

Canada



Indian and Northern  
Affairs Canada

**DEPARTMENT OF INDIAN AFFAIRS  
AND NORTHERN DEVELOPMENT**

**AN ESTIMATE OF COSTS - CREATING  
AND OPERATING THE GOVERNMENT  
OF NUNAVUT**

**June, 1992**

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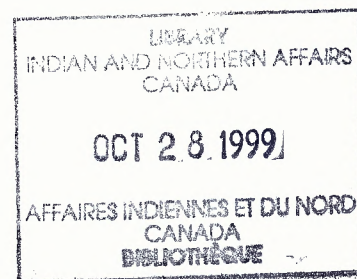
The  
Coopers  
& Lybrand  
Consulting Group

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What we really did was to hold costs of GNCWT constant to C&L's original study and then worked out costs of Demand (trans. & op<sup>n</sup>) around the constant.

This para. is near incomprehensible I have ~~no~~ <sup>no</sup> idea what the point is!

## EXECUTIVE SUMMARY

Massive RW  
See 1st draft

This study represents another step in the development of the information base needed to support decision making surrounding the creation and implementation of the Government of Nunavut.

The methodology for the study evolved as the stakeholders became more familiar with the challenges they faced. Originally the cost of running two discreet governments was to be estimated. Estimates were to be developed for alternate structures, at a single point in time. As the importance of the transition process became clear the study was altered to address costs associated with establishing a "start-up" administrative structure, managing a transition process, and finally running a fully operational government at the end of the transition process. Estimates would cover two governments, where there had previously been one. As changes began to occur within the structure of the existing GNWT it became inappropriate to apply this methodology. The study was ultimately refined to estimating the costs of creating and operating the Government of Nunavut, and the costs of any transition process involved.

This is misleading

Background research for this study identified nine other pieces of work that touched upon the creation and management of a government for Nunavut. Some of this preceding work was useful as an initial reference point, but the very different directions and needs underlying this study made direct comparison of findings, or utilization of anything other than some baseline data, impossible. Specific detailed examination of reorganization and streamlining possibilities, and detailed examination of the transition process, distinguish this work from its predecessors.

Developing a new public government in Nunavut will not occur in isolation. Other initiatives are underway. They will have an impact on the pace and direction of

development of public government. The Land Claim Agreement, the contents of the current Political Accord, enabling Legislation, the GNWT Commission for Constitutional Development and the GNWT "Strength At Two

Levels" report all influenced this study, and will continue to affect the development of government in Canada's Arctic.

Stakeholders clearly identified the needs and directions governing the conduct of this study.

1. There were to be no predetermined limits concerning the structure for government: the organization was to be designed to meet the needs identified.
2. The structure of the Government of the West was assumed to be constant. — and the costs of the study
3. The two governments that would emerge from the process of Division would be legally distinct and of equal status.
4. The structure of government would enhance local accountability and community based decision making.
5. The level of service currently available to citizens would be maintained uninterrupted during development of the new government.
6. The cost of creating and operating the new government would reflect the scope of its responsibilities and the nature of the geographic region and citizens it would serve.

In combination these directions created a framework very different from that used in previous work. The capacity to custom design the structure to meet the needs of the Eastern Arctic, rather than duplicate existing structures,

do you mean the first study?

in conjunction with the direction to enhance community-based decision making and maintain services, removed many of the restrictions surrounding other work, and created opportunities to streamline and simplify structures.

The organization was designed in consultation with stakeholders. Initially the functions of the current organization were identified. Design criteria were then applied. An arrangement of functions designed to meet identified needs was presented. The structure was a highly regionalized form of government. Analysis of this approach revealed significant difficulties, including uncertainty surrounding the meaning of decentralization or community based decision making, and problems with the interface between the administrative and political levels of government. A revised structure was developed. Though slightly less regional in form, it addressed the concerns associated with the first approach, while maintaining the capacity to use community structures where appropriate. It utilizes from program delivery departments, supported by a group of core administrative and support functions.

thing must

The transition process was designed to meet several specific realities. There are already several levels of government operating in the North. There will be a long period of interdependence between the governments of the East and West while they reestablish themselves as distinct entities, and maintain existing service levels. Of particular importance was the direction to minimize the amount of immigration needed to staff the new organization.

A five phase transition process is proposed. The first two stages are used to establish a basic decision making and strategic planning infrastructure, and put in place the framework for those functions identified as the "core" activities needed to create and maintain a territorial government. Legal, financial and legislative capacities are among these functions. At the beginning of the third phase the Government of Nunavut comes into existence. At this stage the government is the core

functions only. Remaining services are delivered through agreements with other governments or institutions, with the GNWT playing a major role. In stages four and five the new Government undertakes progressive direct delivery of services in accordance with the development of its technical and human resource capacities. The transition process commences almost immediately and ends in 2008. The core functions commence operations in 1999, with the first transfer of direct program delivery occurring in 2004.

A "short transition" plan is also set out. This plan would have all programs come under the direct administration of the Government of Nunavut in 1999. The transition process would end at that point.

Once fully operational the Government of Nunavut would have 930 employees, not including those providing services at the regional level. Under the long transition plan about 175 of these positions would be filled through local hiring. Annual operating costs for government programs are estimated to be \$366 Million. Building the capital infrastructure to support the new government and its employees, including capital at the community level, is estimated to cost about \$200 Million.

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→ we should be making more of this i.e. the basic outline of what we ultimately decided to do. This is really the guts of our approach. The way this is written now, it seems we founded our way to

# 1. INTRODUCTION

Dividing the Northwest Territories into two distinct regions with independent governments represents a major step in the process of recognizing the needs and aspirations of the citizens of Canada's north. Currently attention is appropriately directed to ensuring affected residents know and understand the implications of the proposals they have voted on, or will soon vote on. When this process is completed attention will turn to developing the administrative framework for the governing institutions that will have been created.

Empowering and equipping new organizations to carry out the complex processes of government is not an easily proscribed project with a distinct beginning and end. Rather, it is an evolutionary process that, to be successful, must reflect the realities of existing circumstances and the gradually emerging consensus among citizens of the North concerning the kind of government they wish to have. This will be a dynamic and changing process. It will require a great deal of communication, understanding and cooperation among those involved. It will also require a great deal of information.

This report represents a stage in the continuing process of generating and refining information in support of this process. Other work has gone before it, and a great deal will follow. This work, however, refines previous efforts in several important ways.

The directives and assumptions used to guide the work covered by this report differed significantly from previous work. In particular they permitted re-examination of existing organization structures and processes in terms of the needs and realities of Nunavut. They also acknowledged the importance of the transition to a fully operational institution. The structure for which costs were to be determined did not have to be a mirror image of any other government, and the process of getting from

"here" to "there" was to receive more particular attention than it had to this point.

This expanded approach moved this study from an effort to further refine costing of a "mirror image" organization (Nunavut was to parallel the existing GNWT structure in previous work) to costing of a preliminary strategic plan for transition, and the final results of that transition. This report has then more strategic content than previous work. Particular objectives have been pursued in response to the directives given by the Steering Committee.

Although some have referred to this study as a "blueprint" for transition it is more accurate to think of it as a "preliminary indication" of what the process and its costs could be. It is a point from which the journey can begin. The final "blueprint", and the commitment to carry it out, can come only from those living and governing in the North, and those who support their efforts.

This study must be understood within the overall context of the facts outlined in Appendix A.1. The current realities of population size, growth and dispersion, unemployment and education and the influence and variable structures of local and regional governments are facts. They are facts that have influenced the assumptions and needs identified by stakeholders. They are facts that will determine the pace and direction of changes in government structure and service delivery in the Eastern Arctic. The design of the organization for governing Nunavut, and the transition process for implementation are, in essence, an attempt to cope with these facts, since they directly affected the expressed assumptions and needs of the stakeholders. Approaches different from those recommended in this report would have to be evaluated in terms of their capacity to effectively address these potent realities.

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Several themes have consistently appeared during the consultation process undertaken during this study. The concept of evolution has been mentioned. Those involved know they are involved in a change process, and that the process will be driven by the needs they identify and the objectives they choose to pursue. The level of interdependence is also recognized. As the discussion of organization design will point out, new organizations and approaches will emerge from current realities. Those involved are and will remain dependent on each other. There are also significant limitations faced by those involved. Difficulties of population size and dispersion, limited quantities of human and financial capital and the challenges of maintaining existing services, while also managing a complex change process, have a major impact on the processes and options available.

This report is tabled in a spirit of cooperation and shared objectives. This approach is essential to carrying out this difficult process. We acknowledge not everyone will agree with every element of the approaches we have suggested or the costs we have identified, but we hope our attempts to work within the directives provided have resulted in a framework from which meaningful and cooperative planning and decision making can begin.

We would like to note in particular the extremely co-operative and constructive approach taken by all stakeholders during this study. The issues involved are complex and sensitive. The affected parties dealt with them effectively, and provided the consulting team with the timely and clear directions essential to completion of such a complex task within specified time frames.

# SCOPE OF COSTING

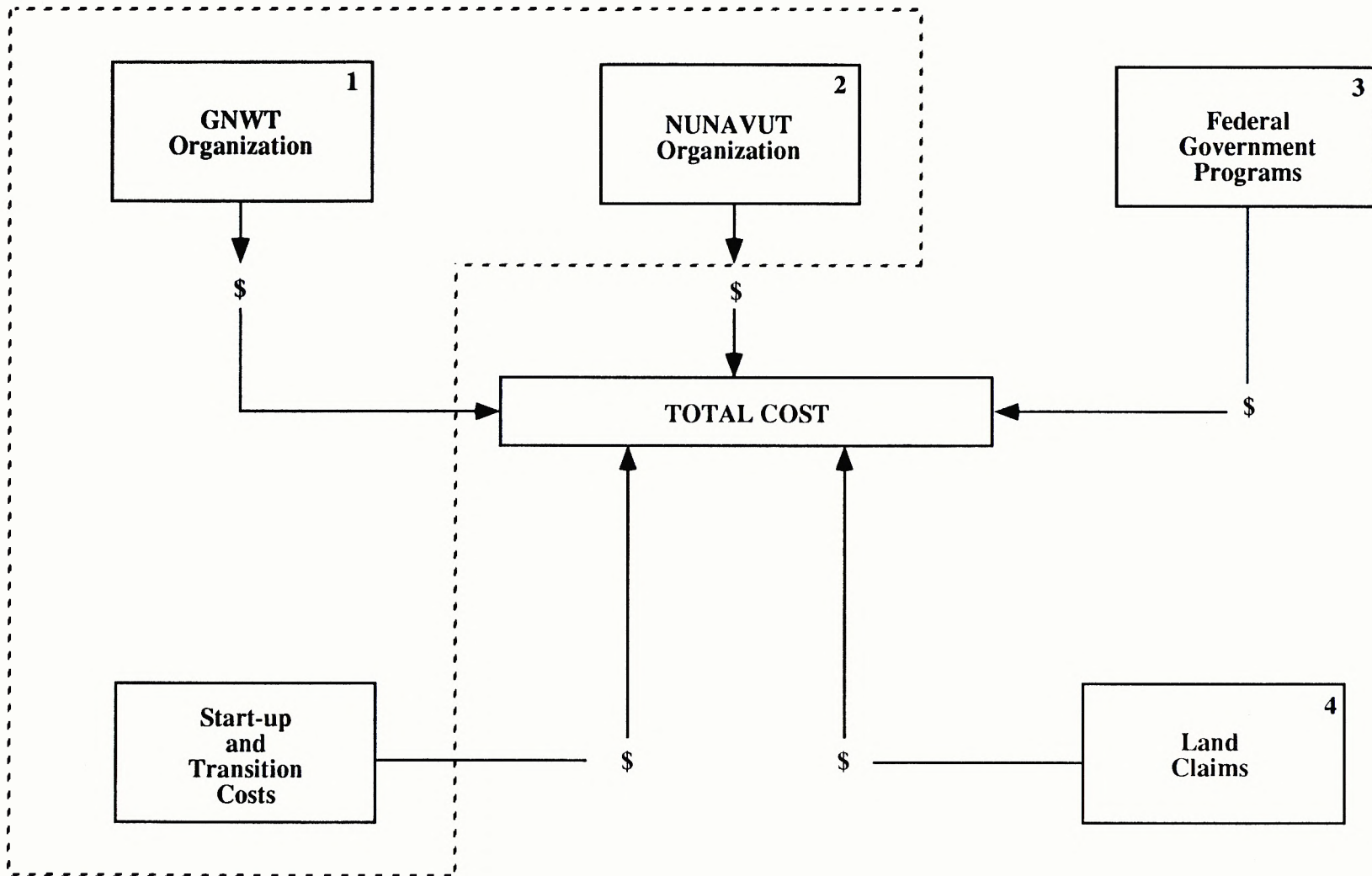


Exhibit 1

## 2. EVOLUTION OF STUDY METHODOLOGY

Evolution of this study must be understood within the context of previous work, and the circumstances that prevailed during the term of this undertaking. This report now reflects needs as they emerged, and as such differs significantly from original intentions and previous work.

