



Meeting with  
Honourable Eric Robinson  
Acting Minister of Aboriginal and Northern Affairs

April 6, 2009

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## Executive Summary

### Departmental Issues

#### 1. Treaty Land Entitlements

- The AMM has repeatedly raised the need for more timely settlements and although the Province has committed to improve the process, inefficiencies remain.
- A primary obstacle to timely resolution continues to be the two separate processes for private and Crown land conversions.
- The AMM understands the Province's need to confirm the eligibility of selected land parcels, however the time commitment required to complete these processes is excessive.
- One of the main reasons municipalities have difficulty with the TLE process is the cost of legal and other professional services required.
- Any efforts the Provincial Government can make to encourage expediency within the Federal process would be greatly appreciated.

**Therefore, the AMM urges the Provincial Government to implement measures to improve the expediency of the Treaty Land Entitlement land conversion process.**

#### 2. Service Agreements with First Nations

- These agreements can include a wide range of municipal services and are therefore often quite complex to negotiate.
- For instance, tensions can arise and hinder progress towards mutually agreeable solutions, while the costs of the process continue to escalate.
- For this reason, the AMM is building a relationship with the Treaty Relations Commission of Manitoba through Chief Dennis White Bird.
- The AMM is pleased that the Province has also committed to work with the Treaty Relations Commission of Manitoba to enhance its relations with First Nations.
- Municipalities entering service agreements can recover the cost of the particular services provided to First Nations, yet many municipalities are disturbed by the loss of taxes resulting from the transfer of land.
- Although a structure has been established to provide compensation for lost taxes, this amounts to Manitoba municipalities receiving only five times the annual net tax loss at the time of conversion.
- There is no reason for Manitoba municipalities to be treated differently than those in other provinces, and the Provincial and Federal Governments should revise Manitoba's compensation structure accordingly.

**Therefore, the AMM urges the Provincial Government to review the current TLE compensation structure in order to provide additional support for municipalities engaging in service agreement negotiations.**

### **3. Funding for Port of Churchill and Northern Rail Lines**

- Maintaining rail lines leads to substantial benefits in years to come, therefore the Province should consider these future impacts and develop disincentives to rail line abandonment in Manitoba, while supporting development of the Port of Churchill and northern rail lines.
- The Federal and Provincial Governments have expressed support for developing an inland port in Manitoba, and this is due to the availability of several modes of transportation including rail infrastructure.
- As an essential component of Manitoba's shipping potential, the many rail lines that support the Port of Churchill must be preserved since the ongoing development of the Port of Churchill will establish economic opportunities for communities across Manitoba.
- At a time when innovative solutions are required to address the growing infrastructure deficit, allowing an effective, low-emission transportation option to disappear exacerbates municipal infrastructure problems.
- This is especially difficult in Northern Manitoba where railways are often the only transportation access available and there are limited opportunities to shift to a reliance on the road network.
- The discontinuance of rail lines creates additional costs for municipalities, and rail companies should remain accountable for these decisions as prescribed by the Federal legislation.
- The commitment to review *The Provincial Railways Act* is appreciated and the AMM anticipates that many municipalities will voice these concerns throughout the consultative process.

**Therefore, the AMM urges the Provincial Government to recognize the valuable services provided by Manitoba's rail lines and the Port of Churchill, to address the economic and environmental impacts of rail line abandonment and to ensure that these concerns are reflected in the upcoming review of *The Provincial Railways Act*.**

