

# CONFIDENTIAL – CABINET DOCUMENT

Ministry Document Number:

Copy Number:

**MINISTER:**

Premier

**TITLE:**

Request for Legislation to Establish and Fund the Northern Development Initiative

**ISSUE: FOR DECISION**

The Government has announced its intention to establish a Northern Development Initiative (NDI) aimed at giving Northern communities the funding, control and mechanism to identify and pursue new opportunities aimed at stimulating economic growth and job creation in their regions.

Specifically, this initiative is intended to give the NDI's Board of Directors and its four Regional Advisory Councils (RACs) the ability to manage a \$135 million Trust that can be used for strategic investments in forestry, pine beetle recovery, transportation, tourism, mining, energy, Olympic opportunities, small business and sustainable economic development.

This submission seeks approval to draft legislation aimed at establishing and funding the NDI, for introduction in the Legislature pending the finalization of the BC Rail Investment Partnership with CN Rail, anticipated this fiscal year.

The NDI will be headquartered in Prince George and managed by a Board of Directors that will act on behalf of four Regional Advisory Councils that are broadly representative of the communities and residents in each of the four participating regions. These regions include the Peace, Prince George, the Northwest, and the Cariboo-Chilcotin-Lillooet, whose boundaries will be defined in the NDI founding legislation and aligned around groupings of provincial electoral districts.

The funding for this initiative will be granted by a supplementary Estimate from the proceeds of the \$1 billion BC Rail Investment Partnership anticipated in fiscal 2003/04. The funding will be held in the Northern Development Initiative Trust, which will be established in the proposed legislation.

The \$135 million NDI Trust will, in turn, have three operating accounts:

1. a \$25 million Operating Endowment that will be protected in perpetuity, yielding interest to support the operating needs and priorities of the NDI;

2. a \$50 million Northern Development Account to support cross-regional economic investments, as authorized by the Board on behalf of the Regional Advisory Councils; and
3. a \$60 million Regional Development Account, comprised of four \$15 million sub-accounts, to support investments identified by the Regional Advisory Councils that are consistent with the intended purposes of this initiative, as noted above.

The proposed legislation will also reflect Generally Accepted Accounting Principles and outline provincial interests of accountability and reporting/auditing provisions. The Ministry of Finance will lead this work team. Other Ministries may need to participate in the future and will be brought into the process as required.

This initiative will also be coordinated with the development and establishment of the \$15 million First Nations Benefits Trust, to ensure consistency in legislative, financial and administrative processes.

#### **BACKGROUND:**

On November 25, 2003, Premier Campbell announced the BC Rail Investment Partnership agreement with CN Rail. Under the agreement, the BC Rail tracks, rail bed and rights-of-way will continue to be held in public ownership by the British Columbia Railway Company, a provincial Crown corporation. The Province will receive \$1 billion from CN in return for the outstanding shares of BC Rail Ltd. and the right to operate over BC Rail's rail bed under a 60-year lease, which is renewable for another 30 years.

Pursuant to the completion of the BC Rail Investment Partnership, the Province has committed to investing \$135 million from the proceeds it will receive from CN to establish the Northern Development Initiative. It is anticipated that this transaction with CN will be finalized before March 31, 2004 and that the funding will be transferred to the NDI in fiscal 2003/04, as authorized by the founding legislation.

The NDI is intended to be independent from the provincial government and financially self-sufficient. It will be run by Northerners and reflective of Northern economic priorities and interests, as determined by an independent Board of Directors and four Regional Advisory Councils covering the Peace, Prince George, the Northwest and the Cariboo-Chilcotin-Lillooet.

The NDI will be established by legislation and launched with a one-time grant of \$135 million that will be held in a new NDI Trust, as described below. The

Province will have no direct control over the future use of these funds nor the ability to repatriate the funds to the Consolidated Revenue Fund.

**PURPOSE:**

The purpose of the Northern Development Initiative is to give Northern communities the funding, control and mechanism to identify and pursue new opportunities for stimulating sustainable economic growth and job creation in their regions. The NDI will be headquartered in Prince George and run by Northern residents for Northern development, in furtherance of the Heartlands Economic Strategy.

