

# **Budget Address**

## **2011 - 2012**

### ***NORTHWEST TERRITORIES***

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

**Fifth Session of the**  
**Sixteenth Legislative Assembly**  
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## Introduction

Mr. Speaker, I would like to take this opportunity to thank all Members of the Legislative Assembly who worked individually and collectively through the Cabinet and Standing Committee process to contribute to the formation of this, the final budget of the 16<sup>th</sup> Assembly.

Three years ago, this government's first budget set a goal of fiscal sustainability – of living within our means. To do this we realigned spending with priorities, made some cuts and changed some of the ways the government does business to foster good financial planning and produce long-term fiscal savings. We did this in order to invest the millions of dollars needed to secure our territory's future.

Since then, we have committed close to \$200 million in strategic and energy investments in the NWT's future. Over the long term, these investments will improve the lives of Northerners, foster economic development, and unlock the tremendous opportunities our territory holds. Now, in the final year of our mandate, this Budget looks to consolidate the gains we have made, and finish and deliver what we have begun.

As a government, not only have we managed our way through the most serious economic downturn since the Great Depression while continuing to provide quality programs and services to the residents of the NWT, we have made investments and initiated policy changes in key areas that will benefit the NWT for years to come.

The global economic upheaval required governments everywhere to take dramatic action. The GNWT was no different. Even when times were better, this government was thinking ahead and planning for more turbulent times. When the recession hit we had the fiscal room to respond - we implemented fiscal policies that maintained spending levels, deferred major tax increases, and injected over \$865 million in infrastructure investment into the NWT economy over two years. We adopted a fiscal plan in 2009 that would see our economy through the downturn and return us to the path of fiscal sustainability.

That plan continues to guide us as we make the transition necessary to put us on that path. Staying on this path will require difficult decisions and creative solutions but I am confident that NWT residents will be up to the challenge.

## The Economy

The world's economy is recovering from the global upheaval of just over two years ago, but that recovery remains fragile. The risks are clear: energy prices, particularly oil prices, are rising and many governments have high levels of debt and fiscal situations that are not sustainable.

The NWT's economy has picked up some energy since 2008 and 2009. While economic activity declined in both those years, real GDP is projected to grow by 2.8 per cent in 2010 and 1.2 per cent this year.

Although the employment rate is still lower than 2007, it is estimated to have increased 1.4 per cent in 2010, providing a modest sign of labour market improvement.

The decline in our population appears to have stabilized. However, there has been little population growth overall since 2004 and net migration out of the territory remains a concern.

The NWT's three producing diamond mines are a vital part of our economy. Diamond output was up 7.5 per cent at the two biggest mines for the first three quarters of 2010 and Snap Lake is continuing its planned ramp up in production. In December 2010, the proponents of the Gahcho Kué mine submitted the project's environmental impact statement for review.

Mineral exploration is starting to rebound. An estimated \$99 million was spent in 2010 on NWT mineral exploration, up 125 per cent from the trough year of 2009, although there is a way to go to reach the \$194 million spent in 2007. We are also keenly aware that the NWT's share of Canada-wide mineral exploration expenditures has fallen considerably.

The GNWT's aggressive two-year strategy of capital investment has helped to stabilize the economy, in particular during 2009 when increased public investment offset the reduction in private investment.

Looking forward, there are a number of potential developments that can bring jobs and prosperity to business. The National Energy Board recently approved the Mackenzie Gas Project. The proponents have until December 31, 2013 to report on their decision to build the pipeline. When this \$16 billion project proceeds, it, and subsequent developments, will contribute billions of dollars to the NWT and Canadian economies.

In 2010, oil and gas companies committed to a total of \$111 million in work to be conducted over the next 9 years to secure rights to develop petroleum in the NWT's onshore and offshore.

There are also a number of mining projects in the wings, such as Avalon's rare earth elements mine, Canadian Zinc's Prairie Creek lead-zinc-silver mine, Tyhee's Yellowknife gold project, Fortune Minerals' NICO cobalt-gold-bismuth project and Seabridge's Courageous Lake gold project.

The signing of the devolution agreement-in-principle last week brings us one step closer to putting the people of the NWT in charge of decisions about how our resources are developed and providing a share in the revenues from that development.

