

61.11

PRIVATIZATION

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The Government of the Northwest Territories supports and encourages the expansion of a strong Northern private sector.

To that end the Government of the Northwest Territories may arrange the delivery of existing government programs and services to the private sector through registered businesses employing Northerners in accordance with the following principles:

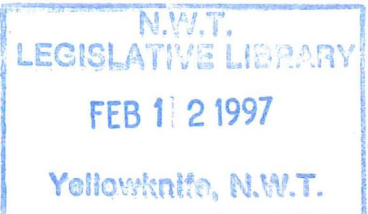
1. The private sector must meet or exceed current Government of the Northwest Territories standards of quality and timing in the delivery of certain programs or services at a reasonable cost to the Government of the Northwest Territories.
2. The Government of the Northwest Territories moral and legal obligations with respect to employees involved in any arrangement must be satisfactorily met.

John H. Parker
 Commissioner and Chairman
 of the Executive Council

85-10-22

Reference

For elaboration of the Policy refer to Directive



SCOPE

This directive applies to all Government of the Northwest Territories programs and services which in the opinion of the appropriate Ministerial authority should be delivered by the private sector.

DEFINITIONS

1. Privatization

A process where it is arranged that government programs, services or enterprises are delivered by the private sector.

2. Private Sector

The aggregate of all businesses registered in the Northwest Territories and eligible under the Business Incentive Policy other than those owned or controlled by governments.

3. Privatization Plan

Means an action plan for the privatization of government programs, services or enterprises with provision for subsequent monitoring of program or service delivery after privatization.

4. Privatization Committees

A government/private sector committee with representation as follows:

(a) Regions

The Regional Director (chairman), Superintendents of Public Works and Highways, Government Services, Economic Development and Tourism, Advanced Education and three representatives from the private sector to be chosen by the regional chamber of commerce or regional organization which represents the private sector.

(b) Yellowknife

The Assistant Deputy Minister of the Executive Council (Chairman), District Engineer, Department of Public Works and Highways; Chief of Supply Services, Department of Government Services; Chief of Business Development, Department of Economic Development and Tourism; Co-ordinator for Continuing Education, Department of Education; and three representatives as chosen by the Yellowknife Chamber of Commerce.

5. Program Managers

Superintendents, Regional Engineers, Housing Corporation District Managers, Divisional Chiefs or any other manager responsible for delivery of a program or service eligible for privatization.

6. Responsible Department

The department whose program or service is under consideration for privatization.

7. Fully Burdened Labour Rate

The total cost for an employee, including but not limited to, wages and benefits, allowances, indirect housing subsidies and work space. (A summary of typical cost components and a sample calculation are contained in Appendix A.)

PROVISIONS**1. Privatization Process**

Government of the Northwest Territories programs and services will be privatized in the following manner:

Step 1: Development of Privatization Plans

The Deputy Minister of each department and agency in consultation with the Regional Directors shall develop a Privatization Plan for their own Department or Agency in accordance with this policy by November 30, 1985, and shall review and update the Plan annually thereafter in concert with the development of O&M and capital budgets; such plans to include, but not be limited to:

- (i) terms and conditions of privatization including pre-set and measurable government standards that must be met; any necessary contractual arrangements; suitable measures for affected staff; provisions for disposal of any assets rendered surplus by privatization; identification of all relevant costs (including the fully burdened labour rate) involved in GNWT delivery of programs or services under consideration for privatization;
- (ii) implementation schedules;
- (iii) procedures for monitoring the delivery of privatized programs and services; and adequate contingency measures for regaining control of program or service delivery in the event of default by the private sector;

- (iv) such plans to include, but not be limited to, stated government goals or policies in such areas as business incentives, employment and purchasing.

Step 2: Approval

Privatization Plans will be approved by Ministers of Responsible Departments in accordance with the Accountabilities and Authorities set out below.

Step 3: Implementation, Monitoring, Evaluation

Privatization Plans will be implemented, monitored and evaluated in accordance with Section 2. Authority and Accountability set out below.

2. Authority and Accountability

(a) Executive Members

Executive Members shall approve Privatization Plans and their implementation for their departments and in the event of default by the private sector may take actions to regain control of privatized programs or services.

(b) Deputy Ministers

Deputy Ministers are responsible for co-ordinating development and implementation of privatization plans in consultation with Regional Directors and through the Senior Management Committee where any other departments may be affected.

(c) Program Managers

Program managers are responsible for:

- (i) calling for proposals;
- (ii) preparing and initiating tenders;
- (iii) ensuring private sector businesses receive appropriate government support in their delivery of privatized programs or services;
- (iv) monitoring and evaluating the delivery of their privatized programs or services for a period of time specified in the action plan;

- (v) keeping Deputy Ministers and Regional Directors informed on the progress of privatization plans;
- (vi) recommending implementation of contingency plans to the Minister of the responsible Department in the event of private sector default on the terms and conditions of privatized program or service delivery.

(d) **Privatization Committees**

Privatization Committees are responsible for providing the responsible Executive Council Member and/or Deputy Minister with advice on the adequacy and feasibility of Privatization Plans and on progress with implementation.

3. Eligibility

Only the private sector will be eligible for privatization opportunities. However, in the absence of a private sector response to an identified opportunity, the Minister may consider privatizing to non-private sector bodies.

4. Labour Relations

In consultation with the Department of Personnel, Deputy Ministers considering privatization initiatives that may entail staff layoffs must satisfy the Government of the Northwest Territories' moral and legal obligations under Articles 33 and 38 of the Government's Collective Agreement with the NWT Public Service Association.

5. Trainees and Apprentices

No program or service shall be privatized unless affected Government of the Northwest Territories job trainees and apprentices can be reassigned to suitable new training areas within the Government of the Northwest Territories or in the private sector.

