



15th Legislative Assembly of the Northwest Territories

Standing Committee on Governance and Economic Development

Report on the 2007-2008
Pre-Budget Review Process

Chair: Mrs. Jane Groenewegen

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SPEAKER OF THE LEGISLATIVE ASSEMBLY

Mr. Speaker:

Your Standing Committee on Governance and Economic Development is pleased to provide its Report on the 2007-2008 Pre-Budget Review Process and commends it to the House.

A handwritten signature in black ink, appearing to read "Groenewegen", with a long horizontal flourish extending to the right.

Jane Groenewegen, MLA
Chairperson

**STANDING COMMITTEE ON
GOVERNANCE AND
ECONOMIC DEVELOPMENT**

**REPORT ON THE 2007-2008
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TABLE OF CONTENTS

Introduction	1
General Comments.....	1
ITI and ENR Position Growth	1
Municipal and Community Affairs.....	2
General Comments	2
New Deal for Community Governments	2
Community Energy Planner.....	3
Public Works and Services	4
General Comments	4
Pile Inspection and Repair Program	4
Department of Transportation	5
General Comments	5
Highway 3.....	5
Department of Industry, Tourism and Investment	6
General Comments	6
Tourism	6
Product Development.....	7
Socio-Economic Agreements	7
Department of Environment and Natural Resources.....	9
General Comments	9
Waste Management Strategy	9

**STANDING COMMITTEE ON
GOVERNANCE AND ECONOMIC DEVELOPMENT**

**REPORT ON THE 2007-2008
PRE-BUDGET REVIEW PROCESS**

INTRODUCTION

The Standing Committee on Governance and Economic Development (GED) is pleased to present its report on its 2007-2008 Pre-Budget Review Process. This report covers both the Committee's review of the 2007-2010 Draft Business Plans, which took place in September 2006, and also its review of the 2007-2008 Draft Main Estimates, which took place in January 2007.

The GED envelope includes the Departments of Municipal and Community Affairs; Public Works and Services; Transportation; Industry, Tourism and Investment; and Environment and Natural Resources.

GENERAL COMMENTS

ITI and ENR Position Growth

Since the beginning of this Assembly, the Standing Committee on Governance and Economic Development has encouraged departments to streamline programs, amalgamate divisions and control position growth, wherever possible, in order to conserve resources. When the former Department of Resources, Wildlife and Economic Development was first split into ITI and ENR, this Committee stated in its report that while we appreciated the Government's restructuring of RWED into the two new Departments to improve program delivery, and while we also appreciated the difficulty in trying to quantify the cost of restructuring versus the cost of lost opportunity, the fact remained that the creation of Industry, Tourism and Investment cost the Government \$1.765 million and the creation of Environment and Natural Resources cost the Government \$ 1.074 million in ongoing costs. We recommended that the Government investigate how to mitigate this expenditure.

The Committee is disappointed, two years later, to find there has been a combined growth of 28 positions over and above the 17 new positions that were approved for the initial reorganization. In fact, it appears there were actually 26 positions created as a result of the reorganization. This position growth is remarkable considering 15 positions were transferred to the Financial Management Board Secretariat, Human Resources and the Business Development and Investment Corporation.

The Standing Committee on Accountability and Oversight has expressed an interest in a zero-based review of positions in the Government. The increase in positions in the Departments of ENR and ITI is an excellent example of why such a review is needed.

MUNICIPAL AND COMMUNITY AFFAIRS

General Comments

The Committee met with the Minister and his officials on September 26, 2006 to review the Draft Business Plan of the Department of Municipal and Community Affairs.

The Committee considered the Department's draft main estimates on January 16 and 17, 2007.

Committee Members made note that the Department is proposing to spend \$114.7 million in Operations Expenses and \$32.1 million on Capital Projects in fiscal year 2007-2008.

Committee Members offer the following comments on issues arising out of the review of the 2007-2008 Draft Main Estimates and budget-planning cycle.

New Deal for Community Governments

The New Deal is a proposal from MACA to the communities, which is to provide communities with greater control and decision-making over their infrastructure, including planning and decision-making for capital projects.

The Governance and Economic Development Committee has been cautiously supportive of this initiative. For example, we know that capital projects can run into difficulty and unexpectedly require expensive advice in the form of legal, engineering and contracts expertise which communities will need the capacity to manage. The Committee is pleased that MACA committed to working with the NWT Association of Communities to make the *New Deal* a graduated process for communities. The Committee is also pleased communities will receive increased funding to help them budget for long-term capital projects.

The Committee appreciates MACA has several reports it uses to review the financial status of community governments. However, since we will no longer be reviewing the communities' capital appropriations, Members of the Legislative Assembly will need to have a level of comfort that public funds are being spent responsibly and the New Deal is providing communities with sufficient expertise and adequate funding for control over their infrastructure. For instance,

Members are aware there are already problems arising with the revised water and sewer allocations. We have also been unable to review the baseline assessment study because it has been delayed. The baseline assessment study will look at every piece of community public infrastructure, including environmental liabilities, in every community, to evaluate the state it is in before MACA transfers those assets. These are the early days of the project and there is still outstanding information.