The intent is to give the NDI's Board of Directors and its four Regional Advisory Councils the ability to manage a \$135 million Trust that can be used for strategic investments to leverage economic growth and job creation in the following areas: forestry, pine beetle recovery, transportation, tourism, mining, energy, Olympic opportunities, small business and sustainable economic development.

The \$135 million NDI Trust will, in turn, have three operating accounts:

1. a \$25 million Operating Endowment that will be protected in perpetuity, yielding interest to support the operating needs and priorities of the NDI;
2. a \$50 million Northern Development Account to support cross-regional economic investments, as authorized by the Board on behalf of the Regional Advisory Councils; and
3. a \$60 million Regional Development Account, comprised of four \$15 million sub-accounts, to support investments identified by the Regional Advisory Councils that are consistent with the intended purposes of this initiative.

Given the one time nature of these funds, it is recommended that they be specifically designated as excluded under the *Balanced Budget and Ministerial Accountability Act*.

**NDI BOARD OF DIRECTORS:**

Board Powers:

A governing board, independent from Government, will oversee and approve all aspects of the Northern Development Initiative. It will ensure that all spending and investment decisions are consistent with the intention of the NDI and in keeping with the priorities of its four Regional Advisory Councils.

The Board will have sole legal authority to authorize all expenditures from the \$135 million Trust and its operating accounts, and to exercise the legal powers of a natural person. For greater certainty, this includes the power to authorize expenditures, incur debt as appropriate, generate and reinvest income, and enter into contractual relationships and partnerships.

The Board will have complete discretion over its own affairs and the sole authority to determine what compensation, if any, might be paid to its members or employees. It will not be not be indemnified by the Province.

It is anticipated that the Board may well want to leverage its investments by working in concert with other private and public entities, for example, through matching funds initiatives, investing in commercial corporations or for-profit endeavors.

Board Membership:

Under the proposed enabling legislation, the NDI's governing Board will have 13 members. MLAs will not be eligible to serve on the Board. The Board will self-select its Chair from among its 13 Board members.

Eight of the Board members will be selected by sitting members of the Regional Advisory Councils (RACs). Each of the four regions will elect two Board members from among their RAC members. The other five Board members will be appointed by the provincial government from qualified residents within the NDI regions.

The eight Board members selected by the Regional Advisory Councils will be appointed for two year terms, contingent upon their eligibility status as sitting members of their respective RACs. The RACs will of course retain their right to ensure that they always have a full complement of representatives on the Board, should any of their appointees resign or become ineligible from serving on the Board.

The Province's five Board appointees will be appointed for three year terms. The Province will have no authority to remove or replace sitting Board members.

**REGIONAL ADVISORY COUNCILS:**

Role:

As part of the \$135 million NDI Trust, there will be a \$60 million Regional Development account, comprised of four \$15 million sub-accounts – one for each of the regions noted above.

Each region will have a Regional Advisory Council that will effectively direct how its \$15 million allotment should be invested. The aim is to give the RACs effective control over how their dedicated share of NDI funding is used to maximize economic growth and job creation within their regions.

The RACs will determine the spending priorities and timing of investments within their regions and will advise the NDI governing Board accordingly. The Board will act on that advice in administering the Regional Development Account.

Each RAC will also select two of its members to serve on the RDI Board, to ensure every region's interests are properly represented.

#### Regional Advisory Council Membership:

It is intended that the RACs will be broadly representative of the communities and residents within the four regions identified. As such, the members of the RACs will all be elected representatives from the local governments and provincial electoral districts that fall within each region.

Eligible Regional Advisory Council members will include the Mayors, MLAs and Regional District representatives within each region. The Mayors and MLAs will be automatically entitled to serve on their region's RAC for as long as they remain in office. Each Regional District will also be entitled to select one representative from its Board members to serve on the local RAC. The Regional Districts' representatives will be entitled to serve on the RAC for as long as they remain elected to the Regional District and remain its designated representative.

The Chairs of the Regional Advisory Councils will be elected by sitting members of each Council from among its members.

