

Standing Committee on
Economic Development
and Environment



Report on Bill 24:

An Act to Amend the Revolving Funds Act

19th Northwest Territories Legislative Assembly

Chair: Mr. Jackie Jacobson

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ECONOMIC DEVELOPMENT AND ENVIRONMENT**

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MLA Inuvik Twin Lakes

November 23, 2021

SPEAKER OF THE LEGISLATIVE ASSEMBLY

Mr. Speaker:

Your Standing Committee on Economic Development and Environment is pleased to provide its *Report on Bill 24: An Act to Amend the Revolving Fund Act* and commends it to the House.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke, positioned above the typed name.

Mr. Jackie Jacobson
Chair, Standing Committee on
Economic Development and Environment

STANDING COMMITTEE ON ECONOMIC DEVELOPMENT AND ENVIRONMENT

REPORT ON BILL 24: AN ACT TO AMEND THE REVOLVING FUND ACT

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STANDING COMMITTEE ON ECONOMIC DEVELOPMENT AND ENVIRONMENT

REPORT ON BILL 24: AN ACT TO AMEND THE REVOLVING FUND ACT

INTRODUCTION

[Bill 24: An Act to Amend the Revolving Funds Act](#) received second reading and was referred to the Standing Committee on Economic Development and Environment (Committee) on March 30, 2021.

On March 31, 2021, the Minister tabled a plain language document on Bill 24 in the House (see Appendix A).

The passage of the Bill would allow the Minister to raise authorized debit and credit limit of the Petroleum Products Stabilization Fund from \$1 million to \$3 million.

PUBLIC FEEDBACK

Committee published a notice seeking public feedback on the Bill and received one comment.

The public raised concern regarding the limit of the fund, the last time the fund limit was amended and an analysis on the privatization of fuel services in the NWT, in which the Department provided a technical response (see Appendix B).

COMMITTEE CONCERNS

On June 30, 2021 Committee met *in camera* with Minister and senior officials to discuss the rationale for the amendment and the Petroleum Product Stabilization Fund generally.

Through this process Committee was concerned about several issues related to the fund including:

- the performance and management of the fund,
 - the cause for increases in fuel volume purchases by the fund,
 - limitations on fuel price increases for communities,
 - the process for sourcing the lowest price of fuel for NWT customers,
 - the ability for the GNWT to maximize economies of scale for fuel sales in communities, and
 - whether standards were specified in procuring fuels such as low sulphur fuels for the NWT.
- Committee received further information from the Minister on these matters and then held a Public Hearing with the Minister and proceeded to a Clause-by-Clause review of the Bill on September 21, 2021.

CONCLUSIONS

Committee is satisfied the Department takes adequate measures to:

- source the lowest price of fuel,
- increase fuel storage capacity in communities to stabilize the supply chain of fuel,
- follow the Canadian General Standards Board regarding the type of fuel used in northern Canada,
- monitor industry progress on renewable petroleum products, and,
- efficiently and economically manage the administration of the fund

Committee recognizes the Department is constrained by the increase in demand for fuel volume, increases in the price of fuel and the limitations of the fund as currently legislated. Committee supports the passage of Bill 24: *An Act to Amend the Revolving Funds Act* to assist with better managing fuel supply for NWT residents.

APPENDIX A: PLAIN LANGUAGE SUMMARY



Plain Language Summary For

Bill 24: An Act to Amend the Revolving Funds Act

The Minister of Infrastructure is sponsoring a Bill that amends the *Revolving Funds Act* (the Act) to change the authorized debit and credit limits of the Petroleum Products Stabilization Fund from \$1 million to \$3 million to ensure petroleum pricing in the Northwest Territories remains stable.

These amendments are required to compensate for fluctuations in the cost of acquisition and variances in the volumes of petroleum products transported and sold annually. Factors include the ongoing volatility of prices on crude oil markets, potential supply chain interruptions due to climate change impacts and operational challenges associated with deliveries to remote locations.

Background:

The Act is administered by the Department of Finance and establishes a variety of revolving funds in operation in the Northwest Territories. The Act also sets out the authorized limits for those funds.

One of the funds created in the Act is the Petroleum Products Revolving Fund. Through this fund, the Government of the Northwest Territories funds 100% of the costs involved in purchasing, selling and distributing petroleum products to all consumers serviced by the Department of Infrastructure's Fuel Services Division.