### THE ORIGINAL APPROACH

The original approach to costing, outlined in The Coopers & Lybrand Consulting Group (CLCG) response to the Request for Proposal, indicated the process would require development of a consensus among stakeholders concerning the major principles and needs to be accounted for in the development of potential organization designs. After developing a consensus three alternative designs for the new organization would be proposed. Consensus on the suitability of these alternatives would lead to costing of each.

This approach would produce costs for three alternative organizations, at a single point in time.

### THE NEXT STEP

As support material was evaluated and preliminary discussions held with stakeholders, it became evident a costing approach anchored to a single point in time would not provide the information needed to support decision making since some identified needs involved a transition process.

At the January 13 and 14, 1992 meetings in Edmonton a new approach was adopted. Instead of costing three alternatives fixed at one point in time, CLCG would cost the "core services" needed for a start-up structure for Nunavut, a "full services" structure for Nunavut start-up, a "full services" structure for Nunavut at the end of a transition period, and a "full services" structure for the GNWT at the

end of the same period (Circled portion of Exhibit 1).

Federal government costs and costs directly linked to land claim settlements were not to be included.

This approach recognized the importance of determining and costing the mandate and functions to be in place at start-up in order to plan and cost the transition period to that point, and the emerging reality that it would not be possible to put in place a fully functioning government at start-up and still meet the "minimize immigration" principle.

### THE CURRENT APPROACH

Although technically valid given assumptions at that point, the approach adopted at the Edmonton meeting became unsound because of the GNWT decision to begin implementing parts of the "Strength at Two Levels" report.

The structure of the GNWT had become a "moving target". It was not possible to sustain the assumptions needed to put in place a structure for the NWT that could be costed effectively. To do so could also have been perceived as unsolicited speculation on the final cost of a long term redesign of an existing organization; a sensitive exercise to be led by the elected members of the GNWT legislature.

It was agreed that the costing undertaken in this work would encompass the cost of transition to April 1, 1999, the cost of a group of core government functions in place on April 1 1999, and the cost of "full operations" by government on that date. As well there would be an estimate for the cost of operations at a full transition point to be determined by identifying the point at which there would be no further benefits to further delay in the transfer of services. There would be no costing of any operations of the GNWT, current or projected (Box 1 of Exhibit 1 was deleted).

*This comes out of the bible + no-one reading this at this point will have any idea as to what is being referred to here*

*This is misleading!*



They may be  
comparable but  
not easily  
comparable.

### 3. PRECEDING WORK

This costing study represents another stage in developing an information framework to support the process of division. It must be understood in the context of previous work to appreciate what it does, and does not, contribute to the collective intergovernmental challenge of managing the transition to a new framework for governing the North. **These studies represent a progression, and are not directly comparable. They examine different dimensions of the issue, using different methodologies and underlying assumptions.**

#### 1. Report on the Impact of Division of the Northwest Territories - NWT Legislative Assembly Special Committee on the Impact of Division - November 1981

This report was prepared under the guidance of a special committee of the GNWT Legislature following a vote supporting division in November 1980. The report outlined high-level cost impacts and discussed the implications of different approaches to the Boundary. Preliminary costs related to Capital and Operations and Maintenance (O&M) expenditures are set out, as are observations about the impact on the evolution of responsible government and the transportation system. Interestingly, there are also observations concerning limitations on development of government in the East, in particular the availability of skilled workers, and the absence of any plan for rectifying the situation. The Committee concluded that the East would "be in a significantly greater operating deficit position" while the West "would be in a reduced deficit position".

#### 2. Division of the NWT - Administrative Structures for Nunavut - Report of the Sub-Committee on Division - Legislative Assembly of the NWT - 1983

This work represents a further refinement of the initiative undertaken in 1981, again at the direction of a sub-committee of the GNWT legislature. It outlines a detailed administrative structure for the governing of Nunavut, and indicates the person-year requirements for such a structure. It does not, however, represent a full costing exercise, nor does it pursue questions of efficiency and effectiveness. The structures it proposes do not meet many of the principles now considered critical to effective administration, and in fact closely parallel the structure used at that time by the GNWT.

#### 3. Report on the Nature and Cost of the Transition to Nunavut - DPA Group Inc for the Department of Indian and Northern Affairs - 1984

This study specifically addressed the process of transition from current to proposed structures. It outlined three different approaches, a rapid transition, and phased and Northern controlled approaches, with three stages of transition in each case. The rapid approach took the least time, (six to ten years) the Northern controlled the most (thirteen to twenty years). The phased approach was recommended, and costed at sixty to eighty million dollars incremental (1984 dollars), not including capital and infrastructure needs.

**4. Capital and O & M costs Associated with the Population Impact Resulting from the Establishment of Nunavut Territory - Reid Crowther and Partners for the Department of Indian Affairs and Northern Development - 1985**

This study filled the obvious gap in the DPA study of 1984 by addressing capital and infrastructure costs. The report examined the infrastructure requirements arising if four specified communities became the seat of government in the East. The report concluded that "major expansion and upgrading of facilities " would be required in all cases, with only Frobisher Bay (then) really positioned to cope with "the expanded population that would result from political development". Overall cost estimates ranged from \$247 million to \$317 million (1985 dollars).

**5. Concepts for the Decentralization of Government for Nunavut Territory - Environmental-Social Advisory Services Inc for the Tungavik Federation of Nunavut - 1991**

This is a conceptual study put forward as an "exploration of models and themes, and not an examination of practical matters". The primary theme is that government should be highly decentralized, and that the government for Nunavut should look "quite different" from that of the current GNWT. It proposed doing away with centralized government entirely, and "simply having the Federal Government fund Nunavut municipalities directly via multi-year agreements. Nunavut would consist of a series of very small entities similar to city states". This study provided insight into the vision of those who support total localization. Unfortunately the model presented does not meet many of the tests currently proscribed by stakeholders.

**6. Financial Impact of Division of the Northwest Territories - The Coopers & Lybrand Consulting Group for Government of the Northwest Territories - 1991**

This study examined the cost impact of Division under assumptions set by the GNWT. The requirement for duplication of services and facilities was particularly important. The high immigration levels and capital infrastructure costs that flowed from the stated parameters resulted in a decision to undertake further analysis to identify opportunities to reduce immigration and related capital costs.

**7. Strength at Two Levels - Report of the Project to Review the Operations and Structure of Northern Government - Gary Beatty and Associates for the Financial Management Board of the GNWT - 1992**

This study set out an integrated series of changes designed to develop and support a stronger role for community government. This was not a costing study, but rather an outline of opportunities for restructuring the relationship between territorial and community governments, and streamlining some operations of the territorial government. Detailed estimates of costs and savings of the kind found in this report were not provided.

**8. Models of Geopolitical Division: Greenland Home Rule - Internal Study for Department of Indian and Northern Affairs - 1992.**

This study is an internal review by DIAND outlining the experience of Greenland as it developed its own government separate and apart from Norway. This was not a costing study, but a very useful outline of experience relevant to managing the stages and timing of transition.

In combination, these studies have touched

**RELATIONSHIP TO PREVIOUS WORK**

<b>Previous Work</b>	<b>Relevance To This Study</b>
1. <b>Impact of Division NWT 1981</b>	<b>Early identification of skilled worker shortages was noted</b>
2. <b>Administrative Structures NWT 1983</b>	<b>Preliminary indication of a traditional structure was noted</b>
3. <b>Transition to Nunavut DIAND 1984</b>	<b>Different scenarios for transition were considered</b>
4. <b>Population Impacts DIAND 1985</b>	<b>Preliminary indication of infrastructure costs was helpful</b>
5. <b>Decentralization TFN 1991</b>	<b>Indication of an approach to regionalization was noted</b>
6. <b>Impact of Division NWT 1991</b>	<b>Integrated overall approach to costing was helpful.</b>
7. <b>Strength at Two Levels NWT 1992</b>	<b>Overall approach to reorganization, in particular the approach to regionalization, was carefully reviewed.</b>
8. <b>Greenland Home Rule DIAND 1992</b>	<b>Approach to transition management was very helpful.</b>

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upon many aspects of the process and results of Division. The very broad cultural and region-wide dimensions of government structure and transition have been addressed, as have detailed costing considerations for capital, program administration and maintenance needs. This study builds upon and encompasses this previous work. It is a detailed organization and transition design and costing study that includes capital and operating costs associated with the final organization structure, as well as the transition process and start-up. It is built upon a careful consideration of the principles established by the parties and the feedback received by experienced administrators. Exhibit 2 contains a summary outline of the relationship between this and previous work.





Good Good!



## 4. DIRECTIONS AND NEEDS

The configuration and subsequent costing of the administrative structure for Nunavut, and the process used for achieving it, are based on a series of directions and needs identified by stakeholders through a consultation process facilitated by CLCG. These directions address the objectives and influences considered most important by directly affected parties, and represent their views concerning what will impact on organization design and costing, and the responses that should be made to these influences.

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### CURRENT INFLUENCES

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The directions for organization design and costing were developed in close consultation with affected stakeholders. This process was undertaken while other initiatives and activities, as outlined below, were also taking place. Some of these will continue for some time, and impact upon the challenges faced by governments in the region. The relationship between development of the directions for costing public government in Nunavut and these other activities varies, but in all cases this interface needs to be acknowledged. The evolution of these other initiatives will certainly affect the development of Nunavut.

#### 1. Agreement Between the Inuit of the Nunavut Settlement Area and Her Majesty in Right of Canada (Final Agreement)

It is too early in the development process to identify the precise administrative relationship between the structure to be created in support of implementation of the Final Agreement and that established to support public government. It is clear that some of the same principles underlie both

initiatives. The stated preference for local decision making, and the importance of decisions related to land and wildlife management, are examples of influences upon the design of public administration structures, and the transition process. Also important is acknowledgement of the evolving nature of the process and the possibility of consolidation and reallocation of responsibilities in future, which is consistent with the need for a managed transition process. It is likely the administrative structure for the Nunavut government and that associated with the Final Agreement will have to evolve as affected parties refine the administrative implications of both initiatives.

The proposed design recognizes the interface between public government and the agreement by building the appropriate Boards into relevant parts of the structure for public government. The detailed administrative frameworks that may be developed to support these Boards have not been considered or costed.

#### 2. The Political Accord

Article 4 of the Final Agreement commits the parties to negotiation of a Political Accord to deal with "the establishment of Nunavut" (Appendix A-2). Acknowledgement of the need for such an accord represents acceptance of a period of transition prior to fully regionalized operation of all aspects of public government in Nunavut. Parts six to ten of the draft accord deal in some detail with several dimensions of the transition process, including financing and scope of initial start-up functions. The transition process outlined in this document accounts for these portions of the Accord, as it was signed April 27, 1992. For example, the transition process specifically builds

consultation processes into the time frames because the parties have built consultation into the Political Accord. The transition process also establishes a "start-up" government consistent with Part 7 of the Accord.

### 3. Enabling Legislation - The Nunavut Act

The overall approach to the legislative base for Nunavut embodies two important approaches. Legislation creating public government will be distinct from that implementing the Final Agreement. As well, the legislation will not attempt to advance significant changes to the constitutional and political institutions, powers or processes now common to the GNWT and Yukon. This "status quo" approach to the legal framework for public government means that although there is scope for redesign, the administrative structure for government will have to fit, at least initially, within a largely unchanged legal framework.

### 4. Boundary and Agreement Votes

*This is not history*  
The votes on the boundary between Nunavut and the western territory, and ratification of the Final Agreement, could affect the directions underlying organization design and costing. Many of the basic premises used will be "tested" in the arena of public opinion through these votes. Location of the boundary, and principles such as maintenance of existing service levels and regionalization of decision making, have played a major role in organization design and costing. If these are changed through either of these votes, the foundation upon which existing cost estimates are based would be altered.

### 5. Commission for Constitutional Development

In anticipation of division and the uncertainty it will create for the structure and roles of each level of government in the

new western territory, the GNWT established a Commission "to develop a comprehensive constitutional proposal for those regions of the Northwest Territories remaining after the creation of Nunavut". In its interim report of February 1992 the Commission, based on its public hearings, came out strongly in favour of having "more authority vested in Governments which are closer to the residents they serve", to the point of ensuring that "authorities not identified in the Constitution as being the exclusive responsibility of the central order of government are assumed to be vested in other orders of government". This reaffirmation of the need for local decision making is in accord with one of the major directions underlying the proposed organization design and costing, and confirms the role this direction plays in the process.