## Fiscal Strategy

Mr. Speaker, two years ago, economic conditions dictated fiscal policies that supported business activity and employment in the NWT. The prudent approach we had already adopted allowed us room to implement these policies. This included maintaining spending levels, deferring tax changes and investing aggressively in infrastructure. We recognized, however, that these policies were not sustainable over the long-term. While we were, and are, prepared to incur some debt to address the downturn, we do not want to mortgage our future. We must also be mindful that our authority to borrow is limited. This means implementing policies that will allow us to repay that debt.

In 2009, we adopted a fiscal strategy that would put us on a sustainable path:

- From 2011-12 onward, expenditure growth would be capped at 3 per cent, net of compensation increases.
- Once we complete the projects included in our current infrastructure investment plan, capital investment will be reduced to \$75 million per year starting in 2012-13.

Meeting these targets will generate the cash surpluses we need to pay down the debt incurred to address the economic slowdown. We acknowledge that achieving these targets will be challenging. It will mean setting clear priorities, focussing on finding efficiencies and putting our dollars where they will be most effective. It will mean continuing to seek creative new ways of doing things, being open to new ideas and being willing to challenge the status quo.

Our task has been made more challenging by the fact that the effects of the downturn in 2009 will mean a drop of \$41 million in forecast corporate income tax revenues in 2011-12. But by adhering to our fiscal strategy, and maintaining discipline over our spending, we have achieved a balanced budget and have preserved a fiscal “cushion” against unexpected events.

But, Mr. Speaker, balanced budgets are not good enough in the longer term. We have borrowed to take advantage of the economic downturn to make vital investments in infrastructure. This debt will bring us close to the federal limit on our borrowing authority by the end of the coming budget year. However, by maintaining strict control of our expenditures and returning to lower levels of capital investment, our debt levels will be reduced over time.

The accommodation provided by Canada on our borrowing limit last April provides us with the room we need to implement this strategy. We will be exercising heightened diligence in monitoring cash flows to ensure we minimize borrowing levels and stay well within the federal limit. We are working with Finance Canada to review the borrowing limit. This work will be concluded by April.

I want to emphasize the effort that will be needed to keep expenditure growth under control in the years ahead. It will be significant. The needs and demands for investment in critical areas are large and growing. Expectations from residents for improvements to programs and infrastructure are great. Meeting these needs and expectations within our

fiscal targets will require difficult decisions. However, work that has begun over the last three years will start to yield results, if acted on:

- The Program Review Office created in 2008 has completed reviews of a number of government programs. Their results have identified areas that could generate significant savings. Some, such as the construction of an office building in Yellowknife, are already being implemented.
- We need to assess the savings that have been achieved as a result of investments in energy reduction and other areas, so that these savings can be redeployed.
- The GNWT has opportunities for revenue growth including changes to our tax regime. The Department of Finance has undertaken substantial research and consultation over the last three years on these options.

We need to look at key areas of spending growth, such as health care, education, housing and the cost and size of government. The GNWT delivers a wide variety of programs and services to a diverse population, located over a large geographical area. We need to begin a discussion about the role and size of government. What does the public expect of government? Do we have the resources to do it and if not, how do we obtain those resources, or what do we stop doing?

We are not alone in the fiscal approach we are taking. Governments in Canada are expecting a period of tight fiscal control as they seek to return to balanced budgets. Restraint measures are being applied to all areas of government operations, including labour costs. The GNWT will be mindful of what is affordable, as we prepare to renew collective agreements in 2012.

Federal health and social transfers, as well as our Territorial Formula Financing arrangements, will be up for renewal in 2014. Federal, provincial and territorial Finance Ministers have already directed our officials to start work on renewal. Given the current federal fiscal outlook, provincial and territorial efforts will need to focus on the adequacy of funding levels. The uncertainty around federal transfers, however, only reinforces the importance of ensuring that our fiscal house is in order.

## **Budget Highlights**

Mr. Speaker, I am pleased to inform Members that our fiscal strategy is on track. Total 2011-12 expenditures are budgeted at \$1.34 billion; an increase of 3.4 per cent from current year. Excluding compensation increases, we are budgeting spending growth of 2 per cent, well within our 3 per cent cap.

Although the GNWT recorded an operating deficit of \$48 million in 2009-10, we are projecting small operating surpluses of \$7 million in 2010-11 and \$17 million in 2011-12.

Total revenues are projected to increase 2.9 per cent in 2011-12, to a total of \$1.36 billion.

