

# **Budget Address**

## **2009 - 2010**

### ***NORTHWEST TERRITORIES***

**The Honourable J. Michael Miltenberger**  
Minister of Finance

**Third Session of the  
Sixteenth Legislative Assembly  
February 5, 2009**



# **2009-10 BUDGET ADDRESS CHALLENGES AND OPPORTUNITIES**

## **INTRODUCTION**

Mr. Speaker, I stand today to present the 2009-10 Budget to this House and the people of the NWT. I would like to thank my Cabinet colleagues, the Standing Committees, and all the other groups and individuals, for the input and advice they have provided.

We are gathered here in a time of unprecedented global economic turmoil that continues to worsen daily. Our collective task in the NWT is to work together during these difficult times, to meet the many challenges and seize the opportunities as they present themselves.

Last year's budget noted the storm warnings on the economic horizon and cautioned that we needed to put the GNWT on a sound fiscal footing. That storm has struck, and the NWT economy has not escaped its effects. The global economic crisis has caused everyone to review their fiscal and economic assumptions and to re-evaluate their plans. The GNWT is no different.

The economic downturn is likely to last at least into 2010, and possibly longer. No one can predict exactly what will happen next. In such circumstances, we must still move forward, but we must proceed carefully and prepare to be flexible.

The NWT economy has almost doubled in size over the past nine years, its growth fuelled by strong commodity prices. Demand for our resources spurred mining and oil and gas activity and encouraged interest in multi-billion dollar projects like the Mackenzie Gas Pipeline. The resource sector now directly or indirectly represents almost half of our economy. More than 20 per cent of NWT residents work in this sector or for businesses that depend on it.

However, the demand for our resources and the prices they command on world markets has fallen. Compared to their highs of last year, the price of oil is down by more than two thirds, natural gas prices are down by more than half and polished diamond prices have declined 15 per cent.

Two critical elements of the current economic and financial situation present risks for our economic outlook. Tight credit conditions and falling stock prices are making it difficult for resource companies to raise capital to operate or expand. Falling commodity prices have made investment in the resource sector less attractive. We do not see anything right now that would cause us to expect the closure of existing mines, but we can expect to see less activity in the NWT over the next few years. Temporary shutdowns and layoffs have been announced at some of the existing mines and the environmental assessment process for the Gahcho Kué diamond mine has been suspended.

We have seen signs of significantly reduced exploration activity in the territory. This will mean fewer jobs and business opportunities for NWT residents and less income. There have already been layoffs in northern businesses that provide services for exploration companies.

In January, we saw the closure of a diamond cutting and polishing plant, with the loss of 40 jobs in Yellowknife. Although the overall NWT unemployment rate in December was still below the national average, the number of people employed in the territory decreased by almost 600 from 2007 to 2008.

This Budget tackles these economic challenges without compromising our ability to invest for the long-term. Even during these challenging economic times, we must not lose sight of the other challenges and opportunities that we face in the NWT. Our residents are concerned about the quality of life in our communities. They are concerned about the education their children and grandchildren receive and the job opportunities those children will have in the years to come. They are concerned about access to appropriate health care when it's needed. They are concerned about the cost of living. And they are concerned about climate change and the need to protect our environment and our land.

This Budget makes investments that will benefit the NWT for the long-term – investments in our economy, in our environment, and in our people.

## **FISCAL STRATEGY**

Mr. Speaker, our goal of long-term fiscal sustainability remains unchanged, but our fiscal plan must support our economy and our residents in this time of economic uncertainty. A serious economic downturn is not the time for governments to reduce overall spending, even though tax revenues may be decreasing. Government spending can provide the economic stimulus needed to maintain employment and sustain economic activity until the private sector can recover.

In fact, in an economic slowdown, good economic policy dictates holding overall spending steady even if that means incurring deficits in the short-term. We want to avoid long-term deficits, however, and this means focussing on providing short-term economic stimulus, limiting the growth of on-going operating costs and reducing spending once the recovery begins.