### 6. Strength at Two Levels - Report of the Project to Review the Operations and Structure of Northern Government

Maintaining a distinction between "Strength at Two Levels" and the activities of the Commission for Constitutional Development is important, since both cover the same geographic region. The report of the Commission for Constitutional Development is a review of the relationship between levels of government. "Strength at Two Levels" also deals with the actual administrative structure used to deliver current services, in addition to considering the need to enhance local government. This later work was commissioned in response to a worsening financial situation for the GNWT, arising in part from changes in Government of Canada funding policies.

The report sets out a series of integrated changes designed to develop and maintain a stronger role for community government. This emphasis, the reports' general approach to consolidation and streamlining of functions, and acknowledgement of the

critical role training and labour force development must play, are in accord with the underlying directions for costing adopted herein. Its approach to the transition process is also consistent with, though different from, that taken in this report. The approach taken to regionalization of service and consolidation of functional areas was of particular interest.

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## MAJOR DIRECTIONS AND NEEDS

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Following are the directions and assumptions developed by the stakeholders, and used to design and cost the final organization, and the transition. The extent to which the proposed organization supports efforts to deal with these important matters will determine whether it is judged a success.

### 1. No Predetermined Structure for the East

Although the directions and needs identified in this section as influencing organization design and costing limited the scope of options available for consideration, it was these factors, and not some predetermined concept of what the structure and transition process should look like, that drove the design and costing effort.

The final result was to be responsive to northern priorities and needs as expressed, support accountability of administrators to elected representatives, and be as efficient and effective as possible. These criteria, and not any predetermined structure, were specifically considered when the design was being developed.

In conjunction with the mandate to minimize costs, the directive concerning efficiency and effectiveness proved important. The alternatives examined were to include only approaches to service delivery attainable through arrangements

internal to, or between the two territorial governments. Included were arrangements like shared administrative structures and joint sub-contracting. Appendix A.3 outlines some overall considerations associated with working through third parties to deliver services.

### 2. Structure for the West held Constant

Initially it was assumed the structure for the West would be as proposed in "Strength at Two Levels", since the official statements of the Government indicated its commitment to implementation of the report. It was also assumed existing policies concerning decentralization and privatization would continue. More recently the pace and timing of implementation of "Strength at Two Levels" has become less certain. For this reason the current structure of operations is assumed to continue. Since the transition process is about creating two new structures where one used to exist, using existing structures as a "base" starting point is consistent with the overall approach.

### 3. Distinct Governments

It was assumed that two legally distinct governments would emerge from Division, and that the overall legal framework for each would be the same as that of the current GNWT. It was also assumed that the contents of the Agreement in Principle and the Final Agreement concerning the land claim would not be significantly different. At the time these directions were given decisions about the legal structure of transition management had not been made. Since that time the Nunavut Implementation Commission (NIC) approach has emerged. This approach is encompassed in the costing of the transition process. For example, the first stage in the process is designed as a set-up phase for the Commission.

*Point here again is that the structure in the west is the same as that assumed in the SIRS + C&L study.*



#### 4. Stated Preference for Local or Community Based Decision Making

This single direction has been the most important influence. As the discussion of the design process will indicate, the need to encompass the need for local decision making provided the "test" for evaluation of alternative approaches to institutional design. There were three dimensions to this principle.

*(i) Maximize Local Decision Making -*

The administrative structure is to empower local decision makers by maximizing local discretion concerning program delivery, and use of information technology to support local participation in the development of overall policies and practices. Local participation in decision making was to be treated as a management process which would link local needs and the decision making structures of the regional government.

*(ii) Service Approach Determined locally -* Regional differences in type and level of service delivery should be allowed to emerge, in acknowledgement of differing regional priorities and needs.

*(iii) Maximize local Employment and Minimize Immigration -* The administrative structure and overall service delivery mechanisms should maximize local employment. Overall immigration should not approach the levels identified in the 1991 CLCG costing study. Functions are to be transferred and human resources developed in an orderly fashion such that significant levels of immigration are not required.

#### 5. Service Levels and Type to be "Status Quo"

Establishment of distinct governments should not lead to changes in level or type of service. Current levels and types of services are to be maintained. It is recognized, however, that only the level

and type of service delivery is held constant, not the specific mechanisms and administrative structures used for providing service. The need to provide efficient and effective service requires that existing approaches be examined to ensure efficient service delivery.

Closely linked to this direction was the requirement that risks associated with the transition process be minimized, and that service continuity be maintained. Sufficient advance preparation, including training, should precede any change in delivery process or mechanism.

#### 6. Cost

The overall cost of creating a new public government in the North is of critical importance. It is recognized that rigorous minimization of costs, especially early in the process when there are many unknowns, is inconsistent with the need to minimize risk during the transition process. However, given the fiscal realities of governing in the nineties, costs must be kept reasonable. Two dimensions to this issue were embodied in the directions given.

*(i) Funding Arrangements -* There will be no new sources of revenue created to support the transition process. The costs associated with implementation of the land claims agreement will be borne through wholly separate mechanisms. Funding levels for the first two years will be established in advance to permit orderly development of the transition process. There will be consistent formula funding arrangements within a framework similar to that now in place. The critical importance of training requires that funding for this long range strategic item be addressed specifically.

*(ii) Capital Funding -* The CLCG 1991 report indicated a major portion of costs attributable to Division arose from perceived capital requirements. There are

two distinct types of capital expenditure involved:

1. **Program Driven Costs** - Specific expenditures for facilities like schools, hospitals and museums or other cultural facilities are program driven costs. These capital expenditures are rooted in the evolution of existing programs, or the development of new ones.
2. **Population Driven** - The arrival of new community members, either through relocation or immigration, will produce additional local infrastructure costs for municipal facilities like sewer and water facilities and roads.

As well, at some point a capital city will be chosen. At that time some of the facilities normally associated with a seat of government in Canada will be required.

~~To fairly identify the costs of division it is important to attribute only those costs that arise solely because of the decision to create Nunavut. This does not question the need for or validity of other potential capital expenditures. It only separates them from the cost framework covering Nunavut.~~

## 7. Technical Assumptions

In addition to the far reaching directions set out above there were several more technical directions agreed upon.

(i) **Boundaries** - The boundary between East and West was assumed to be the Parker boundary.

(ii) **Core Functions** - It was accepted that at start-up (set at 1999) the new government would directly administer a package of "core" functions necessary to establish it as a functioning organization in the Canadian community of governments. This is an important technical matter that played a major role in the design of the transition process.

(iii) **Comparable Models** - The models to be reviewed and analyzed would be such that base data for costing could be extracted from the material generated in the 1991 costing study. This would ensure consistency, and provide for a much more efficient analysis process built upon already established and validated data.

(iv) **Legal Accountability** - It was assumed the Nunavut Government would assume full legal authority for all aspects of service delivery in 1999. Although it might not handle direct delivery of services initially, it would be legally accountable for these from that time forward.

(v) **Existing Regional Structures** - The existing regional service delivery structure was assumed to continue uninterrupted. Although the consultation process revealed opportunities to gain efficiencies at this level, they were not pursued, since refinement of this level of regional activity was not part of the terms of reference.

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## SIGNIFICANT CHANGES IN DIRECTIONS AND ASSUMPTIONS *between the 1991 C+L Study for GNWT & this study.*

Some of the conceptual framework for this study, and much of the core data used, comes from the base developed for the costing study completed by CLCG in 1991. As indicated, however, **there are fundamental differences between these two undertakings. To avoid inaccurate comparisons between these studies, it is important to understand these differences.** The assumptions and limitations set out in Part 2 of the previous work have been modified as follows:

1. The possibility of sharing programs, services, or facilities was specifically excluded from the 1991 work. In this study such options are specifically considered. Shared strategies are a key element in the management of the transition

process, and as part of continuing service delivery for all levels of government in the North.

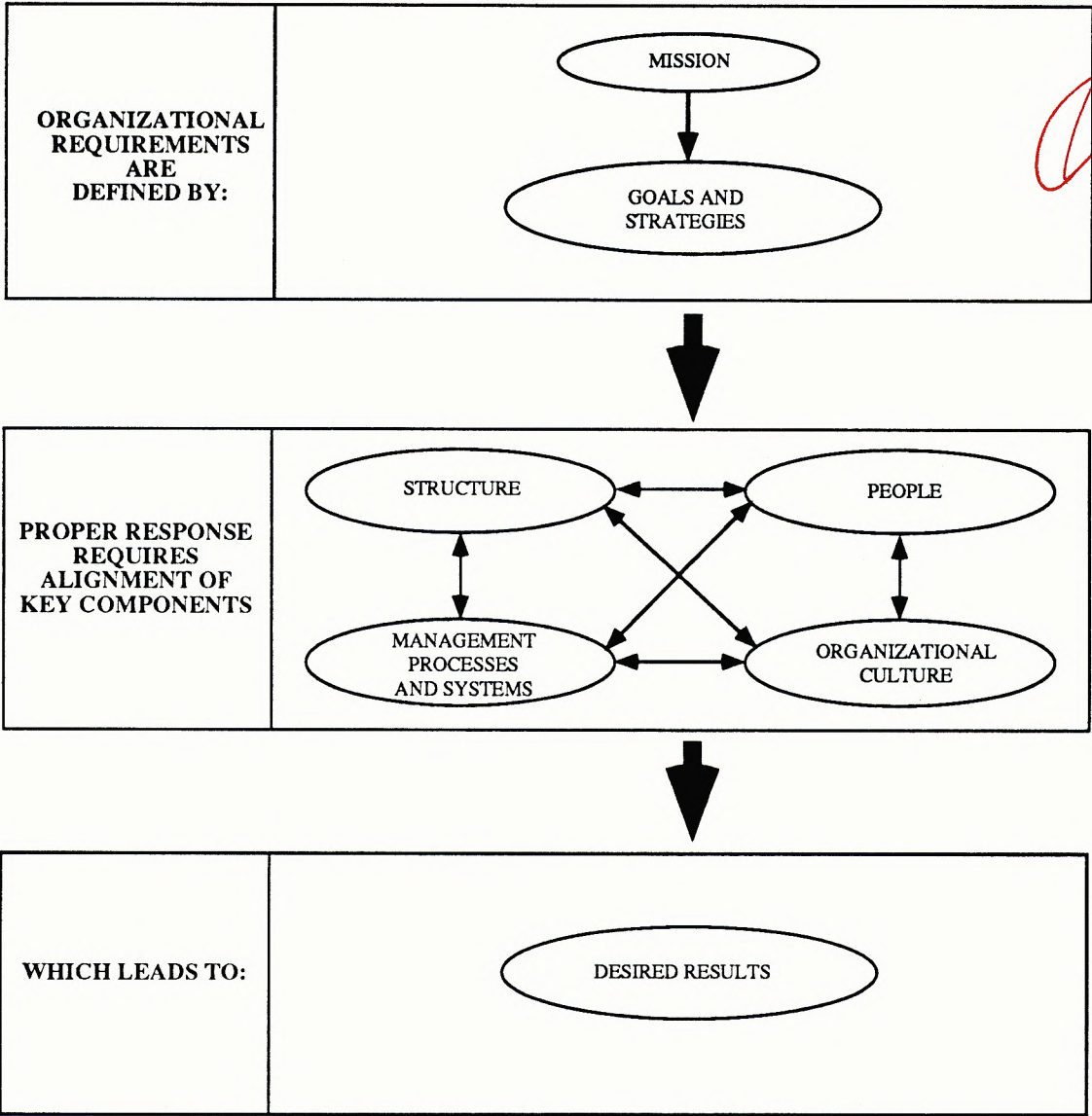
2. The CLCG 1991 work was identified as a cost analysis, not an efficiency study. This work is also a costing exercise, but where appropriate, organization adjustments designed to take advantage of efficiencies have been made. It is acknowledged that a full scale program evaluation, including assessment of legal and policy frameworks, is needed to assess efficiency more extensively.
3. There was a requirement for duplication of services in each region built into the CLCG 1991 study. This requirement has been modified by acknowledging that level of service has to remain the same, but that delivery mechanisms in each region need not be mirror-like duplications of each other. If a service could be delivered in a different manner more consistent with stated preferences, such as enhanced local decision making, this was to be pursued.
4. As previously indicated, the importance of local involvement and decision making has been stressed in the directions. The 1991 work assumed the same level of decentralization was to be maintained. In this work the structure was specifically designed to accommodate, and where possible encourage, increased amounts of decentralization.
5. Previous work did not examine management processes, such as use of information technology and local consultation processes. Where appropriate, these options were addressed.
6. The impact of the claims agreement could not be addressed in the CLCG 1991 report, but is included here from an organization design perspective. Although it is not clear when the interface between public government and the agreement administrative structure will be finalized, the decision-making bodies set up as part of

public government through the land claims process are explicitly included in the organization design presented in this report.