The Committee is requesting ongoing and precise reporting on the progress and outcomes of the New Deal.

Recommendation

The Standing Committee on Governance and Economic Development recommends the Department of Municipal and Community Affairs keep the Committee updated with details of capital spending, including a performance and evaluation mechanism to assure the Legislative Assembly that the New Deal is really working and improving community access to infrastructure.

Community Energy Planner

Municipal and Community Affairs is funding the Arctic Energy Alliance for one Community Energy Planner position to support and assist communities in developing and implementing individual Community Energy Plans. Through its obligations under the Canada-NWT Gas Tax Agreement, MACA has an interest in ensuring that there is technical support to communities to develop these plans.

The Committee looks forward to reviewing the community energy plans. If well executed, they should be able to address the significant energy consumption and cost of living issues facing the communities.

These plans should become living documents with appropriate funding attached so they can be implemented and do not sit gathering dust on government shelves.

Recommendation

The Standing Committee on Governance and Economic Development Committee recommends that community energy plans be included in the Government's Energy Strategy and receive adequate funding for implementation.

PUBLIC WORKS AND SERVICES

General Comments

The Committee met with the Minister and his officials on September 21, 2006 to review the Draft Business Plan of the Department Public Works and Services.

The Committee considered the Department's draft main estimates on January 16 and 17, 2007.

Committee Members made note that the Department is proposing to spend \$52 million in Operations Expense and \$8.4 million on Capital Projects in fiscal year 2007-2008.

Committee Members offer the following comment on issues arising out of the review of the 2007-2008 Draft Main Estimates and budget-planning cycle:

Pile Inspection and Repair Program

At present, PWS is maintaining 60 buildings with an age of 30 years or more. Many of the wooden piles supporting GNWT infrastructure are reaching the end of their service life. PWS has established a formal Risk Management and Safety Program to ensure safe occupancy and operation of GNWT building infrastructure.

The Governance and Economic Development Committee supports this initiative. The Committee does not want to see any injury or harm come to the occupants of these buildings, or expose the GNWT to greater liability. We must make the necessary investment to maintain these buildings as long as possible as there is insufficient funding for replacement in the Capital Plan.

Recommendation

The Standing Committee on Governance and Economic Development recommends the Pile Inspection and Repair Program continue in order to address the building condition and safety issues identified in the building condition reports.

DEPARTMENT OF TRANSPORTATION

General Comments

The Committee met with the Minister and his officials on September 25, 2006 to review the Draft Business Plan of the Department of Transportation.

The Committee considered the Department's draft main estimates on January 16 and 17, 2007.

Committee Members made note that the Department is proposing to spend \$88.3 million in Operations Expense and \$47 million on Capital Projects in fiscal year 2007-2008.

Committee Members offer the following comment on issues arising out of the review of the 2007-2008 Draft Main Estimates and budget-planning cycle:

Highway 3

After 23 years and \$200 million dollars, the Committee is disappointed by the poor condition of Highway 3 between Yellowknife and Behchoko.

Highway 3, in certain places, is more suited to a roller coaster than regular traffic. The Department states the roller coaster affect, or heaves and dips, are a result of melting permafrost in the area. Repairs have had to be made on an ongoing basis. The Department has no mechanism to go back and have the repairs made under warranty because the time period has lapsed. A longer warranty would have increased the cost of the road.

Although a considerable amount of Federal dollars went into completing Highway 3, the Committee is concerned continued repairs for Highway 3 will drain the budgets of other highways also in much need of repair.

Recommendation

The Committee recommends the Department supply them with a projection of future repairs and the costs that will be required to make Highway 3 safe to drive. The Committee would also like a report on all of the challenges encountered in building and repairing Highway 3.

DEPARTMENT OF INDUSTRY, TOURISM AND INVESTMENT

General Comments

The Committee met with the Minister and his officials on September 26, 2006 to review the Draft Business Plan of the Department of Industry, Tourism and Investment.

The Committee considered the Department's draft main estimates on the January 16 and 17, 2007.

Committee Members made note that the Department is proposing to spend \$38.9 million in Operations Expense and \$1.8 million on Capital Projects in fiscal year 2007-2008.

Committee Members offer the following comments on issues arising out of the review of the 2007-2008 Draft Main Estimates and budget planning cycle:

Tourism

The Committee commends the Department of Industry, Tourism and Investment for their work on the Tourism 2010 Plan. The Committee further commends them for acknowledging tourism requires a greater investment from this government. The 2010 plan endeavours to increase investment in tourism from \$104 million to \$140 million by the year 2010.

This goal is very admirable but it does not go far enough when compared to the millions of dollars the government has invested in resource development.

For example, including last year's increase of \$ 400,000, \$2.7 million is available for tourism marketing. By comparison, the Yukon spends upwards of \$7 million, and Las Vegas alone spends \$150 million. The Canadian Tourism Commission only spends \$100 million for all of Canada. A recent article in the Globe and Mail stated that more people visit Banff in a summer week than visit all three territories in a year.

