# Budget Address
# 2010 - 2011

## *NORTHWEST TERRITORIES*

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

**Fourth Session of the**
**Sixteenth Legislative Assembly**

**January 28, 2010**

# Introduction

Mr. Speaker, this, the third Budget of the Sixteenth Legislative Assembly, demonstrates the determined progress this Assembly has made in achieving its vision, even in the face of the economic uncertainty we have experienced over the last eighteen months.

The initiatives we have pursued are on track to form a positive lasting legacy for the Northwest Territories in spite of the economic uncertainty. This Budget continues to invest in these initiatives and in others that will complement and build on our progress to date. I would like to thank my Cabinet colleagues, the Standing Committees, and all the other groups and individuals, for their input and advice.

Two years ago, we noted the storm clouds on the horizon, signs that warned us of the need for prudent budgeting on the part of our government. The measures we took in our first budget meant that we were in relatively sound fiscal shape when the storm hit in late 2008.

Last year's Budget mobilized government resources in order to help the NWT economy weather that storm. This Government, with federal support, injected a record $485 million in capital spending into our economy in 2009-10. We made the critical decision to delay planned tax increases and expenditure cuts and prepared to incur some debt, if necessary, to provide economic stability as the private sector struggled with the downturn.

The skies are slowly brightening, and we are seeing some positive changes in the global economy, although significant risks and challenges remain. The storm has hit, the worst recession since World War II, and the clean–up will take time. With adversity also comes opportunity. We need to use this opportunity to make things better than they were before. This is our collective challenge and goal.

# The Economy

The NWT economy took a number of blows in 2009. Territorial GDP is estimated to have fallen by 17 per cent, following a drop of 8 per cent in 2008. Mineral exploration dropped 80 per cent from 2008 and we expect diamond production to have declined in 2009. The employment rate, at 64 per cent, is 7 per cent lower than this time last year.

NWT private sector investment in 2009 is projected to be 46 per cent lower than in 2007. Investment intentions by the mining and oil and gas industries for 2009 were half their 2007 levels.

There is also some good news.

Diamond prices are showing some improvement. Diavik and DeBeers did not have to carry through on their planned December shutdowns. In addition, DeBeers was able to announce a production ramp-up at their Snap Lake mine that will result in increased employment.

Commodity prices are recovering and the NWT mining sector has a number of projects scheduled for 2011 and 2012 which should boost the NWT economy. A decision by the Proponents whether to proceed with construction of the Mackenzie Gas Project is scheduled for early 2012. We are pleased that the Joint Review Panel has concluded its work and has supported the pipeline, subject to a number of recommendations. The GNWT's position is that appropriately managed development of NWT resources can create long-term benefits for our people, our territory and our communities and the rest of Canada. With the right conditions, major developments such as the Mackenzie Gas Project can help to stimulate our economy, encourage further development of our resources and generate local business opportunities. If it goes ahead, the Project has the potential to make an important contribution to achieving our goals of sustained economic activity and strong and healthy communities.

The economic recovery will be slow, but it will be a recovery. We project that GDP will grow by 9.5 per cent in 2010. Our two-year capital plan, which will inject $744 million into the NWT economy by the end of 2010-11, is providing NWT businesses and residents with needed stability. This unprecedented capital investment has allowed breathing room for individuals and businesses to search out new opportunities as the economy recovers. And, as the economy recovers, it will be in an environment of new and better roads, improved airport facilities, more and better housing, new schools, better community infrastructure, new energy infrastructure, more energy efficient public infrastructure, and better government information technology that will allow us to better serve communities and residents.

We are fully confident that the GNWT's prudent yet far-sighted planning has put the NWT economy in a better position to take advantage of future economic opportunities.

# Fiscal Strategy

The global economic downturn has also negatively affected the GNWT's fiscal position, as revenues have weakened. Despite this, we have maintained our commitment to help mitigate the decline in economic activity in the NWT.

We entered the downturn in relatively sound fiscal condition but we do not have the resources to maintain current levels of investment indefinitely. Therefore, the depth and duration of the economic slowdown continue to be a main consideration in our Budget planning.

The emerging economic recovery will be slow and weak. Furthermore, the rebound in NWT employment and corporate profits, and therefore government revenues, will take even longer. As I warned in October, GNWT corporate income tax revenues for 2009-10 will be $29 million lower than forecast last February.