7. As a costing exercise the CLCG 1991 work was explicitly positioned not to be a "blueprint" for division. It sets out only a target organization structure, and a time frame for developing it, and then estimates the costs of achieving and maintaining this target. Although this work is not a detailed "blueprint" either, it does pursue the transition process and final revised organization structure in more detail than was previously the case.

These changed directions and needs, as a package, represent both limitations the organization must cope with, and opportunities it must be designed to pursue. In the next section we address how these broadly based influences were captured in the organization design.

# ALIGNMENT MODEL OF ORGANIZATIONAL EFFECTIVENESS





## 5. ORGANIZATION DESIGN

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### THE PROCESS

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Its structure and management processes are two of the mechanisms used by an organization to cope with the challenges it faces in pursuit of its objectives

As the alignment model indicates (Exhibit 3), the people hired and the culture they generate through their joint efforts are other major dimensions of organization response.

Structuring an organization is about deciding how to deal with two interdependent considerations, the division of work into manageable amounts for which accountability can be maintained, and the processes used to coordinate and direct the efforts of those performing the work.

**There is no right or wrong way to structure an organization, only approaches more or less appropriate to the influences faced by the organization, and the objectives it wishes to achieve.** For example, the degree of centralization of a policy making authority in an organization is not "positive" or "negative" in and of itself, but can only be evaluated in the context of the organization's functions and environment. High or low levels of centralization can be effective, depending on the identified need.

The structure of an organization must also be viewed as an attempt to achieve a balance between conflicting approaches. For example, an organization might need high levels of accountability through direct supervision because of the nature of its workforce, while changes in technology may be requiring it to consider a more decentralized approach to daily operations. Encompassing these approaches

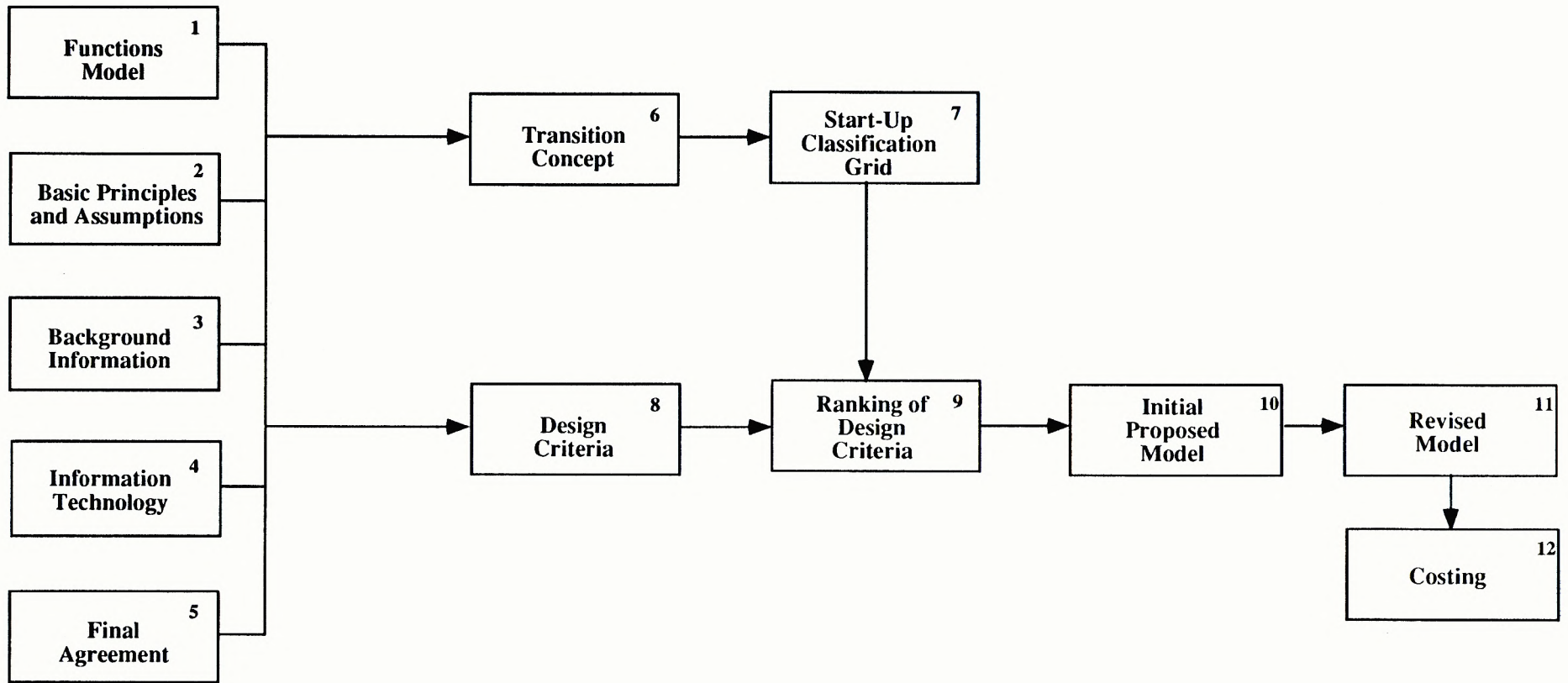
within a single organization would require careful balancing of several design parameters, likely involving both work allocation and management processes.

Independent observers will tend to agree on the appropriateness of a particular combination of organization structure and processes only to the extent they share a common view of the major factors affecting the organization. For this reason we felt it was critical that the process of developing a structure for the Government of Nunavut allow affected stakeholders to make their views known concerning what these factors are or could be.

The process used (Exhibit 4) to establish an appropriate structure had the following steps:

1. **Identify Major Factors** (Boxes 1 to 5-Exhibit 4. Appendix A.4 contains the functions model. Appendix A.1 contains background information). The directives and assumptions outlined in Chapter 2 provided the initial conditions for beginning the design process (Box 2). The directives set out in Chapter 3, like the stated preference for local decision making and the requirement that the organization function as a legally discreet government, helped to proscribe the initial boundaries for the design process.
2. **Identify Major Organization Design Criteria** (Box 8) Specific design criteria were developed, giving consideration to the factors identified in Stage One, and the technical factors considered important given that a new organization will emerge from current operations (Exhibit 5). The nature of the transition process and the scope of initial start-up activities (Boxes 6 and 7) were also considered.

**DEVELOPMENT PROCESS  
PRELIMINARY ORGANIZATION DESIGN**



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## TECHNICAL DESIGN CONSIDERATIONS

Exhibit 5

1. **SIZE** The number of people and programs involved in delivery of a particular service affect both design and transition. The complexity and inertia of large units must be accounted for.
2. **TECHNOLOGY** Technology provides new service delivery and organization design opportunities. Some organization structures are more able to support new technologies than others.
3. **SEGMENTATION** Some services are so integrated they form a unit; it is not possible to divide the delivery process and still have the same service in place. Others can be segmented, which raises the possibility of changing the structure of the organization or the program.
4. **POLICY/PRIORITY** Not all services are equally important to a government. Circumstances and client needs drive the priority setting process. The structural or service delivery options surrounding high profile services may be quite different from what would normally be the case.
5. **COSTS** Some organization designs are just more efficient than others. This can be attributed to a wide range of factors including the coordination and management systems used, and the extent to which the structure recognizes existing technology.
6. **SEQUENCING** Some things need to be done before others, and therefore must be built into the structure first. The finance and human resource functions, for example, need to be in place in order for other organization building activities to commence. Some direct client service programs and services need to be in place before others can be undertaken.
7. **SERVICE DELIVERY/CONTROL** Different structures and delivery mechanisms produce different levels of control. Some permit direct, immediate control to be exercised from the centre, while others diffuse control across a wider range of participants, especially at the local level.
8. **EXTERNAL INFRASTRUCTURE** The structure and operating characteristics of other institutions involved in service delivery can impact the options available for the government portion of the overall service delivery process. To the extent possible, government's approach should be compatible with that of other players.
9. **MUTUAL BENEFIT - TERRITORIAL GOVERNMENTS** Since a long transition process is involved, and there is an overriding need for cooperative cost effective service continuity, structures should, wherever possible, work to the mutual benefit of the major partners, the two territorial governments.
10. **VISIBLE PLANNED PROGRESS TO FULL SERVICE** It is important the development of the new structure be seen to conclude at some point: it cannot be wholly open-ended, even if the transition process is quite long in some cases. The structure must be clear and specific enough to permit communication of a specific plan for achieving it.
11. **PERSONAL ATTRIBUTE RECRUITING AND ACCELERATED TRAINING PLANS** The structure should facilitate these two approaches wherever possible. This will require specific structural and transitional responses.
12. **DEVOLUTION PLANS** Any planned devolutions should be accounted for in the overall design to ensure a smooth transition occurs. Some of these functions can significantly impact structural design.



### 3. Stakeholder Review of Design Criteria and Factors (Box 9)

The material developed at stages one and two was reviewed with stakeholders to gain an understanding of the most important elements. This process narrowed the range of factors to those considered critical.

### 4. Proposed Design (Box 10)

A draft organization design was completed and put before stakeholders. The organization was intended to reflect the key directives and considerations identified at Stage Three. Exhibit 6 indicates the basic structure proposed at this stage and discussed later in this chapter.

### 5. Revise and Fine Tune (Box 11)

The extensive feedback received from stakeholders was used to revise the proposed model to better reflect the needs and specific administrative considerations identified through the consultation process. Exhibit 7 indicates the revised structure developed through this process and discussed later in this chapter.

### 6. Cost the Structure (Box 12)

The costs of making the transition to the refined structure, and operating it, were estimated using the procedures and protocols outlined later in this report. The results are shown in Chapter 7 of this report.

This approach was specifically designed to begin with a fairly broad range of situational and design considerations and progressively narrow these down to those considered most important. This recognized that there was a hierarchy of needs and directives, and that the most important ones should be given greatest influence in the final design.

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## INITIAL APPLICATION OF MAJOR DESIGN CRITERIA

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We acknowledge that some previous work, in particular that by Beatty and Social Advisory Services, advocated much enhanced local service delivery. We do not question this as an objective, though we do have concerns about the speed at which this can be effectively pursued, especially given the directive for a "low risk" transition process. While this long range approach is being developed, we suggest that management processes can be used to effectively involve local people in decision making that affects their services.

A range of options from a highly centralized to a very decentralized structure were considered. The former was dismissed because it clearly violated an important stakeholder directive. Extreme versions of the latter, involving significant short run devolution of authority and programs to local government, was considered inappropriate, because of the risks involved. These risks flowed from several sources:

- (i) Data regarding the size and stability of skilled resource pools at the local level was not available. It was not clear that capacity to accept decentralization existed.
- (ii) It was not clear what "capacity threshold" was needed before specific programs could be decentralized to regions. Clearly, there are significant differences between programs. These need to be analyzed before decentralization occurs.
- (iii) It was unclear whether programs could be sustained in communities, and whether there would need to be a back-up capacity in the regional government, should local delivery be curtailed.

The design finally put forward sought to address the specific factors identified as critical during the initial stages of the consultation process:

- 1. Regionalization** The stated preference of the Tungavik Federation of Nunavut, and the stated long term intentions of the GNWT in response to the "Strength At Two Levels" report and the preliminary findings of the Western Territories Constitutional Commission all indicated a strong desire for a structure which enhanced or reaffirmed the authority of local decision makers. The structure was expected to encourage and sustain direct local influence over, and participation in, service design and delivery, and permit the development of regional variations reflecting legitimate differences in needs and desires. This bias toward regionalization was also based on the nature of existing service delivery structures. As the CLCG 1991 work indicated, a great deal of current service delivery is regional. The new organization was expected to be at least consistent with this approach and, where possible, support and enhance it.

**Design Response** The proposed structure brought recognition of regional concerns to the highest level of government by grouping services based on region, rather than function, at the Deputy Minister level. This ensured the most senior administrative level of the organization would have a strong regional orientation, rather than an approach linked to a particular discipline or function. There would be a clear single focus for regional need identification and participation in determination of service levels and mix. Accountability for all services in a region would be easy to explain and implement.

