax regime that would benefit the North as well as the company.

The Minister informed the Committee that a Tax Options Paper was being developed by an interdepartmental Committee and should be available to Members for review in October.

Consolidation of Tax Administration and Revenue

Apparently there is no actual dollar savings from amalgamating the divisions of Tax Administration and Revenue & Asset Management. The Minister did state, however, that the amalgamation has improved efficiency by reducing the paper flow. This makes up for areas which are extra work for the department such as the Payroll Tax.

The Government is presently reviewing the desirability of maintaining the Payroll Tax. At this time, the Minister stated that the payroll tax is regressive and he is considering eliminating it. The costs to administer the tax do not justify the net revenue realized. The gross amount collected is approximately \$12 million, but \$11 million is paid out in the Cost of Living Tax Credit, and administration costs total \$3-400,000, leaving a net benefit of only \$6-700,000. Committee Members agreed that this tax is not cost-effective. **The Committee recommends that the Government repeal the Payroll Tax.**

FINANCIAL MANAGEMENT BOARD SECRETARIAT

Possible Amalgamation of FMBS and Finance

While consolidating the Financial Management Board Secretariat (FMBS) and the Department of Finance was one of the '24 Options' considered by the new Assembly earlier this year, Committee Members now feel strongly that this proposal should be abandoned. The Committee does not believe that the agency primarily responsible for collecting and managing revenue (Finance) should be 'under the same roof' as the agency primarily responsible for budgeting and expenditure management (FMBS). Committee Members were glad to hear that the proposal is 'on hold' due to other priorities, but this is not enough. The Committee does not want to see any more Government resources assigned to this issue. **The Standing Committee recommends that the Government abandon any plans to amalgamate the Department of Finance and the Financial Management Board Secretariat.**

Sale of Staff Housing

Committee Members expressed concern regarding the sale of remaining GNWT staff housing. While the Committee understands the principle behind the sale, there exist concerns about the effect of this policy on staff such as teachers and nurses, many of whom are not willing to purchase staff housing. Committee Members noted community concerns that, without adequate staff housing being available, communities might find it difficult to attract staff to fill positions. The net benefit of the revenue from the sale of these houses was also noted as a concern when contrasted with the current revenue stream generated from staff housing. **The Committee urges the Government to ensure that these concerns are fully addressed before the sale of these staff housing units is finalized.**

Results of Investment Search Initiative

Committee Members were pleased to see the Government moving ahead on initiatives resulting from the Investment Search such as an Immigrant Investor program. The Committee looks forward to receiving more information about other initiatives as they become available.

Preparations for Division

The Committee raised some questions about financial issues which must be addressed in preparation for division in 1999. One prime example is the necessity to

identify the Government's assets and liabilities, and to develop the process for dividing them between the two new territories. **The Committee recommends that the Minister complete the development of a timeline on the process for identifying and dividing assets and liabilities, and on other division-related financial processes.**

Community Empowerment

Committee Members raised strong concerns regarding details of the implementation of Community Empowerment as they related to the FMBS. The Committee's comments on this issue as a whole are listed under the Department of Municipal and Community Affairs, which has the lead role in this initiative. Committee Members do, however, wish to stress that Community Empowerment should not be merely an exercise in 'downloading' responsibilities to communities without providing adequate resources — not just funding, but also training and accountability. If Community Empowerment is to continue to proceed, it must be implemented in an orderly fashion. The Committee is adamant that actual transfers of responsibility **must not** take place before appropriate preparations are in place.

PUBLIC WORKS AND SERVICES

User Say/User Pay

This initiative has seen responsibility for management and payment of telephone services delegated to the departments, with responsibility for vehicle fuel and external mail having just been converted on October 1, 1996. All direct printing and publication is now done through the Local Contract Authorities (LCA's), now with a \$5,000 expenditure limit. The Government expects that overall costs will go down if each Department is responsible for the payment of these services. The Standing Committee is watching for impacts to the Departments with the delegating of these responsibilities. **The Standing Committee will continue to monitor the effectiveness of this initiative and the positive or negative impact to individual departments.**

Privatization Initiatives

Switchboard services were privatized in June 1996. The Government is now proceeding with the privatization of Petroleum Products and Systems and Communications. Requests for Expressions of Interest and Requests for Proposals have been advertised and the government is reviewing the submissions.