## General Issue

### 1. Alternate Revenues for Municipalities and Infrastructure Investment

- Today's municipal council must balance community economic development, land use planning and infrastructure renewal and development with an eroding tax base and an increased reliance on application-based grants.
- The message the AMM is hoping to convey is not that the provincial or federal government has completely forgotten about municipalities, but rather that despite their efforts municipalities still face enormous challenges and more is needed.
- A new approach is needed, and for this reason we are asking the Province of Manitoba to share one percent of the Provincial Sales Tax with municipalities for infrastructure. This will provide municipalities with in excess of \$200 million a year.
- In 2009, the Saskatchewan Government has allocated \$100 million for municipal infrastructure to be distributed on a per capita basis, as well as \$167 million for municipalities from the Provincial Sales Tax.
- What should not be lost is the positive impact infrastructure investment would have for the provincial and national economy.
- A study by the Federation of Canadian Municipalities found that an increase in municipal infrastructure spending of \$1 billion in 2008 (at nominal process and allocated to a representative mix of infrastructure) would increase the size of the real economy by roughly 0.13 percent or \$1.3 billion in nominal terms.
- Municipalities are not looking for new revenue sources to store money away for a rainy day. The storm has arrived.
- Providing municipalities with new revenue sources will not only begin to address the growing infrastructure deficit, but will help build and strengthen our economy.
- For municipal government to be sustainable into the future, and for Manitobans to have access to the quality of life they deserve, municipalities need to have access to sustainable growth revenues.

**Therefore the AMM is asking the Province to undertake a serious review of the roles, responsibilities and resources of municipal government in Manitoba and in the short term provide municipalities with one percent of the current PST to help address the growing municipal infrastructure deficit.**

## Departmental Issues

### 1. Treaty Land Entitlements

The process of converting land for Manitoba's Treaty Land Entitlements (TLE) presents complex challenges and has therefore been very lengthy. Municipalities can only influence a narrow aspect of this process, yet the larger process significantly impacts local development. The AMM has repeatedly raised the need for more timely settlements and although the Province has committed to improve the process, inefficiencies remain. Therefore, the Province must exercise its role in ensuring the timely completion of the land transfer process for the benefit of all stakeholders.

A primary obstacle to timely resolution continues to be the two separate processes for private and Crown land conversions. Each process has substantially different time requirements regarding the Provincial assessment of land conversions. Where private land has been identified for conversion by an Entitlement First Nation, the Provincial Government is involved in assessing residual interests, such as mineral rights, and making a report to the Federal Government. Once this is complete, the Federal Government can then convert the land through the Additions to Reserve policy.

In contrast, where Crown land is identified for conversion, the Province is required to follow an internal circulation process to all Provincial departments, relevant Special Operating Agencies, municipalities and other stakeholders. Only after this extensive review is complete will the land be deemed eligible for conversion to reserve status at the Provincial level. The Province then holds the parcel of land until the Federal Government completes the process required through the Additions to Reserve policy. At that time, the Provincial Government must then prepare an Order in Council to transfer the land to the Federal Government. These processes lead to an extremely time consuming process for the conversion of land.

The AMM understands the Province's need to confirm the eligibility of selected land parcels, however the time commitment required to complete these processes is excessive. A successful land conversion process should enable Entitlement First Nations and municipalities to make the

best use of the land in a timely manner, without losing economic development opportunities. For this reason, the AMM was pleased to hear the Province's commitment to address the administrative framework and complexity of the process to ensure completion of the transfer of land to the Federal Government in the next three years. Municipalities look forward to the completion of this process along with Provincial efforts to expedite the assessment of land conversions as such action will support development in the affected communities.

One of the main reasons municipalities have difficulty with the TLE process is the cost of legal and other professional services required. Although initiatives such as the Treaty Relations Commission of Manitoba can eliminate a portion of the time commitment required, municipalities continue to incur high costs of professional and legal services throughout the TLE process. Moreover, the costs incurred by municipalities are compounded by the length of time required to reach an agreement. A 2006 report from the Auditor General of Canada indicated that the TLE process takes a number of years to complete. This has a direct impact on the environmental assessments and land surveys that are required to complete the TLE process. Although municipalities recognize the practical reasons for requiring such assessments, they are often repeated several times throughout the selection and conversion process due to changing plans and environmental conditions. The fees required to review and update these assessments can amount to substantial costs and this must be recognized as a major expense for municipalities. Therefore, improvements to the TLE process must include a means of addressing these costs.