A year ago, despite the strong NWT economy, our operating spending was growing faster than our revenues. We needed to correct this, to avoid threatening our ability to invest in critically needed infrastructure.

We began to implement the right decisions with the Budget we passed last June. We began to align our spending with our vision and put our government on a more solid fiscal foundation. We made the difficult decisions to restore fiscal sustainability by reducing expenditures in some areas and limiting overall growth. This allowed us to invest in key priorities, including making substantial commitments to new and renewed infrastructure across the NWT.

Our overall goals have not changed, but we have reviewed our fiscal plans and adjusted them to reflect both the concerns we have heard from NWT residents, as well as rapidly changing economic conditions. As I announced in September, the GNWT has chosen not to pursue our original objective of eliminating \$135 million in spending over two years. We have

revised this target to \$78 million over four years. We also believe it is prudent to wait, given how fast economic circumstances are changing, before making any decisions about introducing tax measures to raise an additional \$30 million in 2010-11. We anticipate that this will result in the GNWT incurring some debt to finance a portion of our infrastructure investments by the end of 2011-12. However, we remain committed to the GNWT's Fiscal Responsibility Policy – we will not borrow to finance operating deficits and we will limit the amount we borrow to finance our investments in infrastructure.

From a fiscal perspective, the GNWT is fairly well positioned to face the coming economic uncertainty. First, the GNWT currently has no direct debt and no immediate need to borrow, and so the current tightening in credit markets has not directly affected us. Second, if and when we do need to borrow, we can look to a sound Aa1 credit rating, reconfirmed by Moody's Investors Service last month. Third, we have been assured by the federal government that no changes are planned for our Territorial Formula Financing arrangements and Health and Social Transfers. Since these and other federal transfers form almost 75 per cent of our total revenues, this stability is important.

This Budget outlines our plans for the 2009-10 fiscal year. Given the uncertain outlook for the medium-term, we will be reviewing our plans for 2010-11 and beyond and adjusting them accordingly as new information emerges in the coming year. We must also be prepared to adjust our plans for 2009-10 if circumstances change dramatically.

## **BUDGET HIGHLIGHTS**

This Budget proposes operating expenditures of just over \$1.2 billion in 2009-10, an increase of two per cent from last year's budget. This growth rate is significantly less than the annual average of over six per cent from 1999-00 to 2007-08. We have achieved this modest rate of growth through a combination of expenditure reductions and new investments.

Last October, this Legislature approved the Government's 2009-10 infrastructure budget. This investment plan will inject over \$700 million into the NWT economy over the next five years. It will play a key role in stabilizing economic activity in our territory in the coming fiscal year by providing business opportunities and employment for Northerners. After funding contributions from Canada are factored in, we will be investing \$246 million in 2009-10 alone. The plan includes \$58 million for highway and other road projects, \$74 million in school replacements and renovations, \$17 million for airport and runway improvements, \$19 million for hospital and clinic renovations and \$4 million for improvements to park infrastructure.

Mr. Speaker, the NWT is faced with many challenges in how we develop, generate and use energy. We have a tremendous supply of energy resources, yet energy in our communities is very expensive, contributing significantly to our high cost of living and the high costs of operating businesses. We are also witnessing the serious impact of global energy use on our environment.

Members of the Legislative Assembly, other Northern leaders and NWT residents have expressed frustration with the high cost of energy, our reliance on imported fossil fuels, and

our exposure to fluctuating world oil prices. Many have stated that we need to change our fundamental approach to energy use and supply in the Northwest Territories. We agree and have embarked on a process to review how we generate and distribute electricity. We are also looking at the role, structure and cost of operations of the NWT Power Corporation.

Energy conservation and improved efficiencies are required to respond to the challenges we face. We are committed to providing NWT communities and residents with the tools they need to more effectively manage their energy use. In the long-term, our focus is on reducing our dependence on imported diesel. There are alternative solutions to imported diesel for every community in the NWT, including wind, hydro, geothermal and biomass generation.