We expect to borrow \$64 million at the end of 2010-11 and \$155 million by the end of 2011-12 to cover the short-term cash shortfalls needed to finance our investment in infrastructure. This short-term debt will be paid off early in the following fiscal year.

After accounting for the Deh Cho Bridge debt, and that of the NWT Power Corporation and NWT Housing Corporation, total GNWT debt is forecast to reach a high of \$515 million at March 31, 2012; but will decrease after that as the fiscal strategy is implemented.

The GNWT continues to be guided by our *Fiscal Responsibility Policy* which requires that we borrow only for infrastructure investments, self-financing investments, and repayable loan programs. Fully \$344 million, or 67 per cent, of our projected debt at the end of the coming fiscal year will largely be self-financing – that is the costs of servicing the debt are financed by a dedicated stream of revenues from tolls and customers, and not by other government revenues.

## **Expenditures**

Mr. Speaker, this Budget focuses on consolidating the investments and achievements that have been made toward realizing the goals and priorities of the 16<sup>th</sup> Legislative Assembly.

In 2008-09, we outlined five strategic areas as the focus of our government's investments. In the 2009-10 Budget, we announced a further priority, that of achieving our energy goals. We committed \$60 million over four years to advance an energy investment plan to reduce the NWT's reliance on diesel fuel and lower the cost of living. By the end of 2010-11, we will have invested close to \$200 million in these strategic and energy initiatives. This Budget includes over \$85 million to continue investments already underway and proposes an additional \$16.9 million in new investments toward realizing this Assembly's vision for the NWT.

## ***Supporting the Economy***

We continue to pursue the goal of a balanced, diversified and sustainable NWT economy. Maximizing the long-term benefits of economic development for Northerners continues to be our priority. Our previous budgets have invested a total of \$47 million in economic initiatives that supported diversification of our economy, gave NWT residents opportunities for training and skill development, and promoted the NWT as a great place to visit and live.

This Budget includes \$15.3 million to continue initiatives started in the past three years to support the NWT economy, and proposes \$3.2 million in additional investments.

Our Support to Entrepreneurs and Economic Development (SEED) Program is a cornerstone of our efforts to diversify the NWT economy. Because there are more worthwhile applications for SEED contributions than the \$3.5 million currently budgeted, this Budget proposes a further \$350,000 in 2011-12. The new funding will build on the additional \$4.8 million invested in SEED over the last three years to help individuals start and build successful businesses that will expand local economies.

Since 2008-09 our government has added almost \$9 million in new investments to promote the NWT as a great tourism destination. This included \$2.5 million to successfully showcase the NWT to Canadians and to the rest of the world at the 2010 Olympics.

In 2006, the GNWT outlined Tourism 2010, a five-year plan to guide the GNWT's investment in this key sector of our economy. *Tourism 2010* was set to expire at the end of 2010-11, but this Budget commits \$1 million to extend this annual support for the tourism industry to 2015.

We want visitors to come and enjoy what the NWT has to offer but we also want people to move to our territory and call it home. Reversing the general decline in our population since the mid-1990s is important if we want to expand the customer base for NWT businesses, lower the cost of living through increased economies of scale, grow our tax base and secure our transfer payments from Canada.

Attracting and retaining workers is a major challenge for our business community. Over 2009-10 and the current year, we will have invested \$1.4 million in a National Marketing Campaign to raise awareness in southern Canada of the job and lifestyle opportunities the NWT has to offer. This Budget continues to support this important work, with a proposed allocation of \$760,000 for 2011-12. The Budget also builds on work completed under the *NWT Growth Strategy* to stimulate growth in the NWT population through an additional investment of \$145,000. Finally, ensuring that all our residents are counted has important implications for the Government's fiscal situation and therefore this Budget includes funding to assist with the 2011 Census.

We must also ensure that NWT residents have the skills and training they need to take advantage of job opportunities. Over the first three years of this Assembly we have invested almost \$14 million in initiatives targeted at this priority. On the recommendation of the Committee on the Sustainability of Rural and Remote Communities, this Budget proposes to invest \$925,000 in a Small Community Employment Program to support job creation in communities where incomes are among the lowest and employment opportunities are the most limited. This Program is expected to provide critical work experience through support for short-term job creation and skill development.

