

Budget Address

2008 - 2009

NORTHWEST TERRITORIES

The Honourable Floyd K. Roland
Minister of Finance

**Second Session of the
Sixteenth Legislative Assembly
May 22, 2008**

Introduction

Mr. Speaker, I am pleased to present the first budget of the 16th Legislative Assembly.

We're at an important crossroads in the Northwest Territories.

Times are relatively good.

We continue to have the highest Gross Domestic Product per capita in the country. And the highest average income in the country.

At the end of last year, a third world-class diamond mine went into production in the Northwest Territories. At full operation, our diamond industry will produce 15 per cent of the world's diamonds.

For a territory of only 43,000 people, those are some great achievements.

And residents of our Territory are to be commended. Because it's due to their hard work that we are succeeding. It's due to their goals, and their values, and their ambitions that we have these remarkable achievements and are enjoying these good times.

We all want these good times to continue.

But there are some clouds on the horizon that we need to watch.

Over the past year, the North American economy has begun to face some difficult hurdles.

Canada's largest trading partner, the United States, is in economic slowdown. There is volatility in world financial markets. Energy costs have risen rapidly.

Although the strength of the Canadian dollar helps insulate us, Canada is not immune to these economic challenges.

Many governments across Canada, including the federal government, are budgeting with caution. Because financial ripples can become dangerous waves. Canada's economy, like ours, is based on exports. We depend on people and businesses around the world to buy our products and services. So the health of world markets and the pocketbooks of world consumers affect our economy. Their challenges can have an impact here.

So we need to keep an eye on the broader economic situation, and be prudent in our budgeting.

At the same time, here in the Northwest Territories, we have immense opportunities ahead of us.

We know we have an incredible amount to offer Canada and the world.

Exploration continues in our resource sector as we take our place as a world leader in diamond production.

Global demand for oil and natural gas continues to grow. We have billions of barrels of oil and trillions of cubic feet of natural gas waiting to be developed.

Our river systems offer incredible hydroelectric potential that can generate new growth and cheaper, cleaner energy alternatives for our residents.

We have great tourism potential, with some of Canada's most spectacular scenery, including our Aurora Borealis. We have arts and crafts and unique, rich cultures that we are proud to showcase to the world.

And we sit adjacent to western provinces that share our strengths in natural resources. A powerful economic bloc. We want to be part of that economic success.

These opportunities offer us the prospect of greater economic development in the Northwest Territories. Development that will create more jobs for residents, create more opportunities for business, and result in an even better quality of life for Northerners.

We want to unlock the immense opportunities we have in front of us. But that will not happen by just sitting and waiting. It will not happen if we just hope. It will certainly not happen if we continue to do things the same old way.

Instead, it will take targeted actions and investments. That is the course this Budget sets us on.

Last fall, one of our first tasks as Members of the 16th Legislative Assembly was to identify our vision and goals and develop our priorities for the next four years. Members have described a vision of the Northwest Territories as a place where strong individuals, families and communities share the benefits and responsibilities of a unified, environmentally sustainable and prosperous territory.

The Government, with input from all Members, has identified specific actions to address the Assembly's priorities, and to allocate the resources needed to achieve our goals.

In February, I laid out five strategic initiatives, based on the vision and priorities of this Assembly. These will be the focus of our actions, and our investment, in the years ahead.

The first is building our future – taking actions that focus on our children and youth, on promoting healthy choices, and on supporting families and seniors.

The second is reducing the cost of living – taking actions to address the high costs that stand in the way of achieving a better quality of life and affect our ability to grow and diversify our economy.

The third initiative is managing this land – taking action toward finding the right balance between development and protection of our land and resources, and making these decisions in the NWT.

The fourth is to maximize opportunities in the NWT – to open the door to new developments that contribute to the North. To improve the quality of education and training so that Northerners can take advantage of the jobs that are created here in the NWT.

And fifth, we will be taking action to refocus government – to achieve greater effectiveness and efficiency in how we operate as a government and in how we deliver programs and services to the people of the NWT.

The Budget I am introducing today begins to make the substantial investments needed to advance our priorities. It builds on our key existing programs and services, and moves our territory forward, toward our vision and goals.

Fiscal Strategy

Now, Mr. Speaker, if we are to achieve the vision that Members have set, then we cannot continue to do business in the same old way.

Budgeting is always about making choices.

It is about determining what resources we expect to have and deciding, based on our priorities, how to allocate those resources to best achieve our goals. This means that sometimes we have to say no to things that are not priorities, or stop doing things that are not the best use of the money that's available.