The Standing Committee had many questions regarding the reduction in upgrading of tank farms. Members were concerned that if the tank farms are not kept up to standard it could have a negative impact on the privatization initiative. Committee Members feel that the tank farms should be brought up to standard before privatization of petroleum products distribution proceeds. During our review of this initiative the Minister was unable to confirm that capital dollars were being reduced and therefore less money would be available to ensure the tank farms were in good order. **The Standing Committee recommends that the government ensure that all tank farms are brought up to standard before awarding a contract under this privatization initiative.**

The Standing Committee was concerned about how the Government has accounted for the issue of environmental liability if there should be any accidents by petroleum products contractors under this initiative. The Minister assured the Committee that the department has begun a study in this area. The Committee also suggests that the Government must account for liabilities for fuel spillages and cleanups that may have occurred in the past, and expects the Government to inform the Committee as to how they will account for such things.

Committee Members also have some concerns about the effect that privatization will have in its creation of local monopolies for fuel delivery and storage. The Government must ensure that communities are protected from any possibility of unfair pricing or other practices.

The Standing Committee is very concerned that the government has not identified a clear list of priorities, objectives and goals for privatization. Committee Members feel that this is an important step that should not be overlooked.

The Standing Committee recommends that the Government should establish goals and objectives of the privatization of petroleum products delivery as follows: The objective of the privatization of Petroleum Products should be to ensure a reliable and economic supply of petroleum products to all communities in the NWT. The goal of the initiative should be to obtain as much revenue for the facilities as is possible, and that facilities be disposed in a fair and equitable manner.

The Standing Committee had some concerns about the future of regional computer operations in the Nunavut area. The Minister explained that, while operation of computer facilities in Headquarters will be privatized, operation of regional computers will be retained until decisions are made regarding the future of these facilities after division.

Community Empowerment

The Community Empowerment Initiative will see the transfer of buildings and lands to some communities. This transfer would include the maintenance and operation of these buildings and lands. With the deferral of capital projects happening at this time of fiscal restraint, the Standing Committee is concerned that communities that accept the responsibility for these buildings under the Community Empowerment initiative will be facing certain financial hardship trying to operate and maintain structures whose maintenance is not up to date upon transfer. The Standing Committee is also concerned that this government does not have adequate checks in place to ensure that each community will succeed if we devolve these responsibilities.

INTERGOVERNMENTAL AND ABORIGINAL AFFAIRS

Makivik Offshore Claim

The Committee was concerned about the status of the Makivik Offshore Claim and the possible repercussions of the claim on the Northwest Territories and Nunavut in particular. Committee Members expressed serious concerns about this issue. The Minister has noted that there are significant issues regarding this claim, particularly on a national level. The jurisdictional rights of the Northwest Territories are at stake, and the Government must be proactive in protecting the NWT's territory. The Committee would like more detail on this Claim and requested a written report detailing the negotiations to date.

Land Claims and Self-Government

The Committee requested information on the impact of land claims and self-government issues on the GNWT. The Minister stated there are significant impacts on how the government is and will be delivering programs and services. The Government is in the process of developing a self-government policy. A paper entitled "GNWT Vision of Governance for the Western NWT" is the basis for the development of a self-government mandate. The self-government mandate should be ready by October.

The Committee stressed the importance of proactive participation in self-government and land claims negotiations. Committee Members feel that the government must not take a reactive approach. Further, the Committee feels that the government must provide the public with more information on what self-government is and how it will affect the operation of the Territory.

The Committee still has difficulty with this small Ministry requiring three Ministers. An ongoing recommendation of this Committee has been that only one Minister should be in charge of this Ministry. **The Committee recommends that this issue be addressed by the Government Operations Committee.**

MUNICIPAL AND COMMUNITY AFFAIRS

Changes to Capital Plan

The Committee noted that there were significant changes to the Department's 1996–97 Capital Plan. In fact, out of a \$31 million capital budget, over \$15 million in projects saw changes of some sort. While there were no increases, the Committee was still very concerned that adequate explanations of these changes — some of which were of great importance — did not reach Committee staff until two days after the Minister's scheduled appearance. The Minister should have been aware that the Committee would be expecting appropriate explanations of these changes as part of its mid-year review.