This Budget takes an important step toward achieving our energy goals. We are proposing an investment of \$60 million over the next four years to make a real difference in the way we produce and consume energy in the Northwest Territories.

The 2009-10 Budget includes \$15 million in energy investments. We also propose to fund \$2.5 million in capital retrofits to install wood pellet boilers in government buildings and will be including this in a supplementary appropriation during this Session. These investments will demonstrate the fact that our government is serious about reducing the NWT's reliance on diesel fuel. In the long-term, these investments will make a critical difference in the cost of living and sustainability of our smaller communities and form a lasting legacy of the work of the 16<sup>th</sup> Legislative Assembly. I will have more to say about these important investments later.

On the revenue side of our Budget, we are forecasting 2009-10 revenues of \$1.3 billion, a 3.4 per cent increase over the current year.

Our Territorial Formula Financing arrangements will provide a stable and predictable revenue base. However, we do face risks on the revenue side. Corporate income tax revenues in particular are especially volatile and difficult to forecast. A slowing economy will likely mean several years of declining corporate and personal income tax, payroll tax and fuel tax revenues. Further, we face significant risks to our revenue base if our population continues to decline. This means we must continue to be vigilant with our expenditures.

We project that we will need to borrow an estimated \$81 million by the close of the fiscal year. This short-term debt will be repaid early in the following fiscal year as new revenues are received. We need to do this because our forecast operating surplus of \$58 million will not be sufficient to finance the planned investment in infrastructure in 2009-10. This level of debt is more than we had expected last year. However, we need to be responsive to changing economic circumstances and have chosen to act prudently in face of the current situation. Including the debt issued by the NWT Power Corporation and the NWT Housing Corporation, we will be within our \$500 million borrowing limit, with over \$260 million in remaining borrowing room.

Mr. Speaker, the GNWT employs over 5,000 people. As some areas of our spending grow and others are reduced, our complement of staff will change accordingly. We estimate that only 14 employees will be affected by these measures. These employees have been advised of their status. Every effort will be made to retain these employees. Of the 140 positions eliminated as a result of last year's budget, fewer than 14 employees were actually laid off.

## EXPENDITURES

Mr. Speaker, this Budget continues to make strategic investments in the priorities of the 16<sup>th</sup> Legislative Assembly. The 2009-10 Budget proposes to invest \$44 million in new initiatives to advance our vision of strong individuals, families and communities sharing the benefits and responsibilities of a unified, environmentally sustainable and prosperous Northwest Territories.

### *Investments in our Economy*

The Northwest Territories is not alone in facing the current global economic slowdown and turmoil in the financial markets. It is particularly important that we work with the federal, provincial and other territorial governments to ensure that appropriate and consistent fiscal and financial policies are put in place.

A clear area of agreement has been the need to invest in infrastructure projects that will provide quick and direct stimulus to the economy. The GNWT is doing its part. Our \$246 million capital budget for 2009-10 will employ Northerners and support NWT business as private sector investment slows. Canada has committed to invest a further \$50 million in the construction of new social housing over the next two years. While not new money, the acceleration of federal Building Canada funding could see \$75 million invested in NWT transportation and community infrastructure up to four years earlier than planned. We will be reviewing our priorities under this program before deciding how to re-profile this funding. We will also be pursuing opportunities to cost share investments in sustainable energy with Canada through the federal Green Infrastructure Fund.

Mr. Speaker, although we are seeing a slowdown in our economy, the fundamentals of the Canadian and NWT economy are solid over the long-term. That's why we must invest now to support that future economy. We need to promote the NWT as a great place to live and do business, make investments to reduce the cost of living, implement programs that diversify the economy and encourage our residents to enhance their skills. We are proposing \$15.7 million in new investments that will help us maximize future economic opportunities. In the long run, these investments will promote a balanced, diversified and sustainable economy in the Northwest Territories.

Let me provide some examples.