Our five strategic initiatives will help unlock our opportunities and improve life in the Northwest Territories. They will help us reach our goals. But we need to back up these initiatives with proper investment.

We need to align our budget so it's consistent with our vision. We are allocating appropriate resources to focus on our strategic initiatives, while establishing a solid fiscal foundation.

We have limited revenues in the Northwest Territories. And although they are growing, without changes our expenditures will grow faster. We face a situation where our operating expenditures have continued to eat into our revenue base, eroding our ability to fund important priorities like roads, schools and water treatment plants. If this isn't addressed, it will hurt our long-term financial position and our ability to invest in our strategic priorities towards building a better future will be compromised.

NWT residents know what it means to make financial choices.

Households and families deal with the same set of choices every day.

They know that if you spend money faster than you earn it, you will eventually end up in debt. That you'll end up using your credit cards for day-to-day expenses – like rent and food. And that you won't have any extra cash along the way to make major investments that improve your standard of living, like buying a truck or renovating your home.

Worse yet, if you haven't put your financial affairs in order during good times, then it's even more difficult and disastrous when rough times arrive.

We all know that's not a prudent way to secure the futures of our families.

Securing the future of our territory is no different.

The Government of the NWT is forecasting annual revenues of more than \$1.2 billion per year over the next four years. But without action on our expenditures, we will be running operating deficits and borrowing to pay for our day-to-day expenses. That's no different from a family maxing out its credit cards.

If our expenditures grow at the rate they have over the last four years, then by the end of 2011-12, this government will be almost \$500 million in debt. And along the way we will have no money to invest in our strategic initiatives. No resources to help achieve the vision and goals set by this Assembly.

This is clearly not in the long-term interests of Northerners.

We have little flexibility on the revenue side of the budget.

New Territorial Formula Financing arrangements established by Canada in 2007 will provide a predictable, principle-based funding source for our government. But these arrangements will not change in the near future and we are not expecting additional revenues.

Although the NWT's prospects for economic growth are bright, we cannot expect all of this to translate into comparable revenue growth for our government. Much of the benefit of economic activity in the NWT "leaks" out to other jurisdictions. Under our funding arrangements with Canada, 70 cents of every new dollar of revenues is clawed back from our Formula Financing Grant. And resource royalties continue to be paid to the federal government, not to NWT governments.

We continue to pursue devolution and resource revenue sharing with the Government of Canada. I have raised this issue over the past few months with the Prime Minister, the Minister of Indian and Northern Affairs and with NWT Aboriginal leaders.

However, we must be realistic and recognize that we cannot build budgets around money we do not yet have. A resource devolution agreement will likely not produce additional revenues during the life of this Assembly. And even if we had an agreement today, resource revenues alone would not be sufficient to overcome the higher growth in our expenditures.

Our fiscal strategy includes looking at tax options, but we know that we cannot solve our fiscal situation solely by increasing taxes on NWT residents and businesses. This would

discourage business investment and economic growth, and it would leave individuals and families with less money in their pockets at a time when the costs of living are rising.

So we must act on the expenditure side. We must bring our rate of spending growth into alignment with our rate of revenue growth.

We must take steps to live within our means.

Some would have us postpone taking action. Some ask, “Why now? Expenditures may be rising, but we’re still in surplus. Times are good.”

Well there’s a saying I’ve heard:

“The rich man plans for tomorrow; the poor man for today.”

Mr. Speaker, this government is planning for tomorrow.

We don’t want to wait until we slip into deficit and debt and we’re forced to act. We don’t want to wait until our financial flexibility is gone and our choices have run out. We don’t want to take action at the highest possible cost when the impacts would be most devastating. And we don’t want to squander the incredible opportunities we have in front of us.

We are taking action today so that we can secure the prosperity we’re enjoying. So that we can lock in our current achievements with a budget that is sustainable in the long term.

And so that we have resources to invest in our priorities and build the great Northwest Territories of tomorrow.

This Budget takes a balanced, realistic approach that involves reallocation of some spending to allow us to make new investments; that starts to bring our rate of expenditure growth in line with our rate of revenue growth; and that contemplates a responsible level of borrowing to permit investment in badly needed infrastructure.

Budget 2008-09 Highlights

Let me now turn to the highlights of this Budget.

The 2008-09 Budget is a balanced budget, projecting a small operating surplus of \$13 million.

For the coming fiscal year of 2008-09, the government is estimating revenues of \$1.23 billion.

Relatively stable Territorial Formula Financing arrangements were an important planning assumption in setting our fiscal strategy over the next four years. The Grant from Canada will be \$805 million in 2008-09, an increase of just over 2 per cent from 2007-08.