The Province also has an important working relationship with the Federal Government. Several municipalities have raised concerns with the Federal Government's administration of the land conversion process. Any efforts the Provincial Government can make to encourage expediency within the Federal process would be greatly appreciated. The Federation of Canadian Municipalities (FCM) has highlighted these issues with the Federal Government, and adding a Provincial voice to these concerns would certainly benefit the overall implementation.

**Therefore, the AMM urges the Provincial Government to implement measures to improve the expediency of the Treaty Land Entitlement land conversion process.**

## 2. Service Agreements with First Nations

The most significant municipal involvement in the land conversion process is engaging in service agreements with Entitlement First Nations. These agreements can include a wide range of municipal services and are therefore often quite complex to negotiate. Municipalities incur considerable costs while engaging in these negotiations and should be supported by the other orders of government. Another significant issue that impacts this process is ensuring that adequate incentives are in place to support a mutually beneficial land transfer. Enhancing the current process and incentive structure will allow municipalities and Entitlement First Nations to coordinate their efforts and develop positive relationships that support future development opportunities.

Throughout the Treaty Land Entitlement process, municipalities engage a variety of legal and other professional services at a considerable expense. These interventions along with the length of time required to complete the negotiations suggests a need to facilitate the negotiation process. Specifically, tensions can arise and hinder progress towards mutually agreeable solutions, while the costs of the process continue to escalate. For this reason, the AMM is building a relationship with the Treaty Relations Commission of Manitoba through Chief Dennis White Bird. AMM members appreciated Chief White Bird's presentation at the 2008 Convention and anticipate that working with the Commission will facilitate negotiations. Similarly, the AMM is pleased that the Province has committed to work with the Treaty Relations Commission to enhance its relations with First Nations. Municipalities are hopeful that TLE negotiations will be facilitated as a result since all stakeholders will become more comfortable working with one another.

The Province has also eased the process by providing informational resources such as the Guide to Negotiating Municipal Services and Development Agreements. However, the most pressing concern for municipalities is monetary compensation. Municipalities entering service agreements can recover the cost of the particular services provided to First Nations, yet many municipalities are disturbed by the loss of taxes resulting from the transfer of land. Although the land transferred is unoccupied and therefore does not generate substantial municipal tax revenue, municipalities could potentially benefit from taxes if the same land were developed for industrial, commercial or residential use. Once the lands are transferred to reserve, municipalities

no longer have the potential to promote development in that location. First Nations have valid claims to select this land, however appropriate compensation for the municipal loss must be available.

Although a structure has been established to provide compensation for lost taxes, this amounts to Manitoba municipalities receiving only five times the annual net tax loss at the time of conversion. This does not provide sufficient incentive for municipalities to pursue TLE settlements since it represents a considerable loss in tax revenue over the long-term. In contrast, compensation rates in Saskatchewan are available to rural municipalities for 25 years and to urban municipalities in perpetuity. There is no reason for Manitoba municipalities to be treated differently than those in other provinces, and the Provincial and Federal Governments should revise Manitoba's compensation structure accordingly. Furthermore, the Federal Government assists the municipal tax collection process in Saskatchewan by paying the municipal taxes after a period of 75 days. This ensures municipalities maintain consistent income during negotiations and assists in easing the relationships between Entitlement First Nations and municipalities. In order to enhance incentives to complete TLE negotiations, similar arrangements should be given greater consideration in Manitoba.

**Therefore, the AMM urges the Provincial Government to review the current TLE compensation structure in order to provide additional support for municipalities engaging in service agreement negotiations.**

### **3. Funding for Port of Churchill and Northern Rail Lines**

Manitoba is well-positioned to move forward as a Canadian transportation hub and investing in railways as an efficient, low-cost shipping option is consistent with this goal. Railways are currently an integral part of Manitoba's transportation network and the advantages of maintaining this infrastructure outweigh the detrimental effects of abandonment. The decision to abandon a rail line cannot be reversed and it is highly unlikely that rail services will be re-established. Yet maintaining rail lines leads to substantial benefits in years to come, therefore the Province should consider these future impacts and develop disincentives to rail line abandonment in Manitoba, while supporting development of the Port of Churchill and northern rail lines.