Community Empowerment

The Committee is unanimous in applauding the principle of Community Empowerment. Committee Members feel that when communities make decisions for themselves, the decisions are more likely to be effective ones. However, as noted elsewhere in this Report, Committee Members have some serious concerns with the progress to date of implementing Community Empowerment.

The Committee noted that plans to transfer many responsibilities to communities — including provisions to allow non-tax-based municipalities to borrow for land development and capital projects — are proceeding before such basic steps as reviewing the municipal financial systems in place to ensure that they are capable of monitoring this increased responsibility.

The Standing Committee agrees with the principle of Community Empowerment. However, the Committee does not believe that Community Empowerment should be merely 'downloading' responsibilities to communities without providing adequate resources. Community Empowerment should be an attitude of encouraging communities' growth.

The issue of providing loans to non-tax-based municipalities is especially worrisome to Committee Members. There have already been problems, such as in Iqaluit a few years ago, with tax-based municipalities having difficulty in handling loans. The Committee is extremely concerned that non-tax-based municipalities — lacking the revenue potential from property taxation, and also often lacking the resources available to larger, tax-based municipalities — will undoubtedly run into problems with borrowing money. The Minister explained that a change from

approving individual capital projects for communities to a scheme of formula-based block funding will ensure consistent revenue streams for non-tax-based municipalities. However, Committee Members still worry about the integrity of that stream of funds, noting the arbitrary 5% reduction in block funding to Yellowknife that occurred this year as part of the Government's restraint program. **The Committee recommends that any legislation or policies allowing loans to non-tax-based municipalities be based on criteria similar to those that would be demanded of a private financial institution before making such loans.**

While the Minister assured the Committee that the Department is not 'forcing' the transfer of responsibilities to communities, Committee Members see it differently. Concerns exist that communities may be seeing Community Empowerment as a choice between taking over provision of a service or losing the service completely.

Education and Training Programs

Committee Members recognize that the training to municipalities provided by the Department — training for elected officials, municipal administrators, by-law enforcement officers, firefighters, and so on — is extremely valuable and critical to the success of Community Empowerment. However, Members wondered if such training and education might be more effectively provided by the Department of Education, Culture and Employment, or perhaps by Aurora and Nunavut Arctic Colleges. While MACA would certainly have the primary responsibility to determine training needs, and to develop the policies and principles behind the education and training provided to municipalities, Committee Members feel that ECE and the Colleges are better equipped to actually deliver the training. **The Committee recommends that the Department transfer the responsibility to provide training and education at the municipal level to the Department of Education, Culture and Employment and/or Aurora and Nunavut Arctic Colleges.**

Sport and Recreation

Committee Members were pleased to hear of the progress of the review of the NWT's participation in multi-sport games (such as the Arctic Winter Games), and of the overall review of Sport North that is underway.

With regard to multi-sport games, the Committee suggests that the Department focus on games which allow all Northerners to participate and be involved, such as regional games and the Arctic Winter Games. As well, the Committee suggests that the Department establish clear priorities for grants and other funding provided to sporting organizations.

Costs of land development and leases

In the review of the business plans, Committee 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 had mentioned that they intend to develop a strategy for recovering the actual costs of leasing the land (especially administration costs).

The Committee was pleased to hear that, as an interim measure, costs for lot rental are being increased to \$600 per year, with a view to eventually raising the lease costs to a point that would cover the actual costs of developing the land. However, Committee Members are against any type of subsidy for land development, such as the subsidy program planned for low-income homeowners' lease costs.

Committee Members still have significant concerns about the ability of non-tax-based municipalities to take responsibility for land development. While the financial performance of hamlets is improving, far too many still have deficits and/or qualified financial statements. Community Empowerment should **not** proceed without an adequate framework being in place to ensure that communities are indeed ready to take on such important responsibilities.

The Committee has already told the Minister that larger hamlets should be encouraged to seek tax-based status, not discouraged. Forthcoming proposals which would allow non-tax-based communities to borrow for land development should not proceed without removing barriers to tax-based status.