This Budget proposes 2008-09 operating expenditures of \$1.217 billion. This represents almost \$28,000 per NWT resident to deliver programs and services that meet the needs of the residents of this territory.

This is an operating expenditure increase of \$64 million, or about 5.5 per cent, over the 2007-08 Main Estimates. This includes \$45 million to address increased social program costs, to meet higher fuel costs, and to meet our obligations to employees under our collective agreements.

This Budget builds a stronger Northwest Territories by making a substantial commitment to invest in our people and the infrastructure that supports communities, economic activity and the programs our residents rely on.

This Budget includes \$72 million to support investments in the priorities of this Assembly. These investments will be funded by offsets in other spending areas - \$32 million in sunsetted programs and \$35 million in expenditure reductions in 2008-09.

It also invests \$180 million in public infrastructure, including contributions to community infrastructure projects. We will not, however, need to borrow for this investment in 2008-09. Our total debt at the end of 2008-09 is projected to be \$158 million, most of which is the long-term debt of the NWT Power Corporation and the NWT Housing Corporation.

The Government's medium term outlook anticipates moderate operating surpluses while making significant inroads into our territory's infrastructure and other investment needs. To achieve this, we will be capping forced growth, excluding compensation and benefits, at 3 per cent per year. We will be looking for additional savings on the expenditure side, and we will be looking at initiatives to increase our own-source revenues.

We will undertake over five hundred million dollars in infrastructure investments over the life of this Assembly, investments that will improve the quality of life for NWT residents and encourage economic growth.

We will, quite literally, be building tomorrow's future.

This Budget is realistic, balanced and responsible. It falls within our *Fiscal Responsibility Policy*, which continues to guide our budget planning based on sound principles of financial management. Implementing our fiscal strategy means that, by the end of 2011-12, the GNWT will have incurred only \$17 million of new debt. But we will not be borrowing to fund our day-to-day expenses.

This Budget provides a framework to ensure we maintain a sound fiscal position. One that will allow us to deliver affordable programs and services and invest in needed infrastructure within fiscally sustainable levels of financing.

After taking into account expenditure changes, new initiatives and additional capital investment, we expect that this Budget will have a positive impact on the NWT economy, including job growth.

Revenues

Mr. Speaker, this Budget includes no changes to NWT tax rates for 2008-09.

The Government's fiscal strategy includes the generation of \$10 million in new revenues, starting in the 2009-10 fiscal year.

Although \$10 million represents a relatively small proportion of the GNWT's revenues, any tax measure will affect the cost of living or doing business in the NWT. It is important that the revenue measures we take are consistent both with this Assembly's overall goals and with sound tax policy.

Following consultation with Regular Members, we will be releasing a revenue discussion paper this summer for public comment. Focussing on the GNWT's major current and potential revenue sources, the paper will describe the revenue options available to the GNWT, placed in the context of the vision and goals of the 16th Legislative Assembly, our strategic initiatives, the principles of sound tax policy, and our *Macroeconomic Policy Framework*. The paper will seek input on how we should address the revenue side of our budget plan. Decisions on revenue changes will be announced following this consultation.

Expenditures

Mr. Speaker, in order to bring our expenditures into line with our revenue growth, we are planning to realign \$135 million in expenditures. As of this day, we have identified \$75 million over the next two years, and have put in place processes to identify the remainder. But let me be very clear. This is not simply about cuts. It is about realignment of our budget and substantial re-investment.

The Government will pursue a sustainable fiscal strategy for the Northwest Territories – one that will allow us to re-invest millions of dollars in the future of our territory, our communities and our residents.

We intend to do business differently and become more efficient. We will make process changes to foster good financial planning and produce long-term fiscal savings.

In the course of our financial realignment, we are keeping a number of criteria in mind. We are minimizing the impact in the priority areas identified by Members. And we are identifying areas where money not used in the most efficient way could be used more effectively to support our strategic initiatives and invest in Northerners.

We recognize that budgetary adjustments can have a very real impact on people – both program users and GNWT staff. We value our employees. We need their skills and experience, and we are making every effort to accommodate affected staff within our government's *Staff Retention Policy*.

New Investments – Northerners Working Together

Mr. Speaker, let me turn now to the key investments this Budget makes in the future of the NWT.

As I described earlier, the government has laid out five strategic initiatives that are the focus of our government's investments. Over the long term, these investments will help improve the lives of Northerners, foster greater economic development in the Northwest Territories, and unlock our tremendous opportunities.