## ***Reducing the Cost of Living***

Mr. Speaker, reducing the high cost of living in the Northwest Territories is fundamental to developing our economy, improving the quality of life for our residents and encouraging people to live here. Our first three budgets have invested \$39 million in initiatives to reduce our cost of living, especially for those in our smallest and most remote communities. Of the \$39 million spent to date, \$13 million was provided for energy investments aimed at reducing the cost of energy in communities, including energy conservation initiatives and lowering the cost of electricity.

The cost of energy is a huge driver of the high cost of living in our territory. The establishment of new electricity rates last December as a result of the GNWT's *Electricity Review* is a major achievement for this government. The Honourable Bob McLeod, Minister of Industry, Tourism and Investment, will be updating Members on this initiative later this Session. These new rates will make electricity costs more equitable across the NWT and will significantly reduce the cost of living in many of our



communities. They will also enable those communities to be more competitive and encourage economic growth. This is an achievement that came about through close collaboration with all Members of the 16th Legislative Assembly and is one that we can all be proud of. What we have accomplished here will benefit NWT residents for years to come.

The high cost of food is a key component in our high cost of living. We have been working to increase the availability of locally produced food in an effort to replace expensive imported products. This Budget supports increasing the amount of affordable, nutritious food available in our communities by proposing an additional \$475,000 in the Community Harvesters Assistance Program, bringing our total investment to over \$1 million in 2011-12. This investment will provide assistance for renewable resource harvesters across the territory, reduce the cost of living and reduce economic disparities between large and small communities. This Budget also provides an additional \$150,000 to improve agriculture infrastructure and support for commercial harvesting of wild foods.

In addition, Mr. Speaker, commercial power rates in communities that rely on diesel or natural gas for electricity, will be reduced by as much as \$1.70 per kilowatt-hour. This will contribute to a significant reduction in grocery prices. This Budget continues funding for the Bureau of Statistics to monitor prices in communities, a key tool we are using to evaluate the effect of the power rate reductions.

Long term solutions to reduce the cost of living in all NWT communities require investments in many areas. Better transportation systems can lower the cost of transporting goods. We are continuing the work on our investments of the last three years with an additional \$490,000 to build ice crossings faster on the Mackenzie Valley winter road, to extend the ferry operating season on the Dempster Highway and to operate airport runways that have been extended in some communities. In fact, this government will have invested over \$455 million in capital in roads, bridges and airports since 2008-09, a record in the history of the NWT.

Housing pressures also contribute to the high cost of living. They can also contribute to other social and economic problems that can hold people back from achieving their potential. Mr. Speaker, including this Budget, this government, through the efforts of the NWT Housing Corporation, will have invested over \$210 million since 2008-09 in renovating public housing and building new housing.

We continue to work with stakeholders to improve the delivery of housing programs and services to Northerners. As an important step in this process, last year we moved the responsibility for income assessments for the Public Housing Rental Subsidy program back to the Local Housing Organizations. Since June 1, 2010, public housing tenants apply for rental subsidies and pay their rent at their Local Housing Organization office. The Honourable Robert C. McLeod, Minister responsible for the NWT Housing Corporation, will be updating Members later this session on the progress that has been made on the assessment of public housing rents.

We will be directing \$300,000 in this Budget to perform a full review of the GNWT's policies for the provision of adequate, suitable and affordable housing in the Northwest Territories. This review will need to address a number of challenging issues related to housing in the Northwest Territories, including declining federal funding for social housing and the ongoing housing issues apparent in our communities.

We recognize that the economic downturn has reduced employment opportunities in the NWT. Over the past three years, we have added over \$6 million in base funding for income support to individuals and families and over \$760,000 in investments in income security reform. This Budget includes a further increase of \$1.4 million to respond to higher income support needs across the NWT.

We are also turning our attention to the needs of students in this Budget by providing \$150,000 in one-time funding to review the NWT Student Financial Assistance Benefits program to ensure that our students can make ends meet while focussing on their studies.

## ***Investing in Our People***

Mr. Speaker, the future success of the Northwest Territories will depend on developing the skills, talents and abilities of our residents. In the first three years of this Legislative Assembly, we have invested \$29 million in programs and services to create an environment where Northerners are able to develop their full potential.

Fully 40 per cent of this funding was used to expand educational opportunities for youth and children. We place a priority on education and training to ensure our children have the tools to lead productive, quality lives.