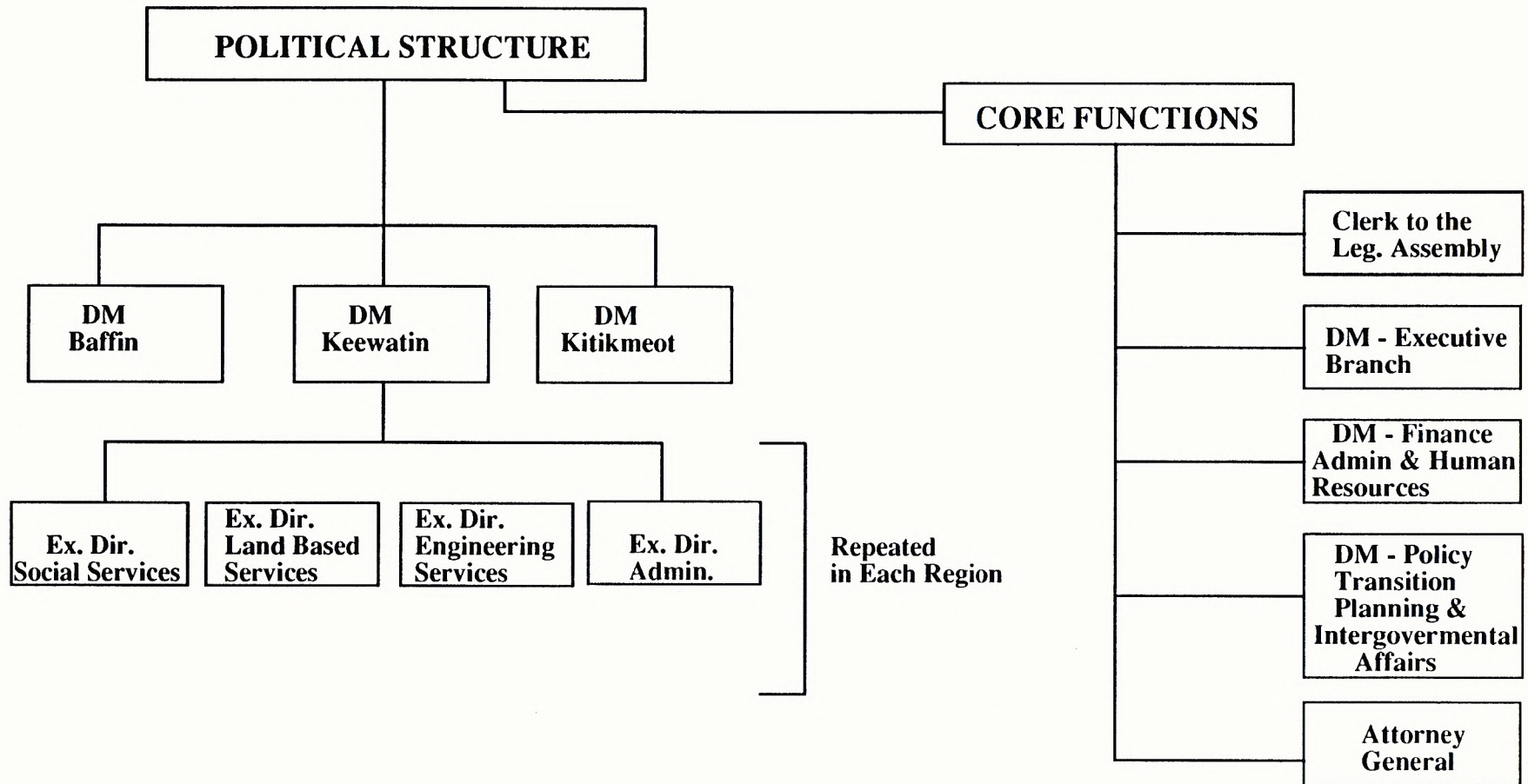
- 2. Transition Based Development** The administrative dimensions of the new organization would not be created on a "clean slate" but rather would emerge, through a long transition process, from the current operations of an existing

government. However, in accordance with the "distinct legal entity" directive, the legal dimensions of the organization would have a clear "start-up" date, at which time the organization would have to be positioned to undertake the legal obligations of a territorial government. In its initial stages it would have to address policy creation, planning and infrastructure development challenges, and maintain a strong intergovernmental and inter-organizational capacity as it developed linkages with its counterparts and other organizations involved in the maintenance of administrative services during the transition process. A particular challenge arose from the fact that, although the organization itself might be relatively small, the scope of policy and administrative issues it would address would parallel those of comparable levels and types of government.

The structure was thus expected to be "modularized" in a way that would permit legal accountability from the outset, and progressive, clearly staged implementation of administrative activity. It would have to support "business as usual" in a number of key areas, in response to the directive concerning maintenance of equitable levels of service and a "low risk" transition, with no change in service delivery during the transition process.

**Design Response** The proposed structure recognized this reality by creating a clear "core functions" module that could be put in place at start-up, and thus form the platform for continued development of the organization. The content of the functions in this core reflect the basic building blocks of a government structure and the priority needs likely to emerge in the early stages of development. The highly regionalized approach was compatible with much of the current regional framework and would therefore not inhibit or interfere with the ongoing delivery and transfer of services during the transition period, especially given the stated direction of the GNWT.

# ORIGINAL DESIGN PROPOSAL A REGIONAL MODEL



**3. Efficiency and Effectiveness** The existence of regional services already in place meant there was not a clean slate upon which to develop an all new organization. It was also clear the design should, wherever possible, take advantage of management process efficiencies, such as information technology, and maximize use of scarce technical skills through a reassessment of the allocation of functional responsibilities. Since the organization would serve fewer persons, and would have fewer persons to draw upon, especially in the early years, it did not need to, nor could it expect to, duplicate the structures of more populous regions in Canada. The need for full utilization of key policy and inter-governmental staff, for example, suggested functional "pooling" where possible.

**Design Response** Significant gains in this regard would be achieved through the collapsing of functional responsibilities into three major groups, Social Services, Land Based Services, and Engineering Services, along with a distinct group for support services. The new alignment was based on the knowledge and skills needed to perform many of the functions, the processes used and clients affected, and the potential for information and other resource sharing, especially in respect of human resources.

The preliminary organization that was proposed at this stage is shown in Exhibit 6. Appendix A.4 sets out the detailed functional groupings from which this overall structure was derived.

This proposed structure was reviewed with stakeholders. Extensive feedback was received. Of particular importance was the three days of meetings held with the Deputy Ministers of the GNWT. As those currently responsible for service delivery in the region, their feedback on the viability of the proposal was considered crucial.

Feedback on the design reflected two general themes:

(a) **Functional Groupings** The collapsing of functions was considered a step in the right direction (reflecting to some extent the process underway in GNWT), but the particular groupings needed to be adjusted. There were several specific concerns:

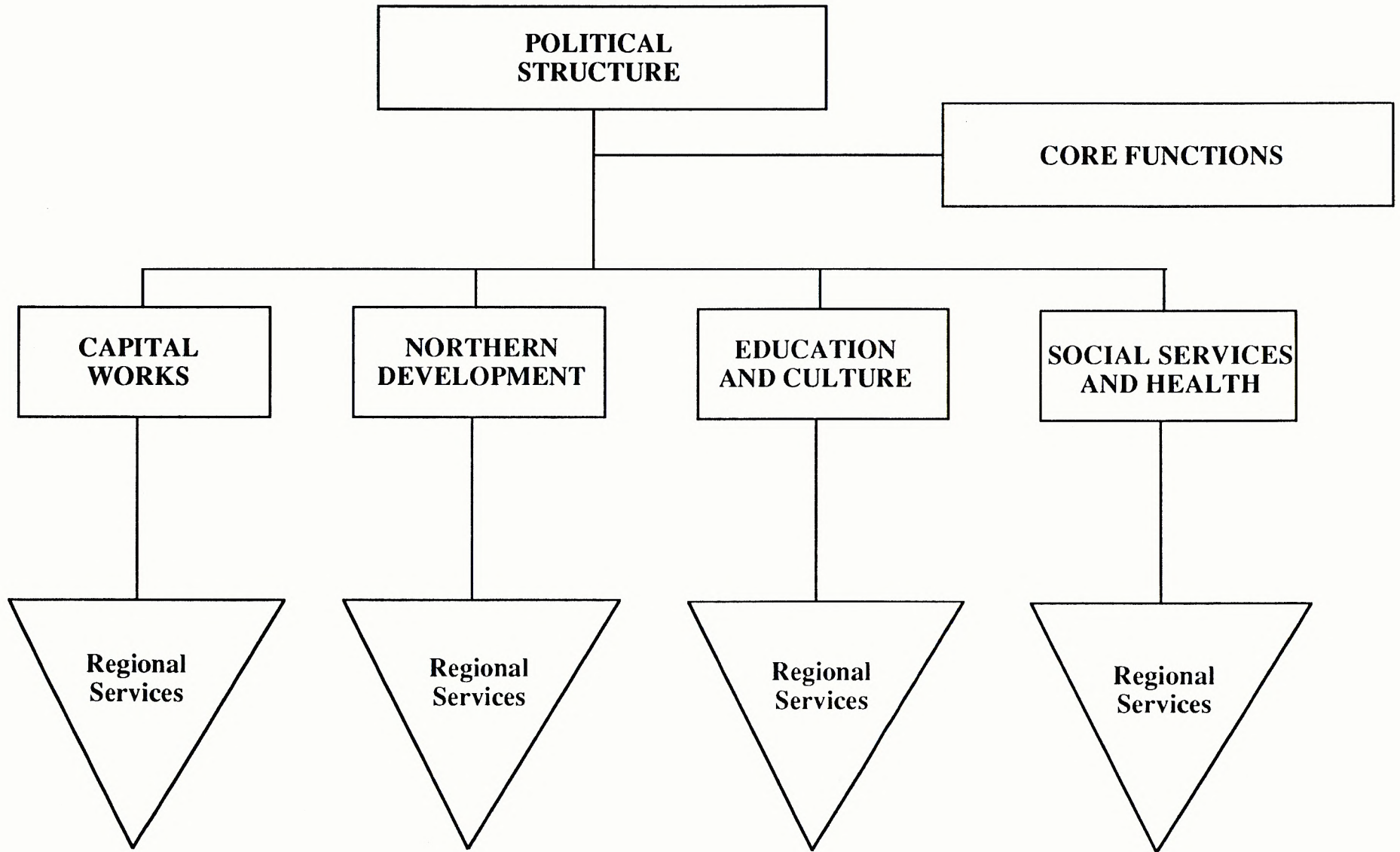
- (1) The alignment would produce a very uneven distribution of responsibilities. There would be one "supergroup" (social services, health and education) with a large proportion of the overall budget, and a few remaining "junior" groups. Regional administration would be dominated by those managing this large function.
- (2) The preliminary organization would create an exceedingly onerous workload on the regional deputy ministers. It would be unreasonable to expect them to be familiar with and effectively administer all services and programs offered by government. This would be equally true for those politically responsible.

(b) **Regionalization** Although the proposal for a regional focus at the deputy minister level appeared to reflect the priority desired for this approach to regionalization it created sufficient difficulties to merit serious reconsideration.

- (1) It became clear during discussions with stakeholders that there was no clear, consistent meaning ascribed to "regionalization". To some it meant creation of virtually independent organizations at the regional level, with only loose links to the central government. At the other extreme it meant, for some, nothing more than delegation of low to medium level administrative discretion to program delivery staff in the regions, with remaining decision making, especially that related to funding and policy, held closely at the centre.

*This, I believe is well poof. but a decision made by C & L nonetheless*

**REVISED DESIGN  
A FUNCTIONAL MODEL**





**This difference in interpretation is crucial to the design of the organization.** If a high level of independence is sought, then the "regional deputy minister" approach makes sense, and in fact could be expanded to include functions other than the four identified, including some activities placed in the core. If only administrative decision making is sought at the region, then deputy minister level recognition of regions is not needed, since many already have this amount of discretion under existing functional structures, at least for some functions.

- More  
bull  
poop!*
- (2) The preliminary organization alignment did not produce a clear path of accountability from program delivery to political accountability. The importance of the latter in a cabinet form of government was stressed at several points. If three deputy ministers were administering regional education services, who would answer for education in the legislature? one Minister to whom all reported for purposes of education? a committee of regional ministers as part of their overall regional responsibilities?
  - (3) The alignment did not facilitate development of effective intergovernmental capacities and failed to focus responsibility for specific functions. For example, who would attend as the political representative at meetings of education ministers? If that individual did not have "carriage" of the portfolio could he be expected to be fully informed or accountable?

The difficulties identified respecting regionalization were considered especially important. The critical uncertainty concerning the meaning of "regionalization" cast doubts upon the need to pursue this dimension at the most senior level, especially given the negative side effects of doing so.

A significant directive was to ensure responsiveness of government to both the expressed desires of clients, and the expressed priorities of elected representatives. The unclear lines of authority and accountability arising from the regional approach would not help the organization meet these challenges. With a clear and unequivocal message concerning the meaning of regionalization, it might have been acceptable to trade-off this uncertainty in the interests of regionalization. However, with the uncertainty that currently prevails, and the nature of the challenges the organization will face in its formative years, this did not seem appropriate.