The increasing trend towards abandoning rail lines is a major economic concern. The Federal and Provincial Governments have expressed support for developing an inland port in Manitoba, and this is due to the availability of several modes of transportation including rail infrastructure. For instance, the rail links to northern Manitoba and the Port of Churchill offer a key opportunity to further develop trade with overseas partners. In contrast, eliminating or neglecting rail lines deters business development in many areas due to the reduced number of connections between producers and markets. In communities where the railway is the only transportation link, abandoning rail lines effectively halts future economic development opportunities, isolates communities, and cuts off access to required goods and services.

In contrast, communities can thrive through the effective usage of the rail system. For instance, Churchill is an important tourist destination for Manitoba and the railway assists in providing tourist access to the town. The Port of Churchill is a key node in the transportation, particularly as it is being developed as Canada's only deep-water seaport. The AMM acknowledges that the Provincial and Federal Government have recently made significant investments in the port and the Hudson Bay rail line. At the same time, it is necessary to recognize that other rail lines offer essential links connecting the port and several remote, northern communities and economies to key markets. As an essential component of Manitoba's shipping potential, the many rail lines that support the Port of Churchill must be preserved. The ongoing development of the Port of Churchill will establish economic opportunities for communities across Manitoba. Therefore, rail

lines throughout the province should be protected to maintain efficient links to this important seaport.

At a time when innovative solutions are required to address the growing infrastructure deficit, allowing an effective, low-emission transportation option to disappear exacerbates municipal infrastructure problems. In particular, recent rail line abandonment related to agricultural shipping has increased pressure on Provincial and municipal highways, resulting in a need for additional investment in road maintenance and repair. Municipalities aim to strategically plan infrastructure and make long-term investments accordingly, however the changes brought about by rail line abandonment interfere with these efforts. This is especially difficult in Northern Manitoba where railways are often the only transportation access available and there are limited opportunities to shift to a reliance on the road network. It is inefficient to abandon functioning infrastructure and thereby create demand for alternative transportation infrastructure that is already deteriorating due to lack of investment.

Municipalities prefer that rail lines be preserved and maintained, however when companies choose to abandon rail lines, municipalities must be properly compensated. Under *The Canada Transport Act*, a federally-regulated railway company must pay compensation to affected municipalities when discontinuing the operation of a grain-dependent branch line. Since provincially-regulated companies are not subject to the same requirement, municipalities are left with substantial costs and no compensation. The AMM is aware that the Manitoba Ombudsman has made a recommendation on this matter, stating that the review of *The Provincial Railways Act* should “contemplate whether the federally-regulated railway companies’ obligations to pay compensation can be preserved upon the discontinuance of a grain-dependent branch line, even where the line is discontinued by a provincially-regulated successor company.” The AMM supports this recommendation since municipalities are facing growing difficulties in meeting local infrastructure demands. The discontinuance of rail lines creates additional costs for municipalities, and rail companies should remain accountable for these decisions as prescribed by the Federal legislation.

There are also significant environmental impacts associated with rail line abandonment. From an emissions standpoint, shipping by road generates far more greenhouse gas than shipping by rail. Since the Provincial Government aims to reduce emissions in other industries, transportation should be no exception. As well, many rail beds act as dykes to protect communities against high water levels. The elimination of this infrastructure therefore changes drainage structures and puts communities at an increased risk of flooding. Municipalities do not have the resources to replace this infrastructure and decommissioning plans should include greater consideration of such impacts on adjacent property. In addition, the abandoned rail beds pose an environmental threat when contamination issues are not resolved. The decommissioning process must also include sufficient efforts to remove any contamination that poses a threat to the local population and environment. If the railway companies are not held responsible for removing such contamination, municipalities will be forced to take on this considerable liability. Therefore, where rail line abandonment is already in process, the Provincial Government must be prepared to address ongoing environmental concerns.