We recognize the direct connection between student success and a stable teaching workforce that is representative of the population. Since 2008-09, we have allocated funds and built on existing programs to deliver teacher education on campuses and in communities. In this Budget we are increasing access to Aurora College School of Education programs in communities through an additional \$300,000 investment to train more Aboriginal teachers and language and cultural instructors.

We also recognize that action is required to improve high school graduation rates of our Aboriginal students, which are 25 percentage points below those of non-Aboriginal students. This Government has been working with Aboriginal governments and organizations, educators and industry partners to increase the number of successful Aboriginal students in the Northwest Territories. This work continues in this Budget with an additional \$500,000 to further implement measures under our Aboriginal Student Achievement programs. Later this Session, the Honourable Jackson Lafferty, Minister of Education, Culture and Employment, will be updating Members on the achievements of these programs.

We have stepped out of the classroom to provide youth from communities with volunteer opportunities that include activities such as public speaking, project management, and event organizing through our Youth Ambassador pilot program. This Budget builds on the success of this program, proposing \$150,000 to create a permanent Youth Ambassador program that provides NWT youth with volunteer leadership development opportunities.

It would be a tragedy if our efforts to educate our children and youth are hampered by the neglect of their physical health. To date, we have supported the *Healthy Choices Framework* with \$2.6 million in investments aimed at improving the health of our children and families, focussing on prevention through healthy choices and lifestyles. In addition to the \$1.8 million already committed to this program in 2011-12, we are investing a

further \$500,000 in the *Healthy Choices Framework* to provide extra funding to fill in the gaps in early childhood initiatives at the community level aimed at promoting healthy living.

By the end of this fiscal year, we will have invested \$2.8 million to implement Phase II of the *Framework on Action on Family Violence*. We are including funding in this Budget to evaluate the success of our investments to date in enhancing community programs to reduce family violence.

We want to help Northwest Territories residents who need outside care to stay in their homes as long as possible. This not only improves the quality of life of these individuals, it also reduces the cost to government of expensive facility living and care. This Budget includes \$650,000 in ongoing funding to increase the hours and availability of home care for seniors and other patients. We are also providing \$75,000 for a pilot program to expand territorial respite services and enhance caregiver support and training for families of children and youth with special needs.

Our government's investments help people working with the justice system achieve better solutions to real problems. We look to further assist children who are the subject of custody and access disputes by providing \$150,000 to establish an Office of the Children's lawyer. This office will provide legal services and representation for children in matters where a judge determines that a child needs independent legal representation. This service gives the child a voice in matters that affect them. As well, this Budget includes \$118,000 to fund a position to help individuals affected by Fetal Alcohol Spectrum Disorder and other cognitive disabilities who come into contact with the justice system.

## ***Sustainable Communities***

We remain committed to the goal of achieving sustainable, vibrant and safe communities in the Northwest Territories. From 2008-09 to 2010-11, our government has provided \$182 million in operating contributions to community governments and \$164 million for community infrastructure. In 2011-12, we will provide communities with a further \$65 million in operating contributions and \$28 million for infrastructure. This funding provides communities with reliable financial resources, enabling them to make their own choices. From 2008-09 to 2010-11, we have invested over \$20 million in strategic new territory-wide initiatives to increase safety and security, strengthen government program service delivery in our communities and improve small community employment opportunities. This includes \$6.5 million to date to enhance police services and \$1.5 million in other crime prevention and emergency rescue initiatives to make our communities safer. This also includes \$5 million to strengthen government service delivery through the creation of single window service centres, improvements in community access roads and reinforcement of our relationships with non-government organizations. A further \$5 million has been invested to increase employment opportunities in small communities, particularly in the trades.

We continue to invest in increased public safety in this Budget with \$300,000 in ongoing funding to provide all communities with fire fighting and emergency management training.

We have taken a proactive approach that not only responds to community safety issues but identifies and addresses these issues before the justice system becomes heavily involved. During 2011-12, a *Community Safety Strategy* that identifies the most critical community safety issues and the options available in legislation, community programs and risk assessment tools to address these issues will be completed. This Budget provides \$100,000 in additional funding to implement the *Strategy*.

The GNWT helped all 33 Northwest Territories communities meet the requirement in the federal Gas Tax Agreement for individual Integrated Community Sustainability Plans by March 31, 2010. This Budget proposes \$150,000 in 2011-12 to help community governments implement these Plans.