Last month, the federal Minister of Finance, the Hon. Jim Flaherty, advised that payments under Territorial Formula Financing, our key transfer payment from Canada, will continue to grow in 2010-11 according to the formula set out in federal legislation. This was reassuring news, since the GNWT counts on this annual growth in the Grant to fund our ongoing spending needs. The Grant will be $920 million in 2010-11, an increase of $56 million from the current fiscal year.

We continue to be concerned about the declining NWT population. The NWT was the only Canadian jurisdiction to lose population last year, with a drop of almost one per cent. Although relatively small, this decline follows a decade where our population grew by only 7 per cent, compared to 11 per cent for Canada. Not only will this directly affect future Territorial Formula Financing revenues, putting at risk our ability to fund core programs and services, it causes concerns for our future economic prospects.

Our ability to raise new revenues through tax increases is limited in good economic times and is even more limited when the economic outlook is uncertain. At best, we will see very modest increases in our revenues over the medium term. At worst, we face considerable uncertainty around the effects of the downturn on our corporate income tax revenues. We must continue to budget based on best estimates of our revenues, but must be prepared to make adjustments should reality prove substantially different.

We must also budget in the best interests of NWT residents. We are prepared to incur some debt over the medium term as we address the economic slowdown, but our approach must be sustainable. Borrowing means paying interest every year, and eventually finding money to repay the debt. This puts the burden on future taxpayers. We must also be mindful that our authority to borrow is limited by the federally-imposed borrowing cap.

Our fiscal plan must include measures to return to a sustainable path. In the absence of significant expenditure reductions or tax increases, the best option is to maintain a tight rein on spending growth, and plan to reduce capital investment over time to historical levels.

- In 2010-11 total spending will increase by $92 million, composed of $48 million in compensation and amortization increases, $25 million in forced growth and $17 million in net spending on new initiatives.
- We will cap expenditure growth at 3 per cent starting in 2011-12, net of compensation increases. This represents about $32 million for new spending each year for both forced growth and new investments. Reductions may be identified through targeted program review and could allow adjustments in these targets.
- Once we complete the projects included in the current infrastructure investment plan, starting in 2012-13 capital investment will be reduced to $75 million per year.

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 looking for creative new ways of doing things, being open to new ideas and being willing to challenge the status quo.

## Budget Highlights

Mr. Speaker, the 2010-11 Budget proposes operating expenditures of $1.293 billion, a 7.6 per cent increase over the 2009-10 Budget. After allowing for collective bargaining increases and amortization associated with our record level of capital investment in 2009-10, this represents an increase of 3.6 per cent.

2010-11 represents the second year of our four-year, $60 million *Energy Priorities Investment Plan*. This Budget includes $19 million in energy investments designed to further our goal of reducing the cost of living, mitigating climate change and reducing the NWT's dependence on diesel fuel.

In October, this Assembly approved infrastructure investments of $222 million for 2010-11. Our capital plan continues to support the economy and our residents with investments in badly needed infrastructure.

This Budget forecasts revenues of $1.36 billion in 2010-11, resulting in a small operating surplus of $35 million. This follows a projected $21 million operating deficit for the current fiscal year. We estimate that we will need to borrow $89 million, in the short term, by the end of 2010-11. The size of our current capital investment plan means that the GNWT will carry some short term debt for the next few years. With fiscal discipline, we project we will generate the ongoing operating surpluses needed to reduce debt levels over time.

## Expenditures

Mr. Speaker, this Budget continues to make the investments needed to further the goals of the 16th Legislative Assembly.

## *Sustainable Communities*

This government is committed to the goal of achieving sustainable, vibrant and safe communities in the Northwest Territories. This Budget includes $66 million for NWT community governments, an increase of 7.3 per cent over 2009-10 levels.

The work of the Committee on Sustainability of Rural and Remote Communities has been particularly valuable in developing an investment strategy to help improve GNWT services in small and remote communities. Drawing on the Committee's recommendations, this Budget includes investments totalling over $3.6 million, including:

- $950,000 for a pilot project that will establish Government Service Centres to improve community-level access to services for residents in ten small communities;
- $600,000 to enhance early childhood programming in rural and remote communities by increasing contribution funding for early childhood education programs and increasing access to early childhood consultants;
- $400,000 to support regional youth sporting events that increase opportunities for training, competition and healthy living for youth in rural and remote communities;

- $450,000 for three regional Youth Officer positions to better support youth programming in rural and remote communities;

- $400,000 for additional Settlement Maintainer positions in Wrigley, Fort Resolution and Behchokǫ̀ to better manage maintenance activities. Three additional positions will be created in Tulita, Ulukhaktok, and Sachs Harbour by re-profiling existing funding;

- $677,000 to increase funding for the Community Access Program which supports community projects that improve access to hunting, wood gathering, granular resources and recreation areas; and

- $158,000 to support rural and remote communities in reducing drug and alcohol related crime and to provide additional training for court workers.