This budget allocates \$400,000 to design and implement a national marketing campaign to promote our territory to other Canadians. This campaign will complement an investment of \$2.4 million to promote and celebrate the NWT at the 2010 Olympic Games in Vancouver. In partnership with Yukon and Nunavut, we will be using these funds to showcase the NWT's culture, heritage, and identity and to provide opportunities for our youth ambassadors. This investment will raise the profile of the NWT in an international forum, supporting both our tourism sector and our artists and providing a unique and valuable experience for our youth.

Growing the NWT economy will require a concerted effort to lower the cost of living, both to improve the well-being of existing NWT residents and to make it easier to attract newcomers



to our territory. This Budget includes over \$3 million in funding initiatives aimed directly at this goal. The NWT Housing Corporation will receive an additional \$2 million to increase the number of homes that can be repaired under its *Contributing Assistance for Repairs and Enhancements* program. The Budget also includes \$1 million for the Arctic Energy Alliance to undertake energy conservation programs.

The Budget also proposes to invest \$3 million per year for the next three years to enhance our Territorial Power Subsidy Program. A key objective is to lower commercial power costs in order to increase the prospects for economic development and contribute to further reductions in the cost of living, including the cost of food. Specific proposals for the use of this funding will follow the completion of the GNWT's consultation on the electricity review. This consultation will seek residents' views on electrical rates, regulation and subsidy programs and will help us ensure that the NWT electricity system reflects the values of NWT residents and provides the most reliable power at the most affordable price.

Another piece of good news for NWT residents is the fact that lower oil prices have generally resulted in lower heating fuel and gasoline prices in most communities. Some communities, however, whose fuel was purchased last summer at record high prices, may not see the benefits of lower prices until they are resupplied this summer. On January 26 we reduced the price of gasoline and heating fuel by 16 cents per litre in all communities served by the Petroleum Products Division, regardless of their location or timing of resupply. We estimate that this measure will cost \$263,000 in 2008-09.

Mr. Speaker, the current volatility in resource prices reinforces a fact that Northerners know all too well – we need to diversify our economy. We need to encourage our arts, tourism and renewable resource sectors. This Budget provides a further \$700,000 in grants and contribution funding to individuals, projects and organizations to further our support for NWT arts and culture. In the last two years we have increased our investment in the arts by \$1.2 million. Our tourism industry will benefit from the exposure resulting from our participation in the Olympics. There will be further benefits from our \$300,000 new investment to promote and market our sport hunting industry, including our barren ground caribou and polar bear outfitters. This new investment will complement the continued investment of almost \$1.6 million to support the on-going Tourism Product Diversification and Marketing Program.

A strong small business sector is fundamental to a sustainable Northern economy. Adding to investments made in last year's budget, we will invest a further \$750,000 in the recently implemented Support to Entrepreneur and Economic Development (SEED) Program, bringing our support for business and community development under this program to \$3.2 million annually. We also intend to help businesses meet their labour demands, as well as further our goal of attracting new people to the territory, by increasing immigration support. This Budget provides \$535,000 for the first year of a three-year territorial nominee pilot project. This program, which may bring 50 to 100 new immigrants in the first year, will help businesses looking to fill jobs that cannot be filled by residents or bring in individuals with special skills that will make a significant economic contribution to our territory. We will do this while continuing to provide education and training supports to Northerners to enter and remain in the workforce.

Country-wide, one of the most pressing issues for business and industry is access to credit. Governments across Canada are being asked to step forward. In these times of



extraordinary economic upheaval, the Business Development and Investment Corporation loan program and the NWT Opportunities Fund provide tools to work with business and industry to make investments that will stimulate the economy, generate income, and create further value added benefits for the Northwest Territories.

Although our economy may be slowing, we should take advantage of this period to encourage our residents to prepare for the opportunities that will come with the eventual recovery. This Budget invests \$1.6 million in 2009-10 to improve NWT residents' skills for both living and working, including \$750,000 to help working age youths and adults develop the basic literacy skills they need to take advantage of education and employment opportunities. It includes an additional \$495,000 to assist Northerners to prepare for and complete apprenticeship training, and another \$100,000 increase to support women and Aboriginal people to pursue training in the trades. This Budget also provides the Aurora College with additional resources to support the Trades and Technology and Heavy Equipment Operator training programs.