In recognition of the importance of railways in Manitoba, the Provincial Government must ensure that its legislation reflects the current realities facing rail transportation in this province. The commitment to review *The Provincial Railways Act* is appreciated and the AMM anticipates that many municipalities will voice these concerns throughout the consultative process. The Province must also work with the Federal Government to preserve rail services in Manitoba. As the Federal Government moves forward with its rail service review, the Provincial Government must ensure that Manitoba's reliance on railways is taken into consideration. Federal policy changes that result in detrimental impacts for Manitoba communities must be avoided. The Provincial Government must assist communities that rely on rail transportation by reiterating municipal concerns throughout the federal rail service review.

**Therefore, the AMM urges the Provincial Government to recognize the valuable services provided by Manitoba's rail lines and the Port of Churchill, to address the economic and environmental impacts of rail line abandonment and to ensure that these concerns are reflected in the upcoming review of *The Provincial Railways Act*.**

## General Issue

### 1. Alternate Revenues for Municipalities and Infrastructure

#### Investment

The lack of revenue is not a new problem for municipalities. In fact a strong argument can be made that from its inception municipal government has not had the resources required. You need only look back to the resolutions from the founding meeting of the Union of Manitoba Municipalities in 1905 to see municipal revenues were front and centre.

But now more than ever municipalities need new tools to deal with new responsibilities and new expectations. Municipalities are playing an ever greater role in the lives of Manitobans, as the days of simply collecting garbage and plowing roads are long gone. Today's municipal council must balance community economic development, land use planning and infrastructure renewal and development with an eroding tax base and an increased reliance on application-based grants. This has left many municipalities to question whether the current system is tenable any longer.

Currently, Manitoba municipalities are more reliant on provincial and federal grants than any other province in Canada. While in some cases these types of programs are necessary (for example large-scale infrastructure projects), it leaves municipalities having to compete against one another for limited dollars and restricts a municipality's ability to properly plan for much needed investment. The amount in grant programs like the recent Municipal Rural Infrastructure Fund is nowhere near the total demand, meaning there is no guarantee much needed projects will ever see funding.

Overreliance on grants and transfers leaves municipalities without the tools required to meet demands. Many issues raised by municipalities are really issues of access to revenue when stripped down to their core. For example, the need to remove education tax from property is really a municipal revenue issue, as municipalities see education tax as eroding the property tax, which is the single greatest source of municipal revenue. Over the last number of years we have seen more and more municipalities speaking out on the need for greater municipal revenue sources.

It is important that the federal and provincial governments' contribution to municipalities are not forgotten. Federally, municipalities have benefited from a GST rebate, the sharing of the federal gas tax and the new Building Canada Fund. The recent Federal Budget has made an unprecedented investment in infrastructure, which will benefit municipalities. Provincially, municipalities have benefited from the sharing of provincial income tax, the Building Manitoba Fund, and supports in several other areas. The message the AMM is hoping to convey is not that either order of government has completely forgotten about municipalities, but rather that despite these efforts municipalities still face enormous challenges and more is needed.

Municipalities must have access to new revenue sources. A greater reliance on property taxes and provincial and federal grants has created an ever-widening chasm between municipal revenues and needs, leaving future generations with what is quickly becoming an insurmountable infrastructure deficit.

A new approach is needed, and for this reason we are asking the Province of Manitoba to share one percent of the Provincial Sales Tax with municipalities for infrastructure. This will provide municipalities with in excess of \$200 million a year. For a community of 1,000 people, this means an investment of roughly \$185,000 in their local infrastructure, or \$370,000 for a community of 2,000 people. A community such as Thompson could see close to \$2.5 million while Winnipeg would expect to see over \$117 million. Although these amounts alone will not erase the infrastructure deficit in Manitoba, it would be a positive first step.

Other provinces have recently made significant strides to address municipal infrastructure needs, notably in Saskatchewan. In their 2009 Provincial Budget, the Saskatchewan Government made an impressive commitment in establishing the new Municipal Operating Grants program through consultations with Saskatchewan's two municipal associations. The program provides \$167 million, including \$107 million to urban municipalities, \$48 million to rural municipalities, and \$12 million to northern communities. This is equivalent to 90 percent of one point of PST (from 2007-08 Public Accounts). In 2010-11 and subsequent years, the Saskatchewan Government has committed to allocating the equivalent of 100 percent of one point of PST to municipalities. This

funding is in addition to January's announcement of the Municipal Economic Enhancement Program that provides funding to Saskatchewan municipalities to strengthen the provincial economy. This program allocates \$100 million on a per capita basis to assist municipalities in making much-needed infrastructure investments. This type of commitment stands in stark contrast to the additional \$4 million Manitoba municipalities received in the 2009 Provincial Budget.