6. Tenders and Proposals

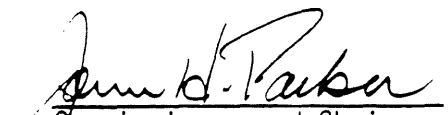
Proposals and Tenders will be solicited and awarded in accordance with the Contract Regulations of the Government of the Northwest Territories.

7. Other

Provisions contained in the Government of the Northwest Territories Contract Regulations, Business Incentive Policy, Public Service Act and the Northwest Territories Public Service Alliance Collective Agreement shall be considered in the formulation and implementation of Privatization Plans, as shall private firms' past records with regard to affirmative action and northern hiring practices.

8. Prerogative of the Executive Council

Nothing in this Directive shall in any way be construed to limit the prerogative of the Executive Council to make decisions or take actions respecting privatization of government services and programs outside the provisions of this Directive.


Commissioner and Chairman
of the Executive Council
85-10-22

APPENDIX A

FULLY BURDENED LABOUR RATE

COST CONSIDERATIONS

PURPOSE:

The Fully Burdened Labour Rate is used as the Government of the Northwest Territories labour rate when comparing the cost of providing a service with Government of the Northwest Territories forces with the cost of providing the same service through a contract.

BACKGROUND:

Salary budgets normally include direct salary costs, personnel benefits (9 1/2% of salary) and allowances. There are many other costs to the Government of the Northwest Territories in direct support of departmental employees through expenditures by other departments and other internal activities.

COST COMPONENTS:

The following represents those cost components which need to be considered:

1. Salaries
2. Benefits - usually 9 1/2% of salaries
3. Other Benefits/Allowances
 - Settlement Allowance
 - Housing Allowance
 - Vacation Travel Assistance
 - Safety Clothing Allowance
 - Tool Allowance
4. Personnel Costs
 - Cost of hiring
 - Removal in/out
 - Vacant housing inventory
5. Housing Subsidies

Total cost to the GNWT to provide housing may include:

- heat
- electricity
- water/sewer/garbage
- maintenance
- amortization of capital for owned housing/base rent for leased housing.

These costs are reduced by the rent paid by the employee.

6. Support Facilities/Equipment
 - Shop space cost, including heat, electricity, etc.
 - Storage of materials
 - Tools and equipment
 - Vehicle costs, capital depreciation, maintenance, fuel and storage.

7. Productive Employee Hours

Total hours paid less unproductive hours:

- Sick leave
- Annual Leave and Vacation Travel
- Statutory Holidays
- Education Leave
- Other/Special Leave

8. Burdened Labour Rate

$$\frac{\text{Total GNWT Costs}}{\text{Productive Hours}} = \text{Burdened Labour Rate}$$

FULLY BURDENED LABOUR RATESAMPLE CALCULATION1. Location: Frobisher Bay2. Trade: Painting3. Costs:

a)	Salaries and Benefits		<u>S/Annum</u>
	Salary		33,900
	Benefits		3,220
	Housing Allowance		5,400
	Settlement Allowance		4,025
	Vacation Travel Assistance (Family of 5)		<u>3,100</u>
	TOTAL		<u>49,645</u>
b)	Housing Subsidy (3 Bedroom House)		
	Heat (Fuel)		2,850
	Electricity		3,500
	Water/Sewer/Garbage		530
	Maintenance		5,200
	Market Rent (\$1200/month)		<u>14,400</u>
	SUB TOTAL		<u>26,480</u>
	Less Rent Paid by Employee (\$1030/month)		<u>(12,360)</u>
	NET COST TO THE GNWT		<u>14,120</u>
c)	Support Facilities and Equipment		
	(i) Vehicles: Assume one (1) van for a crew of three painters		
		<u>S/Annum</u>	
	Fuel	<u>3,320</u>	
	Maintenance	2,440	
	Depreciation	<u>2,900</u>	
	TOTAL	<u>8,660</u>	
	1/3 Share		2,887
	(ii) Tools and Equipment		200
	Allowance for spray equipment, paint mixer, ladders, etc.		
	(iii) Shop/Storage Space		
	Allow 14 square meters/painter for paint and equipment storage and workspace.		

	<u>S/sq.m</u>
Maintenance	37
Heat	52
Electricity	21
Garbage	2
Base Rent	130
	<u>242</u>

Therefore: \$242/sq.m x 14 sq.m = \$ 3,388

(iv) Total Facilities/Equipment Costs

Vehicle O&M and Depreciation	2,887
Tools and Equipment	200
Shop/Storage Space	3,388
TOTAL	<u>\$6,475</u>

d) Total Employee Costs

Salaries and Benefits	49,645
Housing Subsidy	14,120
Support Facilities and Equipment	6,475
TOTAL	<u>\$70,240</u>

4. Productive Hours:

	<u>Hrs/Annum</u>
Total Paid Hours	2,080
Less:	
Sick Leave (7 days)	56
Annual Leave (20 days)	160
Statutory Holidays (11 days)	88
Vacation Travel (2 days)	16
Other Leave (5 days)	40
(45 days)	<u>360</u>
	360
NET PRODUCTIVE HOURS	1,720

5. Hourly Rate

Total Costs	70,240
Net Productive Hours	1,720
Burdened Cost Per Hour	\$ 40.84

NOTES:

- a) Other Leave, includes education, casual and special leave.
- b) Market rent represents the amortization of capital costs in a Government of the Northwest Territories owned house, base rent in a leased house or actual market rent, whichever is the greatest. In this example, \$1200 represents the estimated market rate for a 10 year old Government of the Northwest Territories owned unit, 120m².
- c) If facilities and equipment do not become surplus through contracting, those costs should be excluded from the Burdened Rate Calculation.
- d) Vehicle depreciation assumes straight line over five years.