#### Regional Boundaries:

The boundaries establishing the regions included in the NDI will be defined in the legislation to reflect groupings of provincial electoral districts, as follows:

##### Peace Region:

- Peace River North
- Peace River South

##### Prince George Region:

- Prince George North
- Prince George – Omineca
- Prince George – Mount Robson

##### Northwest Region:

- North Coast

- Skeena
- Bulkley Valley – Stikine

Cariboo-Chilcotin-Lillooet Region:

- Cariboo North
- Cariboo South
- Yale – Lillooet (from its northern boundary, south to Lytton, and east to Logan Lake).

## THE NDI TRUST:

### NDI Trust:

The NDI Trust will be established with a \$135 million grant from the Province in fiscal 2003/04. It is intended to be used by the NDI Board, on behalf of its RACs, for strategic investments aimed at leveraging economic growth and job creation in forestry, pine beetle recovery, transportation, tourism, mining, energy, Olympic opportunities, small business and sustainable economic development. The NDI Board will select an independent trustee (i.e., one or more financial institutions) to manage the actual funds.

The \$135 million NDI Trust will, in turn, have three operating accounts:

#### 1. Operating Endowment:

A \$25 million Operating Endowment will be established as an operating account from the \$135 million NDI Trust. The \$25 million in principal within the Operating Endowment will be protected in perpetuity as a legacy of the BC Rail Investment Partnership, yielding interest to support the operating needs and priorities of the NDI.

The interest on the Endowment may be spent on virtually anything the NDI Board so authorizes, provided it is ultimately consistent with the purposes of the Trust. For example, it might be used to pay for salary, travel, office and meeting costs, remuneration for Board and/or RAC members, or economic investments.

The Operating Endowment will not revert to Government if and when the other NDI operating accounts are fully expended, and the NDI Board will not be legally permitted to liquidate the amount held in principal.

#### 2. Northern Development Account:

A \$50 million Northern Development Account will be created from the \$135 million NDI Trust to support cross-regional economic investments, as authorized by the Board on behalf of the Regional Advisory Councils.

There will be no “strings attached” as to how or when this money can be spent, other than any conditions that may be imposed by the NDI Board. The funding is intended to broadly benefit all of the regions participating in the NDI and to be strategically invested to maximum economic effect.

3. Regional Development Account:

A \$60 million Regional Development Account will also be established from the funding available in the \$135 million NDI Trust. It will, in turn, be comprised of four \$15 million sub-accounts that are allocated to each of the four regions, to support suitable investments identified by the Regional Advisory Councils. The NDI Board will act on the RACs’ advice to invest these sub-accounts as they wish.

The funds may be dispersed over time, leveraged for future investments (e.g. partnerships with industry or governments on a specific initiative or investments in sustaining assets) and/or spent on immediate priorities. As with the Northern Development Account, there are no restrictions on how this money might be invested, other than those imposed by the RACs or by the RDI Board.

**FISCAL MANAGEMENT CONSIDERATIONS:**

The \$135 million cost of the BC Rail BC Rail Northern Development Initiative will come from the \$1 billion proceeds of the sale of BC Rail shares. It is recommended that any costs associated with the administration of the Trusts or operation of the Board come from the Trust funds, including any interest income of the Trust, to ensure there are no impacts on Ministry budgets.

The timing of the legislation and release of funding will be coordinated with the overall timing of the receipt of the proceeds from CN Rail to ensure the transactions occur this fiscal year.

Costs will be incurred and borne by Ministries through the dedication of staff time on development of the legislation and the administrative mechanisms of the Board and the Trusts.

**SIGNIFICANT IMPLICATIONS:**

Legislation Required

Legislation will be required to establish the Northern Development Initiative, as outlined above.

**RECOMMENDED DECISION:**

Authorize approval to draft legislation aimed at establishing and funding the NDI, as outlined in this submission, for introduction in the Legislature pending the finalization of the BC Rail Investment Partnership with CN Rail in fiscal 2003/04.

Signature:

---

Premier Gordon Campbell

**Date:** December 10, 2003

**Key Contact:**

David Morhart, Assistant Deputy Minister, Provincial Treasury  
Tel: 387-9295