Further, there is only \$300,000 budgeted for tourism infrastructure. With fierce competition for infrastructure dollars, this number is unlikely to change any time soon. There has also been insufficient funding for transportation projects, such as chip-sealing the highway to Fort Smith and the extension of the runway at the Yellowknife Airport, which are also keys to tourism growth.

The tourism industry is under duress. Aurora Tourism is struggling because of increased competition from Alaska and the Yukon, and limits on non-residential hunting of caribou will have a detrimental effect on outfitters. The tourism

industry as a whole is affected by the new requirement for American tourists to have passports, the federal government's cancellation of the GST rebate, increasing insurance premiums and labour shortages.

Since the beginning of this Assembly, the Governance and Economic Development Committee has been a strong advocate for a diversified and sustainable economy. The Committee supports hunting and trapping, not only because they are hallmarks of Aboriginal culture but also because they are activities that identify this territory as unique and distinct from other places. Renewable resources such as agriculture and commercial fishing can take place outside the larger centres in the territories and therefore contribute to smaller local economies. Tourism is also a key element in a diversified economy that supports local economies and can be environmentally friendly.

Recommendation

In order to ensure a diversified economy for the Northwest Territories, the Governance and Economic Development Committee recommends increased investment in Tourism.

Product Development

During their pre-budget consultations, the Committee heard from members of the public who suggested the GNWT should provide more resources for product and infrastructure development and marketing. The Minister of ITI has echoed these sentiments.

The Committee discussed the possibility of creating an Interpretive Bison Centre with the Minister. This project would not only be a great tourist attraction but also a practical solution to some of the issues on a problematic section of Highway 3. For instance, the highway between Fort Providence and Yellowknife has some long stretches without any services.

The Standing Committee on Governance and Economic Development would like to thank the Department of Industry, Tourism and Investment for their commitment to performing a feasibility study on this project.

Socio-Economic Agreements

The Committee was concerned about the lack of support for northern businesses. For instance, over \$240 million leaves this territory annually with migrant workers who live in the south and work in the north. The NWT loses revenue in real estate, in municipal and territorial taxes, in goods and services and transfer payments. This hurts northern residents and businesses.

The Committee met with the representatives of BHP Billiton, Diavik Diamond Mines and De Beers to discuss these concerns and was impressed by the lengths to which these companies go to meet the requirements of their socio-economic agreements and to attract workers to the Northwest Territories to work and to raise their families. The mines say they are working very hard to meet the targets of their socio-economic agreements because of growing competition for the limited NWT labour force.

Components of their northern hire policies include retention bonuses, priority training opportunities with northern preferences, scholarship programs and housing assistance for senior employees.

The mines also say they offer assistance to Aboriginal suppliers to attain joint venture partnerships and break down large contracts in order to allow smaller northern businesses to compete. They even encourage suppliers to move to the north.

The socio-economic agreements are required of the mines by the GNWT. They stipulate conditions such as targets for training, employment and business opportunities.

Recommendation

The Standing Committee on Governance and Economic Development recommends that future resource development companies sign socio-economic agreements similar to those of the mines.

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

General Comments

The Committee met with the Minister and his officials on September 22, 2006 to review the Draft Business Plan of the Department of Environment and Natural Resources.

The Committee considered the Department's draft main estimates on January 16 and 17, 2007. Committee Members made note that the Department is proposing to spend \$57.1 million in Operations Expense and \$2.4 million on Capital Projects in fiscal year 2007-2008.

Committee Members offer the following comment on issues arising out of the review of the 2007-2008 Draft Main Estimates and budget-planning cycle:

Waste Management Strategy

From November 1, 2005 to October 31, 2006, over 16 million ready-to-serve containers were collected through a system of community-based depots. ENR reports this means that so far this year, two out of every three containers sold in the NWT do not end up in our landfills. Building on this success, ENR will soon undertake public consultations to identify additional waste types for recovery. Examples might include batteries, electronic waste and/or or plastic grocery bags.

The Committee applauds the Department for their success but encourages them to go much farther.

As we have suggested in prior reports, the Committee believes a program similar to the beverage container recovery should be considered for fuel drums, and that ENR should consider an increase for the return deposit on these barrels in order to encourage the public to collect and return them.

There is also another recycling opportunity for waste tires. Waste tires can threaten not only the environment, but public health as well. Tire fires can contaminate groundwater and surface water and are also virtually impossible to extinguish. Waste tires are also an ideal habitat for the breeding of mosquitoes. For these reasons, the Governance and Economic Development Committee supports environmental initiatives that would rid the NWT of this problem. A mobile tire shredder could even travel between communities, turning dangerous waste into a useful commodity.

Finally, the Committee knows there were concerns in the past about charging a deposit fee on milk containers but would recommend the containers be considered for recycling again.

The Committee is looking to ENR for leadership and innovative solutions to our waste management problems. ENR needs to take even greater actions to encourage businesses and the general public to recycle.