This Budget also invests $350,000 to provide opportunities for youth in small communities to gain work experience through a summer employment incentive program for employers in these communities.

The stronger the language and culture of their residents, the stronger and more vibrant our communities will be. As part of the GNWT's support for the continued regular use of Aboriginal languages in NWT communities, this Budget proposes $223,000 to establish an annual summer Language Symposium to focus on revitalization and maintenance of Aboriginal languages.

Over the past two years we have pursued a number of avenues to reduce the cost of living for NWT residents, especially in our smaller communities. The most effective way to reduce the cost of living, including food, for NWT residents and businesses is to reduce energy costs, particularly in our communities that depend on diesel-generated electrical power.

In last year's budget, we introduced a four-year plan to invest $60 million in key energy initiatives. This budget announces the second year's investments, totalling almost $19 million, in five strategic pillars, including:

- $4.6 million for energy development and supply, by focussing on hydro and transmission line development and on the *NWT Hydro Strategy*.

- $4.1 million in investments in alternative energy technologies, including biomass, wind energy, and geothermal technology.

- $2.5 million to support energy conservation and efficiency, including support for the Arctic Energy Alliance, incentive programs, and community energy plans.

- $4.7 million to reduce GNWT energy use through upgrades to government buildings and public housing stock. The GNWT's $7 million investment to date in biomass, geothermal and electric heat conversion projects has decreased the GNWT's greenhouse gas emissions by an estimated nine thousand tonnes annually and has saved the GNWT an estimated $2 million a year in reduced fuel consumption.

- $3 million to complete and continue implementing the GNWT's energy policies. The Electricity Rate Review panel began its work last March and submitted their final report in November. The GNWT's initial response will be released this spring. Our goal is an improved NWT electricity system that reflects the values of NWT residents and provides reliable power at an affordable price.

After energy, the high cost of food comes a close second in driving our high cost of living. This Budget supports increasing the local food supply with a $450,000 investment in the commercial harvesting, processing and marketing of NWT fish and local game to NWT consumers. We will also be investing $250,000 in community-based agricultural development initiatives with the goal of increasing local food production to replace expensive imports.

Improving transportation access to our communities will reduce the cost of bringing in goods. This Budget provides $250,000 for Wekweèti winter road construction and $150,000 to accelerate construction of ice bridges in the Fort Simpson region.

We recognize the public safety concerns of our residents and have increased the funding for police services by over $1.1 million, including more funding for the RCMP to support policing in smaller communities.

## *Supporting the Economy*

Mr. Speaker, we see the slowdown in the NWT economy as an opportunity for government. During the recent boom years, the cost of building infrastructure skyrocketed. The decline in private sector construction has meant that we have been able to proceed with a number of needed projects. By accelerating investment with a record $744 million injection in fiscal 2009-10 and 2010-11, we have created a more solid platform for future economic growth.

Our $222 million capital plan for 2010-11 includes, among other investments:

- $42 million for school replacements, renovations and additions;
- $64 million for highways and roads across the NWT;
- $28 million in Formula Funding for community infrastructure;
- $24 million for upgrades and renovations to GNWT buildings;
- $17 million for airport infrastructure improvements; and
- $4.5 million for hospitals and health centres.

In addition, the budget I am presenting today includes $37 million for the 2010-11 Housing Corporation capital plan.

Our two-year capital investment will not fully replace the decline in private sector investment but has played a key role in stabilizing economic activity in the NWT during the slowdown and will continue to provide business opportunities and employment for Northerners during the recovery.

However, this Budget is not just about spending money to stimulate the economy. This Budget is about providing value to NWT residents and businesses. GNWT investments in programs, services and infrastructure that reduce the cost of living will help residents and business. Further, the dollars invested to improve the education of NWT students will improve their job opportunities and our labour supply. Resources invested in improving the health of NWT residents will improve both the quality of their lives and the fiscal situation of the GNWT over the long-term. Everything the GNWT does to protect the environment ensures that our quality of life will not diminish and encourages people to live in the NWT. All these investments are good for the NWT economy.