The Petroleum Products Stabilization Fund is also outlined in the Act and is a special account in the Consolidated Revenue Fund to which the profits of the Revolving Fund are credited and losses charged. The limits of the Stabilization Fund have remained unchanged since 2005, yet fuel cost components have doubled, and fuel sales volumes have tripled over that time.

APPENDIX B: STAKEHOLDER CONCERNS

Copy of Bill 24 EMAIL SUBMISSION

From: Jack Rowe <jrowe@rowes.ca>

Date: Friday, Jul 30, 2021, 4:00 PM

To: Jennifer Franki-Smith <Jennifer.Franki-Smith@ntassembly.ca>

Cc: Rocky Simpson <Rocky.Simpson@ntassembly.ca>, RJ Simpson MLA <RJ.Simpson@ntassembly.ca>

Subject: Bill 24- Act to ammend the Revolving Fund

EXTERNAL: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender's name and email address and know the content is safe.

Hello Jennifer: I seen the note requesting anyone that was looking for information on the above noted amendment, and I would like to get a bit more information on this:

1. When I go online to the NT assembly it seems that the amendment is to increase the transfer amount from 900,000 to 1.5 million, but when I read about this online in the newspaper it suggested that the limit is looking to go from 1.5 million to 3 million. If you could clarify what is the intend of the amendment, that would be appreciated.
2. Can you also advise the last time that the fund was ammended to give an indication of whether or not it is due to inflation, or possibly because of shortfalls as a result of outstanding receivables that would be appreciated.
3. Can you also advise if the GNWT has looked at options as far as Petroleum Products, being operated as an arm of government, to possibly put out an RFP to have private enterprise look after the supply of diesel and gas?

This is just one of the revolving funds as I understand it for a government department, and I am wondering if other departments like the NWT Housing Corporation, MTS, NT Liquor Commission, and NTPC all have guidelines for how their respective revolving funds are operated, and if that information is available to the ordinary resident?

Thank you

Jack Rowe

Copy of Bill 24 EMAIL SUBMISSION

From: Robert Collinson
To: 'jrowe@rowes.ca'
CC: Diane Archie; Rocky Simpson; RJ Simpson; Jennifer Franki-Smith; Robert Collinson; Corine Sanderson; Amy Lizotte; Jeanne Yurris
BCC:
Subject: FW: BF_145472491 - INF - Bill 24- Act to Amend the Revolving Fund - DUE: Aug 19 2021

ON BEHALF OF MINISTER DIANE ARCHIE

Mr. Rowe:

I am responding to the questions that you sent to the Standing Committee on Economic Development and Environment on July 30, 2021 regarding Bill 24: An Act to Amend the Revolving Funds Act.

Bill 24 is proposing to amend the Revolving Funds Act in order to raise the limits of Petroleum Products Stabilization Fund debit and credit limit from \$1M to \$3M. The Petroleum Products Stabilization Fund is a feature of the Petroleum Products Revolving Fund, an amount of revenues in excess of expenses that it is permissible to retain within the program (positive end-of-year balance), or a deficiency of revenues that may be owed by the program (negative end-of-year balance).

The Stabilization Fund limits were last amended in 2004, and at that time were reduced from \$5M to \$1M. The main reason for the current increase is related to growth in the volume of fuel managed by the program, and the rising cost of fuel over the past 17 years. Inflation has had some impact but is not a major driver. Outstanding receivables are not a factor in this change.

Commercialization of the GNWT petroleum products model has been explored in past and may be considered in future. Service for some communities that were formerly served by the program was in fact replaced by the private sector, in Tuktoyaktuk and in Fort McPherson for example. At present, the major aspects of the program are delivered by the private sector, and contracts to provide those goods and services are awarded through the competitive process. This includes the supply and the transportation of petroleum fuels, and their local distribution and dispensing within communities. Most maintenance on GNWT assets - fuel storage and distribution facilities and fuel delivery trucks - is currently performed by the private sector.

The Revolving Funds Act sets out the legislative framework for all revolving funds managed by GNWT departments. The Department of Infrastructure is responsible for the Marine Transportation Services Revolving Fund, the Yellowknife Airport Revolving Fund and the Petroleum Products Revolving Fund. These are operated as per the legislation and generally accepted accounting principles.

Diane Archie

Minister, Infrastructure