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## THE PROPOSED ORGANIZATION - A QUESTION OF BALANCE

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### ORGANIZATION STRUCTURE

The organization design set out in Exhibit 7 represents a compromise intended to accommodate the valid concerns raised by stakeholders, particularly those based on the experience of the GNWT Deputy Ministers. (Appendix A.5 sets out a complete outline of the structure). The changes made are intended to address the two general categories of concerns raised:

1. **Regionalization** All Deputy Ministers are now responsible for a functional area: there are no Deputy Ministers exclusively responsible for a specific region. The need to reflect regional influences is accommodated through the direct link between the Deputy Minister and the program director in each region. Those responsible for a program in a region have direct access to senior level decision makers and policy support, and will be able to ensure regional needs and realities are considered in the process of policy development and service design. Regional program directors are accountable for all aspects of program delivery in their region. This approach addresses the concerns of

stakeholders, while also maintaining a strong regional influence.

**2. Functional Groupings** The number of program groupings is increased to four. This will produce a more symmetric distribution of responsibilities, and addresses expressed concerns about coping with an overly broad range of program responsibilities. This still represents a significant collapsing of programs and will permit development of an efficient and effective structure. Putting senior level policy and advisory staff in the deputy minister's offices, for example, will permit a more efficient use of support materials such as information systems and support staff.

This is an important characteristic of the proposed organization. Because the real pool of skilled analysts will be limited, it is critical that the synergy and efficiencies gained by having those involved in similar or overlapping disciplines, working closely together be utilized. The partial re-deployment of the "skilled analysts" pool anticipated in the costing exercise reflects our judgments concerning the efficiencies possible through this approach.

This approach also acknowledges existing Boards and Agencies, ensures a single deputy minister is responsible for finance, human resource and related support services in each region, and accommodates further allocation of responsibility to local government as the parameters of regionalization are further refined among stakeholders, and local capacity grows.

The use of a program responsibility breakdown also addresses concerns about accountability. There would now be a single Deputy Minister and politician responsible for each program grouping.

### MANAGEMENT PROCESSES

The structure reflects our belief that management processes and systems can be used to enhance the responsiveness of the

structure to the priorities of Nunavut. Information technology can enhance communications between regions and deputy ministers, (hence the absence of a layer of managers between Regional Directors and Deputy Ministers) and effective consultation and customer access mechanisms can ensure meaningful local input to decision making.

The important need for focused customer service access points is added to the regional structure. There would be a single point of access to government services in each region, through which a client would be directed to the appropriate point in the organization. This would make it easier to contact relevant government services.

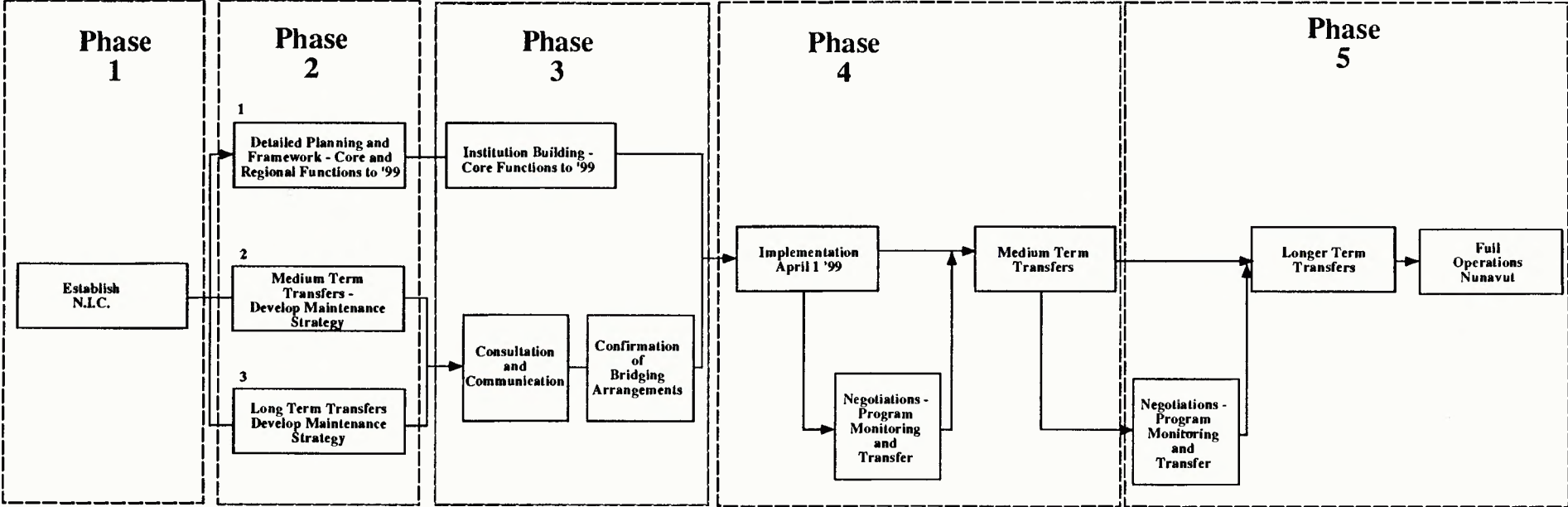
### SUMMARY

We believe this structure and these processes will provide an efficient and effective administrative framework for delivery of services, and respond to the priorities set by the elected representatives of Nunavut. In particular it meets the challenge of balancing the expressed, but not yet specifically delineated, directive to maximize regionalization of service delivery against the pressure to centralize decision making in response to the many policy and "core function" challenges the organization will face in its early years. As the costing process will indicate, there are also some significant efficiencies associated with this structure.

*The final structure which we will now have to accept for costing purposes of the C & L study is really very little different at the real level than what exists right now. I can't help but wonder whether or not a smaller, more aggressive & idealistic firm may have come up with a somewhat more creative model.*



**THE NUNAVUT DEVELOPMENT PROCESS**



**SERVICE BUNDLES**

- 1. Finance/HR  
Justice/Intergovernmental Affairs  
Legislative Assembly  
Executive Council
- 2. Education  
Culture  
Capital Works  
Northern Development
- 3. Social Services  
Health

**PHASES**

- Phase 1 - Establish N.I.C. - 1992/1993
- Phase 2 - Detailed Planning - 1993/1994
- Phase 3 - Core Building and Consultation - 1994/1999
- Phase 4 - Core Implementation and Program Transfer - 1999/2004
- Phase 5 - Program transfer - 2004/2008

## 6. TRANSITION - DEVELOPING NUNAVUT

In order to quantify the cost of transition to a separate eastern government, it is necessary to set out a proposed transition process. As was the case for the design of the organization, **there is no single optimum solution to this challenge, but rather only one or more options that seem to best accommodate current circumstances.** The process set out in Exhibit 8 and explained in this section meets the challenges as they are currently known. To the extent these change, the process itself would have to change.

This section sets out the overall general influences on the transition process, and an explanation of the five phases used.

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### MAJOR INFLUENCES ON THE TRANSITION PROCESS

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There are several general influences on the transition process that affect the overall timing and sequencing of events.

#### 1. An Occupied Field

Although creation of a new public government in the East produces an opportunity to respond to anticipated challenges in new and creative ways, it must be remembered that several levels of government currently exist in this region. Programs operate, services are provided by individuals whose families and careers are linked to existing structures, and large numbers of current residents depend on government in significant ways.

This reality means transition must be approached not as the development of an administrative structure from a "clean slate" but rather as the gradual creation of two new organizations from the framework now operating. The overall administrative structure

**for Nunavut will not emerge new and intact, but rather will evolve through a series of stages originating in the current reality of government in the North.**

#### 2. Interdependence

Since there are already governing and service delivery structures in place the transition process should not be approached as a tightly proscribed series of closely controlled stages that will produce a new organization. It is, instead, a general framework for managing the interdependence that will continue to exist among all major stakeholders, and the planning and negotiations that will occur as new institutions emerge in Nunavut.

The individual and collective responsibilities of the GNWT, the new Government of Nunavut, those responsible for implementing the Land Claim, and the Government of Canada require that each party clearly understand and accept their role and the roles of others. Close cooperation will be needed to support the objective of all parties, namely a successful transition. This means the transition process, at this point, should clearly set out the phases involved, and the organizational capacities the Nunavut Implementation Commission will need to play its role in the process.

Long run success depends, in particular, on maintaining a mutually satisfactory partnership between GNWT and the Government of Nunavut, supported by Federal funding, and program management strategies that support the long term needs and strategies of these two partners.

This approach is currently implied in Part 6 of the Political Accord. The mandate for the NIC sets out its role in helping to set up a process, principles, criteria, designs and timetables, while acknowledging the need for flexibility

and mutual adjustment in this process.

### **3. Law and Administration**

A clear distinction must be made between the legal reality of Nunavut, and administrative and program delivery reality. The legal reality exists when enabling legislation takes effect. Administrative reality exists in one form now and will gradually evolve into another to reflect the new legal framework.

On April 1, 1999 the Government of Nunavut will have legal authority and accountability commensurate with its status within the framework of governing institutions in Canada. As such it will control distribution of funds used for service delivery. Although the mechanisms it uses to maintain or modify service delivery may change, and may not involve direct delivery by employees of the Government of Nunavut, accountability for decisions affecting service delivery will clearly rest with the new government.

This distinction must be made because of the different "drivers" and time frames involved. The legal framework is driven by political needs and wills, the realities of law making in Canada, and the rhythm of the governing process at the Federal level. The administrative framework is driven by factors like time frames for general and technical education, the development and implementation of information management systems, and the transfer or relocation of individuals and their families.

In the long term the legal and administrative systems must and will match, but because of the different sources and time frames of the driving forces, it will take some time for this alignment to occur. For example, Part 2 of the Political Accord deems that current law continues except to the extent it is inconsistent with new legislation. The Accord also deems that the NIC must be operating as a functional administrative entity no later than six months after enabling legislation receives assent. In neither case will all administrative realities reflecting the stated preferences of Nunavut be

in place: in some cases the legal reality will precede its administrative counterpart by many years.

### **4. Uninterrupted Transition**

The guiding principle concerning maintenance of services throughout the transition process is extremely important. It creates a high level of interdependence among the institutions currently providing services. The NIC will have to work closely with other organizations to carry forward the change process, and after it achieves legal standing the new government will have to work closely with those institutions to ensure adequate service delivery.

This principle requires that change be carefully engineered to ensure all involved know, understand and are willing and able to carry out the roles ascribed to them. In particular it requires that the Western and Nunavut governments reach mutual agreement on arrangements for continuity of service.

In terms of the legal framework this need for consultation has already been recognized in Part 2 of the Political Accord. It also means that those receiving services must understand what is proposed, and how and when change will occur. The emphasis on local decision making places further emphasis on communication as decisions about service delivery are increasingly localized.

### **5. Minimize Immigration**

This major principle must be considered in conjunction with the uninterrupted transition mandate. If there is to be no risk of service disruption the "framework" in place before Nunavut undertakes direct administration of a particular service must have a capacity comparable to that already operating.

A key element of this framework is the skills of the workforce. If immigration is also to be minimized this skill set must be developed locally. This means the time frames and costs associated with this endeavour become the critical determining factor in any strategy for

program transfer. The availability of skilled local staff, and the time needed to ensure this, will drive the process. It also means variation of this policy in any program area will affect the timing of program transfer. Since this is a policy decision it means that one of the key factors driving administrative transfer is largely within the control of the parties involved. The current wording of the Political Accord, at Section 7.3(iii), requires that the NIC work toward employment of local residents, but specific targets are not set.

## 6. Reasonable Cost

Although it is recognized creation of two governments where one previously existed will involve additional costs, and that the cost of transition is to be funded as a separate "one time" undertaking, it is also clear costs are to be reasonable, that new revenue sources to support transition are not to be considered, and that costs are to be managed pursuant to pre-established limits. Part 8 of the Political Accord, indicates the fiscal framework for transition is to be established prior to the coming into force of enabling legislation. The approach is to be primarily business as usual, with the transition process to be encompassed, to the greatest extent possible, in the overall cost of governing.

This means that wherever possible development and implementation of the transition framework will have to be synchronized with existing service delivery activities. New management systems, such as those in respect of human resources or information technology, cannot be created wholly outside existing ones, but must instead emerge from that which is already in place. This further increases the need for close cooperation and joint planning involving all stakeholders.

## 7. Distinct Governments

A fundamental principle underlying the structure and the transition process is the equal and separate status of the two northern governments involved. The legal framework

and its timing are designed to reaffirm this principle as early as possible. This emphasis has implications for the transition process.