We haven't lost sight of the large resource projects that will provide lasting benefits to our economy. This Budget allocates over \$2.1 million to continue the work needed to ensure that we are ready for the proposed Mackenzie Gas Project (MGP). If approved and constructed, the MGP will be the single most significant project the Northwest Territories has experienced, and we want to be sure both that the benefits to NWT residents will be maximized and any negative impacts minimized. Our investment will continue support both for training and development of NWT residents and for businesses to ensure that all are prepared for the opportunities that the pipeline project will present.

## ***Investments in our Environment***

Using NWT land and water resources in a sustainable way and protecting these resources for future generations is a key priority of this government. The GNWT spends over \$60 million, or five per cent of its annual budget, to protect NWT land and water resources. Counting investments in energy development and supply, a total of \$14.9 million in new initiatives will be provided in 2009-10 to advance work already underway. Almost \$2 million will be spent to further the work on land, resource and self-government negotiations. These funds continue the work to ensure that once devolution of resource management is achieved, we will be ready to manage our resources in a sustainable and responsible manner. Almost \$2 million will be spent on environmental stewardship including developing a new *Wildlife Act*, implementing the proposed new *Species at Risk Act* and completing and implementing the proposed *NWT Water Strategy* and the *Land Use Framework*.

Mr. Speaker, I have already mentioned investments in energy conservation in the context of reducing fuel costs and therefore the cost of living. But any initiative that reduces our fossil fuel consumption supports our efforts to reduce greenhouse gases. In addition to these energy conservation measures, this Budget proposes to invest \$9.8 million to develop alternative energy supplies to reduce our dependence on diesel fuel. We propose spending an additional \$1.5 million in this coming fiscal year to implement our hydro strategy and continue the funding for the environmental, engineering and economic work currently underway. A further \$3.6 million will be spent on specific hydro projects, including \$800,000

for planning hydro projects in Lutselk'e and Whati and a transmission line from Hay River to Kakisa and Fort Providence as well as \$2.5 million to bring the proposed Taltson Hydro Expansion Project to the point where a decision can be made regarding the project's economic feasibility.

This Budget proposes increasing funding for energy conservation and efficiency in government buildings and public housing by \$2.5 million. Included in this funding is \$1.5 million to develop or expand residual heat systems in Ulukhaktok, Fort Liard, Fort McPherson, Fort Simpson and Inuvik. By capturing waste heat through heat exchangers and other proven technologies, these communities will reduce heating fuel consumption and greenhouse gas emissions.

A further \$3.3 million will be provided to develop alternative energy supplies and investigate the potential of emerging technologies such as biomass and geothermal heating. We expect the \$1 million we have budgeted to install wood pellet boilers in some government buildings to be repaid in about four years through reduced fuel costs, which will in turn help fund other retrofits. These projects will also serve as a showcase to promote wood pellets as an economical alternative to diesel. A further \$1.8 million will be used to install wind turbines in Tuktoyaktuk. And finally, additional funding will be provided to fund technical studies and business planning to determine the economic viability of developing deep geothermal resources.

We will continue our efforts to prepare for the regulatory management of the proposed MGP as well as prepare NWT residents to take advantage of employment opportunities associated with the Project. This Budget provides \$250,000 to deliver Environmental Monitor Training Programs for NWT residents in the four regions that will be affected by the proposed pipeline.

As part of the GNWT's program to continually improve and expand our waste reduction and recovery program, we will be instituting a 25 cent levy on single use retail bags to promote use of reusable bags by the fall of 2009. We will also add milk containers to the Beverage Container Program this year and advance development of commercial uses for waste paper and cardboard products in the NWT. This will reduce the amount of waste entering the environment and landfills and provide the funding necessary to expand the waste reduction and recovery program to include electronic waste, lead acid batteries, fuel drums, and tires in future years.