## ***Protecting the Environment***

Mr. Speaker, we depend on our water, land and natural resources for our wealth and our livelihood and therefore it is vital that we take a balanced approach to development. To date, from the start of this Assembly, we have made almost \$26 million in new direct investments in protecting the environment and are committing \$12 million in this Budget for 2011-12 to continue these initiatives. These strategic investments include developing governance, protecting territorial waters, improving environmental monitoring efforts and establishing programs to mitigate and adapt to climate change.

In addition to funding for continuing investments, the Budget proposes \$4.7 million in new initiatives to protect our most precious resource – our environment.

Through the *NWT Water Stewardship Strategy*, and in partnership with the federal and Aboriginal governments, land and water boards and universities, we have been working to ensure that NWT waters remain clean, abundant and productive for all time. In the upcoming year, we propose to advance our efforts through a \$343,000 investment to implement the *NWT Water Stewardship Strategy*.

This Budget proposes \$100,000 to implement the new *Wildlife Act*. If approved, this new legislation will better enable us to protect and manage wildlife in the Northwest Territories.

Mr. Speaker, our barren-ground caribou are important to the culture, health and well-being of NWT residents. While some herds remain at low numbers, others such as the Porcupine and Bluenose-East herds appear to be stabilizing thanks, in part, to previous investments in management actions and hard decisions made by harvesters. Management plans are critical for the recovery and ongoing conservation of these herds. This Budget proposes \$1 million to carry out the action plans under the new five-year *Caribou Management Strategy*.

Sustainable economic development means we must be prepared to directly address conservation and environmental issues as they arise. This includes meaningful consultation with Aboriginal governments. This Budget proposes \$350,000 to create an Aboriginal Consultation Unit to provide policy advice and legal support to ensure that our consultation practices remain effective and current.

Last year, the multi-party Protected Areas Strategy Steering Committee completed its *2010-2015 Establishment Action Plan*. In 2011-12, we are proposing an additional

\$200,000 in ongoing funding to complete site assessments for critical wildlife areas sponsored by the GNWT and to consult with Aboriginal governments as the areas move closer to being established.

By the end of this fiscal year, \$9.2 million in hydro and alternative energy investments will have been made toward mitigating our contribution to greenhouse gas emissions. We are proposing \$2.7 million in new energy initiatives in this Budget to continue work on mini-hydro facilities, further the biomass strategy and explore possible geothermal projects.

## ***Refocusing Government***

Mr. Speaker, at the start of the 16<sup>th</sup> Legislative Assembly, we committed to living within our means to allow us the flexibility to put our limited resources into the programs, services and infrastructure of highest priority and benefit to Northerners.

To this end, we have invested in work that will improve the way we manage our resources – whether human, financial or physical, to ensure that we are getting the best value for the dollars we spend.

To date, we have invested \$33 million to improve the efficiency and effectiveness of government operations, including \$9.7 million in investments to extend the life of government buildings and almost \$10 million in energy saving projects.

The changes we have made to our capital planning process since 2008 have improved the way we plan for, acquire and deliver the infrastructure needed to deliver GNWT programs and services. Projects established through the new capital planning process are being delivered within budget. Through our deferred maintenance program, we are better addressing maintenance requirements to improve the useful life of our existing government buildings. With an investment of \$34 million in capital and operating funding, including \$8 million budgeted for 2011-12, the GNWT will have reduced its deferred maintenance needs from \$470 million to approximately \$325 million by the end of 2011-12.

Successful completion of biomass heating and energy retrofit projects under our Capital Asset Retrofit Program, introduced to upgrade the energy efficiency in existing government buildings, are realizing savings that are up to \$775,000 in 2010-11.

In 2008 we established the Program Review Office. Working closely with departments, the Office undertakes targeted reviews that provide information on the efficiency, effectiveness, and value of current government operations. In addition to the review of Yellowknife office space requirements, recent program reviews have examined processes related to: medical travel; results associated with past investments to lower the pupil-teacher ratio and increase inclusive school funding; and approaches to managing communications equipment, printers and faxes within the GNWT. An evaluation of travel administration for casual nurses is being completed and an inventory has been undertaken of harvester support programs. These reviews will provide critical information for the 17<sup>th</sup> Assembly as it considers the choices that lie ahead.