The elected representatives who will form the Government of Nunavut must have, and be perceived as having, direct and meaningful involvement in the design and delivery of the transition process. This means the plan cannot be "carved in stone" early on in the process: there must be room for meaningful input before and after April 1 1999. Since there must be distinct governments, there is also a "core" group of functions that form a threshold beyond which the new government must pass before it can carry out those activities fundamental to a functioning government in the Canadian context.

For the transition process this means the "run-up" to April 1 1999 must include a wide range of activities. There will be high level strategic activity related to long run program and political agendas underway alongside detailed administrative and infrastructure planning and implementation work linked to having specific capacities in place on designated dates. The process must encompass and facilitate both.

## 8. Major Strategic Decisions

Although much transfer activity will not occur until later stages in the transition process many decisions made in the early stages will have a major impact on long term service delivery. The choice of a platform for information technology, the framework for addressing long range employee benefits, the underlying style and principles for drafting legislation, or the basic strategy for delivery of a class of programs, are examples of decisions that will have long lasting effects. This means that although detailed implementation planning for some program sectors will not occur until later on, the early stages of the transition process must include strategic consideration of the full spectrum of contemplated activities to ensure that decisions of this type are made with an awareness of the full breadth of their implications.

**START-UP STRUCTURE  
PROGRAM CLASSIFICATION GRID**

<b>TIMING</b> <b>PROGRAM TYPE</b>	<b>IN PLACE AT START-UP</b>	<b>TRANSITION ARRANGEMENTS NEEDED</b>	<b>NO FORSEEABLE CHANGE IN STATUS OR DELIVERY</b>
<b>A</b>  <b>NO DELIVERY DISCRETION</b>			
<b>B</b>  <b>MECHANISM DISCRETIONARY</b>			

*In App. A thoroughly described. No necessary here.*

9. It is important that the new government have the capacity to undertake its role in respect of its citizens and other governments and institutions effectively. The scope of policy issues and challenges the organization will face will parallel those of comparable governments. From the point of legal accountability onward, given the distinct legal status of the government, it must have at least the basic minimum capacity to govern effectively. The lengthened transition process costed as a feasible option in this study assumes the proposed organization design is adopted. Under these arrangements it is possible to operate with the staff compliment indicated for start-up in 1999. **A major change in the organization design would require a re-evaluation of the suitability of this compliment.**

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## THE STAGES IN THE PROCESS

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Overall, the suggested transition process acknowledges the need to first develop the basic infrastructure for the NIC, in particular bringing into the organization the senior level planning, administration and negotiating skills needed to develop the details of the process and the basic framework for creation of a new government. This initial challenge is then followed by an extensive planning and information gathering phase, which leads to development of the core functions, and creation of the bridging mechanisms for the other functions. The remaining stages are a repeated cycle of preparation for and then transfer of programs from the bridging mechanism to the Government of Nunavut. This "rhythm of transfer" is designed to support the "minimize risk" and "minimize immigration" directives in particular.

Exhibits 9 and 10 show the frameworks used to identify the general classification of functional areas, in terms of their overall position in the transition framework. Exhibit 9 shows the framework used to classify activities

for positioning within the transition process. Exhibit 10 shows the initial results. These groups were later "bundled" to reflect the functional groups of the new organization structure (See Appendix A.3 for more details concerning this process and these exhibits).

### *PHASE 1 -- January 1992 To December 1992 - Establish N.I.C.*

This stage covers the year during which the NIC is appointed pursuant to the Nunavut Act. The objective is to create the NIC and put in place a basic administrative structure for its operations, and recruit an executive director and selected other senior level staff to begin the process of creating the overall development plan. These senior people should be seen as clearly responsible for the process of managing the development of specific program groups. They should be established at the deputy minister level.

This stage includes preparation of preliminary communications material, and commencement of preliminary discussions with GNWT on a wide range of issues including development of legislation, possible transfer or sharing of key staff, and arrangements for starting the process of dividing assets and creating service delivery bridging agreements. Development of a data base on which to build a preliminary broadly based human resources plan would occur during this period.

An important part of this stage is development of a shared understanding of longer term expectations between the senior staff of NIC and MLA's from the Nunavut area. This is necessary to ensure that initial planning and negotiations undertaken in the next stage accurately reflect the views of political decision makers. A formal mechanism should be established to ensure a meaningful on-going link between the activities of the NIC and the MLA's of Nunavut.

### *PHASE 2 - January 1993 To December 1993 - Detailed Planning*

Although actual program transfers, beyond



**START-UP STRUCTURE  
PROGRAM CLASSIFICATION GRID**

<b>PRELIMINARY PRIORITY LISTING</b>		
<b>IN PLACE AT START-UP</b>	<b>TRANSITION ARRANGEMENTS NEEDED</b>	<b>NO FORESEEABLE CHANGE IN STATUS OR DELIVERY</b>
<b>Justice</b> <b>Finance</b> <b>Executive</b> <b>Legislative Assembly</b> <b>Municipal Affairs</b> <b>Public Works</b> <b>Human Resources/Training</b> <b>Government Services</b>	<b>Renewable Resources</b> <b>Social Services/Housing</b> <b>Culture and Communications</b> <b>Education/Arctic College</b> <b>Health</b> <b>Economic Development and Tourism</b> <b>Public and Safety Services</b> <b>Transportation</b> <b>Energy, Mines and Resources</b>	<b>NWT Power/Petroleum Products</b> <b>Workers' Compensation Board</b> <b>Liquor Commission</b>

core functions, will not occur until well past April 1999, the interdependence of many services requires that all be considered initially as part of an overall approach. Some administrative dimensions of service delivery, such as the legislative framework, and the information and human resource management strategies, span all programs. Effective long term strategies in these areas, which affect both Nunavut and GNWT, must be developed with an appreciation of overall intentions. Some decisions about program delivery mechanisms, especially concerning capital and human resource needs, will have to be considered at this stage to ensure the long development cycles involved do not delay transfer of services in later stages of the process.

For core services this stage involves detailed planning for provision of full service on April 1 1999. Human resource, information technology, legislative and capital issues must be addressed in detail. The objective is to have, by the end of the phase, an extremely detailed plan that will set out exactly how full operations for core functions are to be achieved. This plan should set out deliverables to at least the monthly level for the period January 1 1994 to April 1 1999. This process should be carried out in three stages. Stage one would involve developing a draft plan. Stage two would be consultation with those necessarily involved in implementation. Stage three would be refinement of the plan and approval by the NIC.

For the other two program "bundles" this stage will involve meeting two separate needs. The high priority is to begin the process of putting in place the arrangements for service continuity in these areas beyond April 1 1999. A less important but linked consideration is beginning to set out the process for transfer of administrative activity to employees of Nunavut, where appropriate.

Getting ready for the service continuity challenge involves several stages within this phase.

(i) Strategy Development - Before approaching

GNWT or other organizations regarding service maintenance or transfer arrangements the NIC must initially clarify its own overall needs and preferences. Although the desirability or achievability of these preferences may be altered significantly by subsequent events, it is important that interaction with other stakeholders not occur until this preliminary step is completed.

(ii) Exploratory Talks - Before commencing any detailed discussions or negotiations NIC should hold preliminary or exploratory talks with a number of institutions, in particular the GNWT. Consideration might also be given to undertaking joint information gathering to provide further information to all parties. This will permit clarification and enhancement of available options and support further refinement of objectives.

(iii) Strategy Refinement - Completion of steps one and two will permit further refinement of an overall strategy for dealing with service continuity and transfer issues. It will also allow all stakeholders to refine their positions based on a greater appreciation of the needs and aspirations of others, and a common understanding of the most important facts.

### *PHASE 3 - January 1994 To April 1999 - Core Building And Consultation*

The overall objective for this period is to turn the plans developed and refined in phase two into realities. At the end of the period there should be in place an operational core, and arrangements assuring continuation of services beyond April 1, 1999, in a fashion supported by stakeholders.

Three activities dominate this period of time. In respect of core functions the detailed plan developed in Phase 2 is carried out. For other functions activity is divided into two stages. In stage one the refined approach to service maintenance and transfer is used as the basis for consultation within Nunavut. Before

commencing detailed negotiations key community leaders of the region must understand the overall approach and its implications for the type and costs of services delivered. After stage one is completed there may be further refinement of needs and objectives.

Stage two is the process of negotiating arrangements with the organizations targeted through the analysis and consultation process. GNWT will be a major participant, but it is possible others will also be involved. Part one would likely take from January 1994 to June 1994. Part two should commence immediately thereafter, with a completion target of no later than late Fall of 1997, and possibly earlier where arrangements require long "run up" initiatives such as is needed for human resources, or for changes in data base development or alteration.

#### ***PHASE 4 - April 1999 To 2004 Implementation And Program Transfer***

The objective for this phase is to sustain implementation of the core functions and complete transfer of medium term programs. This process will involve designing handoff procedures acceptable to affected parties and ensuring suitable infrastructure exists to receive the administrative responsibilities involved.

At the beginning of this phase, the new government becomes legally responsible for all service delivery.

#### ***PHASE 5 - 2004 To 2008 - Program Transfer***

The objective here is to carry-out the transfer of remaining programs. The development process is completed at the end of this stage.

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### **THE ORDER OF FUNCTIONAL TRANSFER**

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The proposed transition process sets out administrative transfer in three stages: Core

Functions; Education, Culture, Capital Works and Northern Development; and Health and Social Services.

The core function is those activities essential to the political and executive functions of government in Canada. For example, Nunavut could not be a government without a functioning legislative assembly. As indicated exhibits 9 and 10 set out the framework developed for and used by the stakeholders to determine which functions were to be treated as core functions. The order of transfer for remaining functions was designed to acknowledge the following influences.

#### **1. Immigration**

The directive to minimize immigration can be effectively implemented only through the manipulation of transfer points to accommodate the local availability of qualified persons emerging from the human resource development system. For programs involving extensive qualifications to occupy senior positions this means longer time frames to program transfer. The time frames are determined by the limitations and time frames of the training process.

#### **2. Maximize Discretion**

Those elected to govern Nunavut will want to influence the design and delivery of high profile programs within the region. Where possible the timing of transfer has been positioned to permit representatives to have direct influence over the manner, timing and substance of program transfer and delivery.

#### **3. Division of Assets**

The process of dividing the assets associated with some of these programs will take some time and should be carried out in conjunction with other decision making surrounding program transfer. Where the program is complex, and the assets not easily divisible, timing should recognize this reality.

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#### **4. Legal Frameworks**

If there are to be any adjustments to the legal framework for some of the more broadly based or complex programs this should occur before any transfer. This avoids having to make two separate adjustments, legal and administrative, in relation to the transfer. It also ensures compatibility of legal and administrative systems. The process should reflect the time needed to accomplish this, and the reality that a functioning legislature is needed to do so.

extent possible. It is designed in particular to support the collaborative approach taken in the Political Accord.

#### **5. Integrity of Service Bundles**

To avoid a state of almost constant transfer activity it is more effective to carry out transfers in bundles reflecting the program groupings outlined in the organization design. This means the optimum point of transfer will be determined by the "slowest" of the program mixes contained in the bundle.

#### **6. Impact on the GNWT**

There are two governments involved in this process. Transfer of programs will affect both, especially for larger programs. The "donor" government needs to have time to develop its own strategies for handling the human resource and expenditure implications of the transfer, especially where it has been continuing service delivery during the transfer process. The stresses being created through the reorganization of the GNWT must also be acknowledged. Rapid transfer of programs while this process is underway would undermine the directive for a low risk transfer.

#### **7. Information and Communication**

There is a strong expressed preference for extensive communication and education activity before significant change is undertaken. Since the grouping of programs is being changed during transfer, this process could take some time; familiar service packages will be changing significantly.

This transfer process is designed to accommodate these requirements to the greatest

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## 7. COSTS - A NEW GOVERNMENT AND TRANSITION

### PHASE ONE ANALYSIS

The first analysis of the incremental costs of dividing the GNWT into two separate governments was completed in 1991. The financial analysis provided a basis for deciding whether further investigation and analysis was warranted. This study represents that further, more focused investigation.

The first study was performed under a set of essential costing methodology restrictions whose nature ensured additional analysis would be needed if division were pursued further. These restrictions were required to ensure integrity and confidence in the results.

- The analysis was to be performed using the same budget structure as is in use for the GNWT in order to ensure that each cost projection could be linked directly to an existing program to prove, or audit the results.
- To understand the projected total costs, and use them as information in decision-making processes, they had to be comparable to existing budgets for revenues, operating expenditures and capital expenditures.
- The two new governments were to be structured exactly the same as the GNWT, both in organization and in program, to ensure that any identified differences could be attributed only to the incremental costs of division, and not to changes in programs or service levels.