The AMM understands that providing additional revenues to municipalities may become more difficult as the economy continues to fluctuate. While economic projections can never be taken as absolute fact, they are often a prophetic divining rod on economic times. However what should not be lost is the positive impact infrastructure investment would have for the provincial and national economy.

The Federation of Canadian Municipalities has investigated this principle in depth and has found in their 2008 study "Municipal Infrastructure- Macroeconomic impacts of spending and level-of government financing" that an increase in municipal infrastructure spending of \$1 billion in 2008 (at nominal process and allocated to a representative mix of infrastructure) would increase the size of the real economy by roughly 0.13 percent, or \$1.3 billion in nominal terms. While this would erode slightly over time with consistent investment, over a four year period it would still result in meaningful gains to the economy, dropping to a 0.6 percent increase in the final year.

The resulting investment would be felt in the employment sector as well, since a great number of industries would benefit. A \$1 billion investment in 2008 would add 11,500 new jobs, in industries from labour and material suppliers through to architects and engineers.

Giving municipalities access to additional revenues, will translate to stronger investment in our communities. The Institute for Research on Public Policy has shown that providing adequate infrastructure has both direct and indirect benefits for private-sector manufacturing.

Infrastructure is an intermediate input into the production process, with businesses locating where they have access to water, hydro and transportation. New roads reduce fuel costs and haul times. Access to high quality (and adequate) water reduces input costs. There is also evidence

that increased investments in public infrastructure allow private companies to use labour inputs more intensively, translating into more jobs.

Municipalities are not looking for new revenue sources to store money away for a rainy day. The storm has arrived. The national municipal infrastructure deficit is in excess of \$123 billion for current infrastructure with another \$115 billion needed for new infrastructure to keep pace with other developed nations. Left to deal with this ballooning deficit alone armed only with property taxes and grants, it will continue to grow exponentially. Alternatively, providing municipalities with new revenue sources will not only begin to address this growing deficit, but will help build and strengthen our economy.

The time has come for a new approach to municipal funding. The expectations of today's municipalities are greater than any time in history. Regrettably so are the financial challenges facing municipalities. For municipal government to be sustainable into the future, and for Manitobans to have access to the quality of life they deserve, municipalities need to have access to sustainable growth revenues.

**Therefore the AMM is asking the Province to undertake a serious review of the roles, responsibilities and resources of municipal government in Manitoba and in the short term provide municipalities with one percent of the current PST to help address the growing municipal infrastructure deficit.**

## Appendix A – Active Resolutions

### AMM Resolution Number 12 - 2008

#### Topic: Service Agreements with First Nations

Sponsor: Town of The Pas (Northern District)

Departments: Manitoba Aboriginal & Northern Affairs; Manitoba Intergovernmental Affairs

WHEREAS municipalities enter service agreements with First Nations communities to provide services when requested;

AND WHEREAS there is limited compensation by the Province for education levies on properties affected by the Treaty Land Entitlement (TLE) process, thereby requiring all other municipal ratepayers to pay for the associated lost revenue for local school divisions;

AND WHEREAS municipalities spend significant dollars on legal fees to develop service agreements with no financial assistance from the Province;

AND WHEREAS the Province of Manitoba has only committed to 5 years of funding to municipalities for lost taxation as a result of the TLE process, with tax revenue being lost in perpetuity beyond that period;

THEREFORE BE IT RESOLVED that the AMM lobby the Province of Manitoba to guarantee a 20 year grant for lost municipal taxes, full recovery for local school division levies and financial assistance to offset legal fees resulting from service agreements with First Nations.