## ***Investments in our People***

We are spending now to develop the skills, talents and abilities of our residents so that our future will include healthier, more self-reliant individuals. In 2009-10 alone, we will spend almost \$740 million, or over 60 per cent of our operating budget, on programs such as education, health care, housing, and policing services that directly serve our residents. The programs we provide for NWT residents, whether for health care, for seniors, for students, or for those in need of income assistance, compare favourably with those in the provinces.

This Budget includes almost \$6 million in new initiatives to fund actions that focus on children and youth, promote healthy choices, address addictions, support families and seniors, and increase the safety and security of individuals and communities. This includes \$1.2 million in expanded programs for youth and children; programs that will enhance the early childhood education opportunities in communities, give students in small schools access to a wider range of courses and continue the pilot projects for activities delivered through the NWT Youth Corps.

Mr. Speaker, the 2009-10 Budget allocates \$313 million to the Department of Health and Social Services. A significant portion of this budget funds services for preventable conditions. We know that investment in prevention will reduce our costs in the future. This Budget provides a further \$1.5 million investment in health promotion and disease prevention programs that encourage healthy life choices, help prevent addictions and support after treatment programs.

The Budget provides additional funding of \$2 million to improve care for seniors, including \$1.5 million for on-going operational costs associated with the Territorial Dementia Facility in Yellowknife and additional funding for the operation of the Territorial Supported Living campus in Hay River. These are specific examples where the government is practicing what it believes; that funding should be directed where it serves the most vulnerable, the most in need, or where people are less able to help themselves.

Last year, the federal government introduced Registered Disability Savings Plans (RDSP) to help disabled persons and their families to save to financially support themselves. We have reviewed these plans and will be taking steps to fully exempt both the RDSP account and RDSP withdrawals in determining eligibility for income security programs administered by the Department of Education, Culture and Employment.

Mr. Speaker, we are committed to providing stable funding to community governments to ensure these governments have the resources they need to deliver essential municipal services to our residents. This Budget includes over \$61 million for NWT community governments, an increase of nine per cent over 2008-09 levels.

Creating an effective, sustainable public service is an important part of providing education, health care and community and other services. We are committed to developing a sustainable public service. This means offering competitive compensation, within our fiscal means, to attract employees and to ensure they want to stay. To this end, we successfully concluded settlements over the past year with the NWT Teachers' Association and with the NWT Medical Association. We also propose to provide \$2.3 million in 2009-10 to develop and implement programs that will help us attract and keep people in the GNWT and community government public service. We also intend to provide \$1.5 million to develop programs to increase the supply of available housing for staff in those NWT communities where supply poses a barrier to recruitment. This in turn will improve our ability to deliver programs in these communities.

This Budget also proposes \$390,000 to increase support for non-government organizations delivering services to NWT residents on behalf of the GNWT. Details of how this funding will be allocated will be provided by the fall of 2009 following a review and revision of our funding policy.

## REVENUES

Let me turn now to the revenue side of the budget. The GNWT has limited flexibility on the revenue side as we only control about 25 per cent of the \$1.3 billion we receive in revenues.

Last year's budget announced that, after public consultation, the GNWT would be implementing \$10 million in revenue increases, starting in 2009-10. In September, we indicated that we would be looking for ways to increase our revenues by a further \$30 million starting in 2010-11. We asked NWT residents how best to achieve these targets.

Although there was some support for increasing taxes, or introducing new taxes, the overwhelming response from the public was that before government increases taxes that raise the cost of living or doing business, we should first be sure that we are getting the best value for the dollars we are already spending. There was support for the idea of generating new revenues through economic and population growth and for making the investments needed to encourage this growth.

In December, I announced that we would be deferring our decision to raise \$30 million in 2010-11. Given the current economic climate, we have also reviewed our revenue target for 2009-10. Although we do not feel it is appropriate to raise the full amount at this time, we are prepared to implement measures that will raise \$7.3 million in new revenues.

During the revenue consultation, there was considerable support expressed for increasing taxes that would encourage NWT residents to pursue healthier lifestyles. In addition, where our tax rates have not been adjusted in recent years to keep up with inflation, we believe that there is room for some increase.