Building our Future

The future success of the Northwest Territories will depend on developing the skills, talents and abilities of our residents. This Budget invests \$18.6 million to create an environment where Northerners can do their part to develop their full potential. The Honourable Michael McLeod will be coordinating the government's strategic actions in this important area.

It is difficult to imagine anything more key to our future than providing our children and youth with a solid foundation on which to build their lives. Nearly \$5 million will be spent to expand programming for children and youth.

The proper investments now will increase attendance and completion rates in our K-12 school system. This Budget invests \$1 million in 2008-09 to improve the quality of early childhood programs in the NWT. We will extend the Language Nest Initiative, increase regional Early Childhood Programming staff and create an Early Childhood coordinator position to build linkages between early childhood programs and the formal school system.

This Budget also invests \$300,000 in 2008-09 to develop a plan to increase the enrolment and completion rates of the Teacher Education Program. Our goal is to provide access to programs and practicum placements in communities, and additional learning supports. Ultimately, this will increase the number of Aboriginal teachers in the NWT school system.

In partnership with the Government of Canada, this Budget includes \$1.6 million to support minority language instruction. We also recognize that schools need qualified instructors to successfully deliver Aboriginal language and culture programs, and therefore this Budget provides \$120,000 to fund a full-time Language and Cultural instructor at Aurora College.

This government currently funds a number of youth development areas such as on-the-land and entry-level skills programs. This Budget contributes to the costs of youth activities by continuing the new \$250,000 investment to support communities and other organizations that operate youth centre programs. This Budget also includes \$125,000 to fund a permanent school-based Take a Kid Trapping program.

We know that the quality of the school infrastructure that children attend can have a significant effect on the quality of their education. Mr. Speaker, this Budget invests \$25 million in much-needed school replacements, renovations and upgrades in 2008-09.

Families and extended families have the first responsibility to help their children grow and develop to their full potential. But sometimes they need help. Foster parents can provide safe, caring homes to children who require long-term, temporary or emergency placements. This Budget invests \$1 million to rationalize and standardize foster care rates. When this initiative is complete in 2009-10, we will have a foster care program that reflects the higher costs of supporting a foster child in smaller communities and ensures appropriate services are available to children across the entire Northwest Territories.

Children with disabilities should have the opportunity to develop to their full potential. Therefore, this Budget invests \$224,000 in 2008-09 to provide planned relief for families that care for children with disabilities.

We will improve the quality of life for our adults with severe cognitive and behavioural challenges by keeping them closer to home and their families. This Budget invests \$571,000 in additional operating funds for group homes and a day program in the NWT.

Building our future is also about helping people make healthy and productive choices. This Budget also includes \$100,000 in 2008-09 to continue the *Healthy Choice* programs geared to improving the health of NWT residents and reducing long-term health and social service costs.

We are continuing our long-term health reform fund with \$3.1 million to enhance nursing resources in small communities and expand nurse practitioner training. We will also be reducing patient wait times through a one-time \$1.8 million investment in an on-the-job community health nurse development program. Investments of \$7 million in electronic health records management and imaging archive technology will improve health service delivery.

We are also investing \$25 million in health infrastructure, including \$13 million for the territorial dementia facility in Yellowknife, \$3.4 million for the Adult Supportive Living facility in Hay River and \$2.5 million for the Northern Lights Special Care Home in Fort Smith.

While over the longer term we need to re-evaluate how we deliver health care services, Mr. Speaker, I want to reassure NWT residents that this Budget increases total spending for health and social services programs by almost \$33 million over last year's budget.

In recent months, I have heard concerns that the Government might reduce the level of support that it provides to the recreation and sport system.

This Government recognizes that physical activity is a building block to personal health and well-being. An active and vibrant recreation program is a key component of a sustainable community, and promoting physical activity in all segments of society helps prevent lifestyle-related diseases and reduces health costs. I am pleased to announce that the Government is committed to maintaining a stable level of investment in this key area.

We also want to make sure our residents are not held back from reaching their potential by concerns about the safety and security of their communities. Family violence has created complex problems in our communities. This Budget invests \$800,000 to increase the support services available to women and children experiencing family violence, and to stabilize existing shelters.

This Budget also invests \$1.5 million to open additional police detachments and support increased police services in our communities. We recognize the pressures that community governments are facing in delivering ground ambulance and highway rescue services. This Budget includes \$350,000 to support communities providing these services and to complete the development of a new policy and funding framework for integrated territorial delivery of these services.

Maximizing Opportunities

Mr. Speaker, the Northwest Territories continues to benefit from a healthy economy. At 13.1 per cent, the growth in the NWT economy was the highest in Canada in 2007. This healthy growth was driven primarily by the diamond mining sector. The NWT's three producing diamond mines contributed over \$1.2 billion, or over 31 per cent, to our territorial GDP in 2007.