As indicated these restrictions are no longer in place. The results of the first study offer the foundation for design of a government and program structure that specifically meets the needs of the Eastern Arctic. It is appropriate now to estimate the costs of a structure designed to **most efficiently and**

**effectively** deliver the programs that are required, and which reflects the size of the government, and the population it is serving.

While the existing GNWT budget and Phase One cost projections may serve as general benchmarks to measure the extent of efficiencies achieved, it is not possible to consistently find a direct comparison at the detailed level. The most meaningful comparison is not between this study and Phase One, or other previous work, but between this study and current costs.

### METHODOLOGY - MORE ANALYSIS AND JUDGEMENT

There is more analysis and judgement built into this study because of the changed assumptions and directions. This discretion was applied, however, only in respect of the Nunavut government. For example, the fact that the first study was based on the existing GNWT structure and shows higher costs than this study is no particular indication of any opportunity to reduce costs in the GNWT. The cost differences merely confirm the studies are based upon different program delivery structures. The advantage of this study over the first was the ability to develop a structure custom designed for the circumstances of the Eastern Arctic. Since the GNWT structure is custom designed for the entire arctic, it is unlikely it will prove any more appropriate to needs in the new Western Territory than it did for those of the East.

The first study was designed to be as objective as possible. In order to develop an effective data base it was important to minimize the subjective or judgemental analysis about what costs may be in a future organization. The methodology for this study draws on this data, particularly with respect to cost drivers and many of the common areas between the

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existing organization and that proposed. This data was used, however, only as "baseline" information to be used in implementing the changed assumptions and needs.

A basic framework was first developed for those tasks and activities that could in fact be slotted directly into the new organization, which had been designed using the methodology set out earlier in this report. (Tasks and activities are GNWT terminology for the two lowest levels of the organization budgeted for, comparable to department and branch in other public sector budgeting systems).

Other areas that were not directly comparable required more detailed analysis and their placement is more subjective or judgemental. To ensure the most credible estimates, a dialogue was undertaken to gain input from GNWT, TFN and DIAND managers. The workloads and costs associated with the new structure reflect the combined professional judgement of all of these parties, together with our firm's experience in public sector management requirements.

## **METHODOLOGY - GENERAL TECHNICAL ASSUMPTIONS**

There are certain key underlying methodology assumptions which influence how the results are interpreted and used, and which have been carried forward from the Phase One work.

- Costs are in 1991/92 dollars, to facilitate comparison with the earlier benchmark, the 1991/92 budget.
- Incremental costs are based on Yellowknife dollars where they represent services or functions that are being transferred from Yellowknife. There is no clear measure of what should be the real premium on costs of goods in Iqaluit, or the regional inflation factor. It is agreed, however, that the estimate in Study One was greater than is likely, consistent with that study's tendency to be conservative. No inflation factor is considered appropriate to this analysis as it

would only apply to the small proportion of the total costs and could be as small as 10% of 10% of the total projected costs.

- Projected incremental costs relate only to growth caused by creation of a new government in the Eastern Territory. Other growth in government services and programs driven by natural population growth will inevitably occur, but the costs of such would be realized under any structure, and are not incremental costs of division.
- Revenues and annual capital budgets are, again, assumed to be unchanged from the earlier study since they will not be significantly affected overall by government program delivery structure. Revenues are predominantly influenced by factors other than size of the government, and annual capital budgets reflect funds available more than capital needs. Existing revenue and taxation regimes, as well as any levy's in the communities are assumed to continue as will existing cost sharing and funding agreements.
- The current level of regional program delivery will be maintained.
- Costs associated with the operations of any Federal Government Department are excluded.
- Any costs associated with devolution of programs or services from other governments are excluded.
- Iqaluit is assumed to be the capital of Nunavut.

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## **OVERALL ESTIMATES**

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### **1. Restructuring - Staffing Impacts**

Restructuring has a significant impact on the number of positions required in the "non-

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regional" parts of the organization. Under the assumptions used for Study One a total of 1,160 person years were identified as the human resource compliment needed to run the new eastern government. Under the new structure 930 positions are required. Through structural streamlining and identification of overlap and duplication 168 positions have been eliminated. Through use of external resources the activities associated with 62 positions will be handled outside the organization. Of the positions remaining, 816 stay within service delivery and program groups. Two hundred ten of these are redeployed to areas different from original allocations in Study One. One hundred twelve positions are placed in the "technical pool" for allocation as organization needs emerge.

This reduction in overall staffing needs, in combination with the transition period, have a significant impact on the overall cost of implementation. There are direct impacts on the cost of infrastructure, both government and community, and an ongoing operating and maintenance costs. The time frames of the transition period also have a major impact on the level of immigration.

## 2. Operating Cost Efficiencies

The analysis shows a large reduction in annual O&M is possible. This reduction is largely driven by staff reductions. Whereas Study One projected annual operating costs of \$435.3 Million for the new Eastern government, the revised organization structure and program delivery approach offers the opportunity to reduce this by \$68.9 Million to \$366.4 Million for government programs. The comparative savings are further increased if the inflation and regional cost factors are eliminated.

## 3. Infrastructure Development Costs Reduced

### (a) Government Centre Infrastructure

Study One projected \$140.9 Million would be required for construction of facilities to house

each of the projected government operations in the new Eastern Capital. By releasing the second study from the constraining assumptions relating to duplicating existing structures, it is possible to significantly reduce these requirements. (See Appendix B.2) The revised projection for new infrastructure is \$31.8 Million, detailed as follows (in \$000's):

- Legislative Assembly - \$28,061;
- Parking Garage - \$438;
- DPW Trucks - \$332;
- Education Training Space - \$407; and
- Law Library - \$2,537.

These items are costed exactly as in Study One.

General office space is projected to be \$42.6 Million, with \$3.9 Million for furniture and equipment and \$381,000 for vehicles. Consistent with the methodology used in the earlier study, other government agency costs were assumed to be leased rather than constructed and therefor show as annual rather than one time infrastructure capital costs.

### (b) Community Infrastructure Costs

One time infrastructure costs for what were termed Social Support Infrastructure and Community Support Services (ie Utilities) are reduced proportionate to the reduction in head office government positions.

It should be recognized that it is not strictly valid to pro-rate the costs based on population since many of the estimates developed earlier were based on specific population impacts on the real capacity of the current infrastructure (water supply or sewage, for example). However, during the transition period natural population growth will more quickly outstrip the existing capabilities in many communities than will the inflow of new staff. As a result, new capital expenditures will be required regardless of division. The question of the incremental component driven by division becomes more academic. The projections are developed to reflect the significant length of time required for transition, rather than a simple academic estimate of the costs of a fully

**SUMMARY OF COST ESTIMATES**

<b>A. EMPLOYEES OF NEW GOVERNMENT</b>	- At Full Operations	930
	- Added - Phase 1	22
	- Added - Phase 2	19
	- Added at Start-Up	247.8
<b>B. LOCALLY HIRED EMPLOYEES</b>	- Short - Start Up	45
	- Full Operations	130
	- Long - Start Up	35
	- Full Operations	177
<b>C. NUNAVUT GOVERNMENT - OPERATING COSTS - FULL OPERATIONS - INCLUDING REGIONS</b>	- Programs	366,426,800
	- Agencies	105,413,000
	- Infrastructure O&M	22,491,000
<b>D. TOTAL CAPITAL INFRASTRUCTURE DEVELOPMENT</b>	- Government Centre	84,354,000
	- Community	237,214,000
<b>E. COMMULATIVE TRANSITION COSTS -</b>		
	<b>TO START UP</b>	
	- Short	29,844,000
	- Long	16,319,000
<b>TO FULL OPERATIONS</b>		
- Short	29,844,000	
- Long	32,988,000	

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academic estimate of the costs of a fully functional government at some single point in the future.

#### 4. Annual Costs Reduced

Because the annual costs of operating and maintaining the physical facilities in the infrastructure are driven by the number, type and size of facility, the reduction in capital results in a proportionately reduced estimate of annual facility operating costs.

#### 5. Transition Timing and Costs

Since there are two alternative transition periods modelled, it is important costs of transition be differentiated from costs of operating the government each year.

Transition costs are different from annual operating costs. Transition costs are the temporary, but not necessarily one time costs associated with moving towards the new structure. Transition costs should not include the costs of operating the government unless those costs are redundant. This may be the case for the temporary costs of having the new government operate while the GNWT continues to perform the same functions until the new team gets up to speed, much like running parallel accounting systems in the early stages of transition to a new system.

The financial model also calculates the impact of the alternative transitions on the total cumulative funding requirements of the new government to 2008 as being \$3.987 billion for the lengthened transition and \$4.112 billion for the shortened time. The shorter transition period is more costly by \$125 million because government more quickly rises to the full scale of operations, achieving full operating dimensions by 1999. The longer implementation scenario projects slightly lesser annual costs for 2000 to 2008. The difference averages \$7.8 million per year over the transition period years, or \$13.9 Million over the last nine years.

Exhibit 11 summarizes the major cost estimates derived from this study.

## THE APPENDICES AND THEIR STRUCTURE

The Appendices to this Chapter are designed to provide easy access to both the overall costing framework, and its specific technical elements. Because of the complexity of the model it is important to understand its components in a broad context.

Exhibit 12 indicates the overall framework for the financial model. Each set of tables in Appendices C and D is preceded by this chart. The shaded box in each chart indicates the position of the tables that follow within the overall framework. The Financial Model appendices have been organized to reflect the sequence of our analysis. The **B** series shows where we began, which was with a detailed look at the person years by department, activity, and task as presented in the previous study. The person years were re-allocated to support the new structure of the Nunavut Government, as were their attendant costs in accordance with the structure developed using the framework set out in Appendices A.3 and A.5.

In the **C** and **D** series we present costs, revenues, and funding (i.e. costs minus revenues) under a shortened transition scenario and a lengthened scenario, respectively. The former achieves full implementation of all government programs and agencies, under the direct management of the Nunavut Government by the year 1999. The latter prolongs implementation to the year 2008, with some programs coming on stream in 2004. Several tables are used to explain, and distinguish between, the operating, capital, and transition costs.

When examining the models, it is critical that phases not be confused with years. The following chart explains the period covered by each phase:

Phase 1	1 year	1992
Phase 2	1 year	1993
Phase 3	6 years	1994-1999
Phase 4	5 years	2000-2004
Phase 5	4 years	2005-2008

This framework addresses the issue of costs within a transitional environment by segregating expenditures at several levels.

1. Level One - At the highest level a clear distinction is made between costs, revenues and overall funding requirements. Funding is the actual outlay required to operate the government. It takes into account both revenues and costs.
2. Level Two - At this level costs are divided into three distinct categories, operating, capital and transition. This is necessary because of the distinct nature of transition costs. They do not represent ongoing commitments but rather expenditures linked directly and solely to the demands of the transition process. By definition these costs are no longer incurred after the transition process is complete. Capital is also separated. It is in many cases linked to the process of division, but because it also has an ongoing operating and maintenance component it is not a pure transition cost.
3. Level Three - At this level the details of the broad categories are dealt with. Under capital, for example, a distinction is made between that arising in the government centre as a result of meeting the needs of government employees, and community costs arising from increased numbers of people present. Operating costs are divided into those linked to government programs, those of government agencies, and those arising from infrastructure.

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## CONCLUDING COMMENTS

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The findings of this study represent a place to start. The general framework and strategy

presented must now be turned into a detailed plan for implementation. Several challenges must be addressed almost immediately.

- (a) Human Resources - If local hiring objectives are going to be met it is vital immediate action be taken to implement the training and development programs needed to ensure qualified individuals are available at critical points in the transition process. The complexities and time frames involved require that the program be carefully managed from the beginning.
- (b) Nunavut/GNWT Partnership - Service maintenance through a successful transition depends on an effective ongoing relationship between the GNWT and the new Government of Nunavut. As indicated in Chapter Six, development of the framework for this relationship must begin soon. Achieving agreement on the major principles that will govern the relationship, and the sources of information that will be used to support the decision making processes that will be needed to manage the transition, is an important first step. Clearly the Government of Canada must play a major role in supporting this process.
- (c) Comprehensive detailed planning should begin as soon as possible. This study has set the overall framework for the transition process, but clearly each stage must be planned in detail. As these plans are put together a host of issues and challenges will arise. The sooner these become known the sooner stakeholders can begin to work together to address them. Development of a detailed plan, even though it will be altered over time, would serve as the "early warning system" for the kinds of challenges to be addressed, and therefore the kinds of decision making and support systems that will be needed to find solutions.

# Nunavut Territorial Government