Therefore, I am announcing that:

Effective April 1, the NWT tobacco tax will increase by an estimated \$11.20 a carton, to reflect current prices. Our tobacco taxes were last changed in 2003.

Also effective April 1, our mark-ups on liquor, beer and wine will be increased an average of 10 per cent. Our liquor mark-ups were last changed in 2003.

The 2009 property tax rates on mining, oil and gas, and pipeline properties will be adjusted to increase revenues from these sources by 15 per cent. As well, the education mill rate for all properties in the General Taxation Area will be set to increase revenues by 15 per cent. These rates have not changed since 2003 and 2000 respectively.

Finally, many of the fees the government charges have not changed for many years. Some have not been adjusted since the 1990s. We have initiated a review of all our fees, and will be making changes to our financial policies to ensure these fees keep pace with inflation. As a first step, the Department of Transportation will be increasing several fees effective April 1 to raise an additional \$300,000 in areas such as vehicle licensing.

Now, more than ever, we must look for other ways to raise the revenues we need to deliver programs and services to NWT residents. This Budget includes a number of initiatives designed to grow our economy and increase our population, and therefore increase our

revenue base. We are pursuing these initiatives through support for the immigrant nominee program, through investments in a national marketing campaign to promote the NWT as a great place to live, and through agreements with the NWT's diamond mines to bring more of their non-resident workers to the territory. These initiatives are important first steps but we need to find other ways to do more to attract people to the NWT and encourage those who are already here to stay. Last year we were the only jurisdiction in Canada to lose population. We need to make investments that will reduce the high cost of living in the NWT by lowering fuel, electricity, transportation and housing costs. And we need to make investments that will grow our economy.

The work done on revenues over the last few months shows that we need to take a closer look at how we raise revenues in the NWT, to see if there are changes to our tax system that might further our economic, social and environmental objectives, without increasing the total amount of taxes we collect. We intend to continue this work in 2009. In addition, I have committed to reconvene another forum similar to that used in our revenue consultation to seek advice and input into this and other budget issues.

## **LOOKING FORWARD**

Mr. Speaker, this Budget builds on the foundation we laid in last year's budget and is very much part of the work in progress to achieve the goals and priorities of the 16<sup>th</sup> Legislative Assembly. Our long-term fiscal plan is sound. It will give us the flexibility to make the investments today that will produce, in the longer term, the benefits of a protected environment, a stronger, more diversified economy, and healthy, self-reliant people.

We have injected more dollars in the economy this year, particularly in infrastructure spending, in order to create jobs and stimulate the economy. However, we are also taking a longer term perspective and investing in programs such as health promotion and prevention.

We know that, overall, people in the NWT are happy with the health and social services that are available to them. But we also know that demand for these services is growing and service delivery costs are increasing – by seven per cent per year over the last nine years. This is not sustainable. We want an affordable health and social service system, but we also want to ensure we are providing the right services in the right way. To this end, the Department of Health and Social Services will be coming forward in the coming months with a plan for reforming the way we deliver health and social services in the Northwest Territories. I want to stress that this will not be a plan to cut total spending on these programs. We will be looking for ways to reduce or eliminate inefficiencies, but we will also be flagging those areas where investments will yield positive returns.

Strengthening prevention programs will be a major focus of this work. Putting more dollars into our health care system is only part of the answer. We can all help reduce health care costs by taking more responsibility for our own health. We need to encourage Northerners to stop smoking, drink less, eat a proper diet and exercise more. The government has a role to play, but so do individual Northerners.



Last December, I outlined the next steps in board reform. We have proposed the creation of regional services boards that will manage service delivery of health, social services, education, and housing programs with continued input, direction and participation from NWT residents on the delivery of programs and services in their regions. We are now proceeding with consultations on the general approach and will examine a variety of issues like board composition, authority and organization. This board reform will be a major change to the way we deliver services and we look forward to public consultations to obtain feedback on the approach. We want to ensure that the changes improve service delivery through increased coordination and improved case management. We expect the changes to simplify governance, allow us to focus resources on programs and services and maintain a strong role for regions and communities in setting priorities. By April of this year, we expect to be in a position to decide whether to proceed with detailed implementation planning.