The NWT economy continues to show great promise. A fourth diamond mine is in the environmental assessment phase. Just as important, our oil and gas resources hold tremendous potential. When the Mackenzie Valley natural gas pipeline is built, it will be the single largest investment in the history of the NWT. It will launch a whole new era for our territory.

The Northwest Territories is in a unique position. We are experiencing new economic development opportunities while continuing to enjoy clean water, air and land, and abundant fish and wildlife. Striking the right balance between positive economic growth and the impact of that growth on our residents, our communities, and our environment will be crucial.

We will continue to pursue a balanced, diversified and sustainable NWT economy – one that smoothes the “boom and bust” cycles we have seen in the past. We will support Northerners to maximize the long-term benefits of major projects like the Mackenzie Gas Project.

Northerners must be able to take advantage of opportunities when they arise. This Budget proposes investments totalling \$11.7 million in 2008-09 to maximize our opportunities. The Honourable Jackson Lafferty will be responsible for coordinating efforts for this initiative.

Improving our skills for working and living is essential to enable Northerners to seize opportunities as they arise. This Budget invests \$4 million in training, including \$1.2 million to support hiring apprentices in designated trades and occupations.

We want to help more women and Aboriginal people to become qualified trades people with increased opportunities. We are therefore investing an additional \$100,000 to increase enrolments in apprenticeship programs.

This Budget provides \$200,000 to expand the Aurora College Mobile Trades Training Unit to include the Inuvik campus and outlying Beaufort Delta trades facilities. We are investing \$100,000 for a marine services training program so we can fill vital marine engineering positions.

We are emphasizing trades, technical and work-related skills in our classrooms by adding \$2.8 million to the 2008-09 Budget to lower the pupil-teacher ratio in trades. This initiative will help students get a better understanding of the career opportunities in trades and develop better work-related skills and attitudes.

Mr. Speaker, this government supports efforts to diversify the economy and reduce our dependence on non-renewable resource developments. The tourism industry is the largest renewable sector in our economy and holds enormous potential for the future. Continued investments in this industry will support its expansion and growth and allow it to compete in the global marketplace.

This Budget invests \$1.6 million in a Tourism Product Diversification and Marketing Fund. This Fund will provide assistance for research to identify existing and emerging markets, funding to individual operators for product development, planning and implementation, and assistance to Northwest Territories Tourism to promote the resulting new opportunities and markets. The Fund will encourage ecotourism, adventure and cultural product development but will not be limited to those markets.

NWT parks and visitor infrastructure are strategic assets which are integral to a successful tourism industry. This Budget will invest \$3.8 million in parks infrastructure in 2008-09 as part of a four year plan to replace the flagship 60th Parallel Visitor Centre, to address the increasing demand for RV sites in our campgrounds, to address the deterioration of heritage buildings, and to establish a new territorial park under the *NWT Protected Areas Strategy*.

An additional \$140,000 will be invested in the parks' operations and maintenance budget. We will also invest \$250,000 in developing and delivering cultural and interpretive programs in parks throughout our regions. These programs will improve the park experience for our visitors and encourage them to extend their stay and enjoy other opportunities and experiences in the NWT.

Mr. Speaker, we recognize that the NWT's arts sector makes significant contributions to our economy while enhancing the quality of life of individuals and communities. NWT visitor surveys show that tourists also want to experience and learn about our northern culture and heritage. This Budget will increase support to NWT arts and cultural activities by \$500,000 in 2008-09.

The 2010 Olympics provide an excellent opportunity for the NWT to showcase ourselves to the rest of Canada and the world. We believe we should use this event to support our other investments in marketing the NWT by promoting our territory as a place to visit and promoting our Northern artists and performers. This Budget provides one time funding of \$67,000 to start to take advantage of this opportunity.

Small business is an important element of our northern economy. In every community, entrepreneurs provide goods and services to the public, industry and government. This Budget invests an additional \$1 million to fund the new *Support to Entrepreneur and Economic Development Policy* that will replace both the Business Development Fund and Grants to Small Business policies, bringing the total program resources for 2008-09 to \$2.4 million.

While we want to diversify away from dependence on large non-renewable resource developments, we also want to maximize the benefits of these projects for NWT residents. The Mackenzie gas pipeline is expected to trigger additional resource exploration and, like the diamond industry, result in economic spin-offs in other sectors – like manufacturing, retail services, and tourism. The opening of the Mackenzie-Beaufort basin to markets will generate even more economic activity than the construction of the pipeline itself. It will help expand and diversify our economy. And it will create jobs and opportunities for NWT residents.