This Budget continues the work in progress to streamline government operations and improve effectiveness and efficiencies within the GNWT to better serve NWT residents by investing:

- \$1 million to implement strategies to attract and retain employees under the NWT Public Service Strategic Plan.
- \$300,000 for implementation of the Financial Shared Services Model, which will consolidate government financial processing activities.
- \$1.15 million to improve Government communications and service delivery to the public in French.
- \$300,000 to expand the number of courses in the Aboriginal Language Summer Institute to allow more participants in the program.

Our 2011-12 capital budget included investments in information technology that will either promote more efficient use of resources or enhance our ability to deliver programs, particularly in more remote communities. Work currently underway on a renewed *Knowledge Management Strategy* for the GNWT will help us ensure that our investments in technology align with our goals and priorities and provide a payback in terms of increased efficiency and savings.

## ***Capital Investment***

The GNWT responded to the economic slowdown by aggressively increasing our investment in infrastructure. This not only helped stabilize the NWT economy, but without as much competition from private sector investment, it allowed the government to accomplish more with the dollars available. The 2011-12 capital budget, approved last October, plans to invest \$155 million in territorial and federal funding in public infrastructure and a further \$16 million for housing infrastructure is included in the Budget tabled today. Together with investments of \$480 million in 2009-10 and \$443 million in 2010-11, this represents a record three-year, \$1.1 billion investment in roads, bridges, schools, health centres, houses and other critical infrastructure.

Highlights of the 2011-12 Capital Budget include:

- \$27.4 million for school replacements, renovations and additions,
- \$50.7 million for highways and roads,
- \$15.5 million for health infrastructure,
- \$15.8 million for upgrades and renovations to GNWT buildings,
- \$11.7 million for airport infrastructure improvements, and
- \$5 million for information system technology upgrades and replacements.

The Deh Cho Bridge, the GNWT's largest infrastructure project to date, is scheduled to be completed in the coming fiscal year. The bridge will provide a safe, reliable all-weather link from the south to the North Slave region, providing uninterrupted access for travellers on Highway 3 and economic benefits for all NWT residents. The Honourable Michael McLeod, Minister of Transportation, will be updating Members on the Deh Cho Bridge later this Session.

## **Revenues**

Mr. Speaker, there are no new taxes in this Budget.

We recognize the need to maintain a stable and competitive tax regime, both to encourage investment and to attract residents to our territory. This became even more important during these uncertain economic times. Therefore, there have been only modest tax increases during the term of the 16<sup>th</sup> Assembly. Tobacco taxes, property taxes and liquor mark-ups have been adjusted for inflation and will be again on April 1. As announced in last year's budget, we are extending this policy to apply to other fees charged for government services. As of April 1, 2011, a number of fees will be adjusted to reflect increases in the cost of providing services since the last time they were increased. We expect to raise \$1.8 million from these initiatives in 2011-12.

Last October the Department of Finance held its third consultation with NWT residents and businesses on the GNWT's long-term tax, economic and fiscal policies. This year's discussion focused on two specific tax options. A carbon tax option was put forward following the interest expressed during the first two revenue consultations. A hotel tax option was presented in response to a motion by the Northwest Territories Association of Communities supporting territorial legislation to allow for a municipal hotel room levy that would fund tourism marketing and development initiatives. These potential new taxes would align with the government's priorities to protect the environment and promote the NWT as a place to visit or live.

A carbon tax requires considerably more research and analysis before any changes could be brought forward or implemented. A hotel tax, while perhaps more straightforward to understand or implement, would require further consultation with communities and the tourism industry. However, these are two concrete options that can be considered by the 17<sup>th</sup> Legislative Assembly.

Although our own-source revenues represent a relatively small portion of our overall spending, we must also be prepared to look at the revenue side of our budget as we continue to manage our way through these uncertain economic and fiscal times. Knowing that higher taxes may act as a drag on our recovering economy, we will need to balance our fiscal requirements against the economic impacts of any changes to our tax regime.

## **Looking Forward**

Mr. Speaker, as I have noted, this Budget is focussed on consolidating the work and achievements of the 16<sup>th</sup> Assembly. But the world is not divided into neat four-year parcels, and there are a number of initiatives and priorities that will need more time to complete. In fact, many of these have been priorities for previous Assemblies which we

have continued to pursue and advance, and which future Assemblies will, we trust, bring to completion.

Last week Premier Roland signed the devolution agreement-in-principle to transfer authority over Crown lands from Canada to the GNWT. Signing this historic agreement-in-principle was a critical step in ensuring Northerners will be making the decisions, here in the NWT, about our lands and resources, decisions that will affect the lives of our children and grandchildren.