Although our fiscal plan remains flexible to allow us to adjust to changing economic circumstances, we will maintain our fiscal goal of aligning overall expenditures with revenue growth. This will be critical if we are to avoid incurring long-term deficits. The Program Review Office was established last year. Several projects are currently underway, and are scheduled to be completed in the first half of 2009. They focus on such areas as schools funding, adult training and health services cost drivers.

We have made substantive changes to the GNWT's approach to planning for, acquiring and delivering the infrastructure required to deliver GNWT programs and services. For example, we have begun to address the need for maintenance to improve the useful life of our existing government buildings, and have changed the timing of the capital budget - the 2009-10 Infrastructure Acquisition Plan was approved last fall. As a result, work is now underway to implement projects that were approved last fall, and many contracts are in place to address critical deferred maintenance issues. Implementation of other changes to improve how we plan to deliver infrastructure is continuing.

Effective April 1, we are consolidating the current Department of Finance and the Finance Management Board Secretariat into a new Department of Finance to better manage our fiscal planning. By combining resources, the new department will be better able to provide fiscal leadership to the GNWT and promote the principles of sound financial management.

Mr. Speaker, Devolution remains a priority of this government. It is unacceptable that the NWT's lands, waters and resources continue to be managed by Ottawa. We will continue to work with the federal and participating Aboriginal governments to achieve devolution for the management of our resources to the NWT.

The GNWT has made a proposal to Canada that provides for the transfer of legislative authority over lands and resources to the GNWT. It would also establish an on-going partnership with Canada on strategic infrastructure and major development in the NWT. Resource revenues associated with Devolution will help build our capacity to invest in the NWT's resource development sector and related infrastructure.

The Prime Minister has indicated a willingness to explore new options that would advance the Devolution file. Discussions on the GNWT proposal are expected to resume now that the federal economic stimulus package has been announced.

We are also exploring the concept of a Heritage Fund to save income from our non-renewable resources. A Heritage Fund could play an important role in preserving the benefits of resource development in NWT so that these proceeds can be reinvested to achieve sustainable economic development in NWT. We need to be concerned that the revenues earned from developing our resources benefit this and future generations. We will work with Members to advance this issue in 2009.

## CONCLUSION

Mr. Speaker, I have spoken today about the challenges we face as a territory. But I have also spoken of the opportunities ahead – the ways we can work to grow our economy, increase our population, lower our cost of living and reduce our reliance on fossil fuels.

We are facing difficult economic times, and there may be more bad news to come. We need to be monitoring events and our planning assumptions vigilantly, and we must be prepared to adjust our fiscal plans accordingly.

Although this Budget contains some expenditure reduction measures, overall operating expenditures will grow, albeit at a slower rate than we have seen in the past. While we will be implementing some modest revenue measures, we will also look within to ensure we are getting the best value for the dollars we are already spending and the tax dollars we currently raise. We need to focus on the core services government provides and be prepared to live with fewer extras. The expenditure reductions made in last year's budget have given us some fiscal flexibility to act to address current economic circumstances, but our relatively small tax base and borrowing capacity mean that the room we have is limited compared with other jurisdictions. We must all be prepared to make sacrifices. We will ensure that both the benefits of the dollars we spend and the contributions toward maintaining a sound fiscal position are allocated fairly. We will share the burden, but we will not leave anyone behind.

Mr. Speaker, this Budget keeps us on the path of fiscal sustainability we began at the onset of this 16<sup>th</sup> Legislative Assembly. It allows us to continue to invest in the NWT economy, people and environment for the benefit of NWT residents. Our collective task in the NWT is to work together during these difficult times, to meet the many challenges and seize the opportunities as they present themselves. I am confident that this Budget gives us the flexibility to adjust to short-term challenges while continuing on our longer term path.

Thank you, Mr. Speaker.