Although the Mackenzie gas pipeline is still in the review phase, we must be prepared for this massive project. We need to ensure that we have the capacity to meet our responsibilities associated with the regulatory processes and our commitments under the Socio-Economic Agreement.

This Budget allocates \$610,000 to allow us to meet these commitments and facilitate moving forward with the Mackenzie Gas Project.

We also need to ensure other economic potential in the NWT, such as our significant hydro potential, is explored. This Budget provides \$3 million in contribution funding in 2008-09 to the NWT Energy Corporation to conclude the regulatory process for the proposed Taltson Hydro Expansion Project.

Managing this Land

Mr. Speaker, we depend on our water, land and natural resources for our wealth and our livelihood. Our future prosperity depends on the steps we take together now to protect our water and our land.

The Budget invests \$6.2 million in 2008-09 to ensure that we use our land and water resources in a sustainable way that protects these resources for future generations. The Honourable Bob McLeod will take the lead in advancing this strategic initiative.

Community water supplies in the Northwest Territories are abundant, but challenges do exist. Four GNWT departments will work together to implement the *Action Plan for Drinking Water Quality in the NWT*. This Budget proposes an additional \$425,000 to address the highest priorities in the Action Plan not covered under current funding. This includes technical support for community water treatment plant upgrades, and continuation of training programs for community water treatment operators.

The NWT has energy literally blowing in the wind that could help reduce our greenhouse gas emissions. Although past attempts to harvest wind energy have not succeeded, technology in this area has improved significantly. This Budget will invest \$200,000 in 2008-09 to develop a business model and conduct engineering studies for the installation of operating wind energy turbines in 2009-10. The Budget also provides \$450,000 to establish alternative energy pilot projects in communities.

Other alternative energy sources will also be explored. In total, \$2.2 million has been allocated to continue projects already underway, including:

- ◆ \$900,000 to advance three mini-hydro projects for Deline, Whatì and Lutselk'e,
- ◆ \$135,000 to convert the NWT Department of Transportation Fort Smith maintenance garage from oil to hydroelectricity,
- ◆ \$485,000 to install wood pellet boilers in the Chief Jimmy Bruneau school in Behchoko,
- ◆ \$110,000 for wood pellet pilot project feasibility studies for communities, and
- ◆ \$250,000 for a geothermal ground source heat pump project at Aurora College in Fort Smith.

This Budget also provides \$250,000 for the Western NWT Biophysical Study and \$350,000 to update the classification and mapping framework for the Southern and Northern Arctic ecozones.

We need stewardship actions to manage the effects of habitat change on NWT wildlife. We are proposing an investment of \$1.4 million in 2008-09 to continue the work for the *Barren-ground Caribou Management Strategy*, and to implement an *NWT Wood Bison Strategy*. We will also develop a better understanding of the cumulative effects of habitat change from exploration and development activities on species at risk.

Finally, we cannot manage this land without addressing how the land is governed. We need Northern control over our land and resources, including a resource revenue sharing agreement. This Budget will continue to fund this government's participation in devolution and resource revenue sharing negotiations with Canada and our Aboriginal partners.

Reducing the Cost of Living

Mr. Speaker, NWT residents, especially those in small and remote communities, face living costs that are among the highest in Canada.

Investments to reduce the cost of living will reap benefits for residents now and well into the future. Under the coordination of the Honourable Sandy Lee, this Budget invests \$24.7 million on initiatives to reduce the cost of living in the NWT. This includes \$18 million to improve the quality and cost of shelter through:

- ◆ An investment of \$17.1 million from the Northern Housing Trust in home construction in communities across the Northwest Territories, and
- ◆ \$400,000 to develop an *NWT Hydro Strategy* to find ways to reduce the cost of energy for northerners.

We will directly target the factors that impact the cost of goods including \$800,000 for energy awareness programs. We will invest \$100,000 to develop options to reduce the cost of electricity regulations and delivery of the GNWT's Territorial Power Support program.

We will improve transportation access to communities.

The GNWT's transportation investment strategy aims to balance transportation infrastructure investments across the NWT to address key priorities in each region. Through the Capital Plan, this Budget invests over \$55 million in transportation infrastructure across the NWT - \$34 million in highways and roads, \$6 million for winter roads, and \$15 million for airport infrastructure improvements. In addition, this Budget invests \$200,000 to speed up Dempster Highway ice crossing construction so the highway is open to commercial vehicle traffic sooner in the season.