However, important as it is, the agreement-in-principle is only a first step.

We now need to turn our attention to completing a final agreement, including reaching a resource revenue-sharing agreement with regional Aboriginal governments, developing an agreement with Canada on post-devolution resource development cooperation, completing a government-to-government agreement with regional Aboriginal governments on post devolution resource management and completing the transitional activities described in the agreement-in-principle related to the transfer of program responsibilities from Canada to the GNWT.

The Taltson Hydroelectric Expansion project continues to be a priority of this government. But additional work will be needed to confirm the financial viability of the project. This includes work to address the concerns raised by the federal government in response to the report issued by the Mackenzie Valley Environmental Impact Review Board and concluding discussions with potential customers. Based on this, project assumptions will be updated and next steps identified. Premier Roland will be updating Members on this project later this Session.

Last year at this time, I committed, should there be a consensus on the value of a Heritage Fund, to introduce legislation to create such a fund before the term of this Assembly is up. We have consulted with NWT residents, who have expressed support. I am confirming my intention to introduce legislation during the current session for the Assembly's consideration. We recognize that we are unlikely to be contributing to a fund until we are in a surplus cash position. However, we will be prepared, when that day comes, to start saving a legacy for future generations of Northerners.

This government continues to make the planning for the Mackenzie Valley Highway from Wrigley to Tuktoyaktuk a priority. The unanimous support of the 16<sup>th</sup> Assembly has enabled considerable progress to be made. We have completed a project description report for the Inuvik to Tuktoyaktuk section of this road and have made an application for regulatory approval. We are now doing similar work for the section of highway between Wrigley and the Dempster Highway. This work is being done in partnership with Land Claims groups and organizations throughout the Valley and is being cost shared with Canada. This work will help the GNWT engage the federal government in discussions on how to fund and construct this road. It will also allow the 17<sup>th</sup> Legislative Assembly to consider a construction application to regulators. All Northerners and all Canadians will benefit from a Canada connected from coast to coast to coast.

As I noted earlier, Mr. Speaker, health care costs represent a major cost driver for this government, and will continue to pose a significant risk to fiscal sustainability. Across Canada and internationally, leaders are being faced with difficult choices around the sustainability and accessibility of health care. We know that we need to make changes



to our health and social services system so our children can access the same quality care that exists in the NWT today. In *A Foundation for Change*, the Honourable Sandy Lee, Minister of Health and Social Services, has outlined a plan for making changes to our system now, to ensure we have affordable, quality health care and social services in the future.

The first step must be starting a discussion about the choices we all need to make around health and wellness. Change must start at an individual level. Many of these changes are around making healthier choices, but others are about valuing the health and social services resources we have – for example, attending our appointments so that operating rooms are not left empty when there are others waiting.

The health and social services system must also continue to respond to the needs of residents through quality care and supports. This will continue to be challenging, given the system pressures, the increasing costs of delivering health care, and public expectations. *A Foundation for Change* is about forming a base that future governments can build upon.

Despite the serious fiscal challenges caused by the global economic crisis, as a government we have continued to provide quality programs and services to the residents of the NWT. We have made investments and initiated policy changes in key areas that will benefit the NWT for years to come. We made some tough fiscal choices over the past four years to allow us to make these investments. We know there will be more difficult decisions ahead.

## Conclusion

Mr. Speaker, three years ago, the Members of the 16<sup>th</sup> Assembly identified a vision of strong individuals, families and communities sharing the benefits and responsibilities of a unified, environmentally sustainable and prosperous Northwest Territories. All Members of this Assembly should be proud of the work we have done toward achieving this vision. This Budget focuses on consolidating work underway and finishing what we have begun. But we know that there is much more work to do.

The years ahead will be exciting and challenging ones. Achieving the goals Northerners have set for ourselves within the fiscal constraints facing us will be a significant challenge – and one that will require difficult choices. NWT residents must be ready to engage in the debate about priorities and their expectations about what government should and can do.

We need to think on a territorial-wide basis and make choices that are in the best interests of the NWT as a whole. We must all be prepared to make compromises if we are to achieve benefits that are in the long-term interests of the whole NWT.

But, Mr. Speaker, Northerners have never shrunk from a challenge and I have no doubt that we are up to this one.