Mr. Speaker, this February our government signed a Framework Agreement with Canada that set the stage for over \$185 million in infrastructure funding to flow to the Northwest Territories over a seven-year period. I am pleased to advise this Assembly that we are close to signing a Funding Agreement, which is one of the final steps required.

This funding will provide a much-needed injection of almost \$140 million for critical transportation infrastructure needs across the NWT. It will allow us to address urgent priorities like replacement of the Kakisa River Bridge. It will enable us to move forward in partnership with the City of Yellowknife on the Kam Lake bypass road project. And it will allow our Government to respond to the long-standing need in Tuktoyaktuk to develop an access road to the gravel source at kilometre 177.

A further \$45 million will be used to support infrastructure needs in our communities. Of this, \$7.6 million will be allocated to address urgent upgrades to water treatment plants.

An additional \$35 million will be transferred to community governments on a formula basis for locally identified priorities in eligible categories.

Finally, a portion of the funding will be used to enhance the government's ability to conduct much-needed research into the impacts of climate change on transportation and community infrastructure, and to develop prevention and mitigation strategies.

Through cost-sharing with Canada, the Government of the Northwest Territories will leverage millions of dollars in infrastructure funding for our territory. This will help stabilize transportation costs and reduce the costs of living.

Mr. Speaker, this injection of funding to support community infrastructure, combined with the government's commitment to stable, on-going infrastructure funding for community governments under the New Deal, will result in an increase of 254 per cent in funding available for community infrastructure over a six year period.

This is real tangible action to reduce the cost of living in the NWT.

Now, even with these investments, the reality is that high costs represent an even greater hardship for low-income seniors with fixed incomes.

This Budget supports those seniors with \$155,000 in additional funding for the Senior Citizens Supplementary Benefit.

Last year, the Government announced a change in the focus of the income security program - from a program of last resort to one that provides adequate financial assistance for basic

needs and supports people to achieve self-reliance. We are proposing a \$6 million investment in this Budget to fund the changes in the GNWT's income security programs.

Refocusing Government

Mr. Speaker, the GNWT does not have unlimited financial resources and cannot try to meet every demand or need. We must live within our means and ensure that our resources are directed to the programs, services and infrastructure of highest priority and benefit to Northerners.

As a government, we have a number of key challenges that still need to be addressed to ensure our long-term fiscal stability. Considerable progress has been made during these last few months and is reflected in this Budget. But our work is by no means done.

I have made a number of references to the fact that we need to change the way we do business as a government. This is something that cannot be done in a few short months. We need to review how this government operates, how we set priorities, how we deliver services, and how we make sure we're getting the best value for the dollars we spend.

Our first step is to begin conducting program reviews on an on-going basis to ensure that GNWT programs and services have adequate resources and are meeting their intended objectives. This Budget will establish a Program Review Office whose objective will be to work closely with departments to identify approaches to managing expenditure pressures. The review will look at procurement, travel practices, and growth in program spending. Over the long term, it will suggest ways to make specific programs and services more effective. We will ensure policies are in place to support routine and effective use of program evaluation by all departments and agencies.

We also need to look at how we can deliver services to our residents more effectively. This includes how we are organized to deliver services and how and where services can be delivered. As a first step, we will be developing specific plans for structural reform of key GNWT boards during this fiscal year, focusing initially on education, health and social services and Local Housing Organization boards.

We must also improve how we manage our human resources. We need to ensure we use this most valuable resource to its full capacity. We must develop recruitment and retention plans to ensure we have the skills and talents that we need. All NWT governments, whether territorial, community or Aboriginal, face many of the same human resource challenges. We will be looking for innovative approaches to address these challenges.

The Honourable Michael Miltenberger will be coordinating the Refocusing Government initiative. We look forward to consulting with stakeholder groups on these issues to come up with solutions that meet the needs of our territory well into the future.

Finally, we need to change the GNWT's approach to the way we invest in infrastructure. We lack a guiding framework for infrastructure planning and acquisition. Much of our existing infrastructure is aging. Many of our large projects cost more than we initially estimated, in

large part due to the overheated western Canadian construction market. And although we welcome federal infrastructure dollars, we need a process to ensure that they support, rather than distort, territorial and community investment priorities and decision-making.

Some changes to infrastructure investment will be made right away. This Budget provides \$7.65 million in 2008-09 to address the need for maintenance and to maximize the useful life of existing government buildings. In the longer term, this government will develop new approaches to planning for, acquiring, and delivering the infrastructure required for GNWT programs and services.

The cost of government operations, including capital construction, has increased dramatically in recent years as a result of inflation, labour supply and limited competition. We need to bring these costs under control, in part by making sensible policy changes. These could include changing the timing of the capital budget, improving internal coordination, using standardized designs, and altering procurement practices to increase competition for capital projects.

The GNWT intends to consider the elimination of the *Business Incentive Policy*, particularly its application to capital project contracts, while maintaining its commitment to local and northern purchasing. Over the coming months the GNWT will conduct the appropriate consultations leading to changes for implementation in the 2009-10 fiscal year.

Looking Forward

Mr. Speaker, this Budget includes the work of all Members through our vision, goals, and priorities process last winter, and the consultative processes of the Legislative Assembly between Cabinet and Standing Committees.

I would like to thank my Cabinet colleagues for their efforts to come up with a plan for this government that sets the solid fiscal foundation we need to grow as a Territory.

The Budget describes the investments we will be making this fiscal year. But we also need to look ahead to future years, and future investments. We need to ensure the investments we make in our people, in the land, and in the economy, are guided by long-range plans. Sustainability comes from developing broad plans, consulting with other governments and the public about the appropriateness of those plans, and then sticking to them.

Our plans will advance this Assembly's priority to support a healthy and sustainable voluntary and not for profit sector. The GNWT needs to ensure appropriate support for the non-government organizations (NGOs) that deliver services to NWT residents on our behalf. This year we will complete our NGO funding policy and prepare needed training materials for GNWT staff.

We want to do a better job in supporting the voluntary sector. To do this, the GNWT needs to clarify our relationship with the sector, assign responsibility accordingly, and identify and implement concrete actions. Our government will also support the voluntary sector through

promotional activities, updating the Outstanding Volunteer Awards Program, and simplifying our funding application and reporting forms.

One-time funding of \$100,000 will be provided in 2008-09 to develop a land use framework that ensures all GNWT land use decisions are guided by a common territorial approach that supports the political, economic and environmental interests of the NWT.

This Budget also sets aside \$130,000 to develop and implement water management initiatives, including negotiations on a trans-boundary water agreement with Alberta and the development of an *NWT Water Strategy* to guide our investments in protecting our most precious natural resources.

Mr. Speaker, in 2007, the GNWT adopted a *Macroeconomic Policy Framework* to guide our investments in the NWT economy. The next step in setting out our economic roadmap will be to develop a long-range economic investment plan. Using the criteria set out in the Framework, we will evaluate the potential impact of investments in the various sectors of our economy. This work will also guide our decisions regarding the investment of \$4.2 million provided by Canada this year through the Community Development Trust.

We plan to develop a framework for a longer-term strategy on how the GNWT can increase flexibility and responsiveness at a regional and community level. The Honourable Norman Yakeleya will oversee the work on this initiative.

Finally, we will strengthen our relationship with our Aboriginal partners in the NWT by meeting regularly with regional Aboriginal leadership. We want to work together on a government-to-government basis to bring our common issues to the table, for the benefit of our Territory.

Conclusion

Mr. Speaker, the Northwest Territories is evolving, changing, and positioning itself to be an important economic engine of tomorrow.

We want our land to be a thriving, self-sufficient place where our residents are healthy, educated, and able to participate fully in the economy.

We want to capitalize on the raw, untapped power of our natural resources, without damaging the environment that our people are so strongly connected to.

We want the Northwest Territories to lie at the heart of a new North that is innovative and enterprising.

And we want to seize the incredible opportunities we have in front of us and chart our own destiny.

In the coming months, this government will actively pursue those opportunities.

We will meet and work with other Canadian governments, including provinces and territories, regarding our priority issues – like devolution and resource revenue sharing, the Mackenzie Gas Pipeline and the Mackenzie Valley Highway.

We will actively solicit new investment to foster greater economic development.

And we will pursue new and creative hydro development, wind power and other alternative energies that will help reduce our costs of living while keeping our land, air and water clean.

These and other opportunities stand to build us a great future.

Mr. Speaker, this Budget is the first step towards seizing those opportunities and charting that future.

It puts our government and our Territory on a sound, sustainable financial footing by making smart choices during good times.

It makes substantial investments in our key initiatives so we can achieve our vision for the Northwest Territories. As a place where strong individuals, families and communities share the benefits and responsibilities of a unified, environmentally sustainable and prosperous territory.

It places a new significant emphasis on building infrastructure that will help lower costs of living, improve the lives of Northerners, and encourage economic development.

And it secures what we have today while strengthening the foundation for a bright future.

Mr. Speaker, I am confident this Budget sets the right fiscal course to achieve the goals of this Assembly. This will be my last Budget as Finance Minister. I will now put my focus on bringing the message of our Territory and our people to those that need to hear it.

Thank you.