I spoke earlier about our declining population. This causes us concerns from both a fiscal and an economic perspective. A rising population provides growth opportunities for NWT businesses and spreads the fixed costs of power generation, transportation and other key cost drivers over a larger base, lowering costs for everyone. We know from surveys that our high cost of living is a major deterrent to attracting new residents. We need to stop the outflow and let people know what a great place the NWT is to live and work. We also need to let people know this is a wonderful place to visit.

This Budget adds over $1.3 million to promote the NWT as a great tourism destination and a preferred place to live and work. This additional funding will support the development of a *NWT Growth Strategy*, build on previous national marketing campaign activities, support the Immigrant Nominee Program and increase the number of mine employees living in the NWT under the mining workforce initiative. These initiatives will complement and support the investments made to date, including work to showcase the NWT to Canadians and to the rest of the world at the 2010 Olympics next month.

We also intend to ensure that NWT residents are properly counted in the 2011 Census. This Budget allocates $155,000 to assist with the 2011 Census similar to the successful approach used in the 2006 Census. The amount invested to raise awareness of the Census and to ensure that every NWT resident is counted could potentially mean millions in future transfers from the federal government.

This Budget provides an additional $300,000 for the Support for Entrepreneur and Economic Development, or SEED, program, bringing the total funding for this program to $3.5 million. An additional $300,000 has been targeted for the Sports Hunter Outfitter Marketing Support program to help the industry respond to events beyond its control. The arts and crafts industry will receive an additional $425,000 to support the production, advertising and marketing of arts and crafts products.

The economic slowdown has resulted in lower employment numbers, but this is the time for Northerners to retrain and upgrade their skills to improve their future employment opportunities. This Budget includes almost one million dollars for apprentice support, Aurora College programs, and to assist adults to complete their secondary education.

Finally, the GNWT is ensuring a coordinated response to the Joint Review Panel's recommendations. We are providing an additional $140,000 in this Budget to ensure that the GNWT's regulatory requirements for the Mackenzie Gas Project are understood and adhered to.

## *Investments in Children, Youth and Families*

Mr. Speaker, this Budget allocates $307 million to the programs delivered by the Department of Education, Culture and Employment. We often speak of the investments we make in our children and youth as investments in the future. In fact, previous investments in our children's education are now producing results in the form of higher graduation rates. Between 2000 and 2007, enrolment in Grades 10 to 12 and graduation rates have both increased by about 25 per cent.

We will continue to build on these successes. To narrow the gap between the graduation rates of Aboriginal and non-Aboriginal students, this Budget invests an additional $1.3 million to improve the educational achievement of Aboriginal students. This new funding will provide a new Aboriginal Student Achievement Coordinator position, promote literacy, provide after school tutoring pilot programs, support the development of culturally appropriate orientation for new teachers and produce a long-term plan to improve Aboriginal student achievement.

The seeds of higher graduation rates are planted in the first years of schooling. This Budget adds $600,000 for the expansion of early childhood development programs. These programs will include culturally relevant education and support for Aboriginal languages.

We will build on the *Healthy Choices Framework* with an investment of almost $1.2 million to expand after school physical activity programs to 31 communities and to expand the *Don't be a Butt Head* anti-smoking campaign. The Budget proposes an additional $200,000 for youth programs and an injection of $650,000 to stabilize funding for multi-sport games such as the Arctic Winter Games and the Canada Games.

Because increasing safety awareness can reduce road-related injuries and deaths, this Budget adds $150,000 to expand the *Drive Alive!* campaign.

We have put significant resources into programs to combat family violence but recognize that more needs to be done. This Budget includes $110,000 to expand support services for existing family violence shelters, bringing the total support for the shelters in this budget to $450,000. A further $67,000 has been added to the pilot program to help men who use violence in intimate relationships to change their behaviour. This will bring the total investment for this pilot project to $192,000 in 2010-11.

This Budget also supports families in transition by providing $65,000 for two pilot programs: a mediation program for separating parents and an education program on parenting after separation and divorce to help couples gain the skills they need to be parents in changed circumstances.

## *Protecting our Environment*

One of our greatest strengths as Northerners is the value we place on our land and our water. As a government, we spend over $70 million annually on environment related activities.

We must be concerned about the future of our water supplies. The 2010-11 Budget includes $1.1 million in new funding for water related activities such as:

- $821,000 to finalize and begin implementation of the *NWT Water Strategy* through transboundary negotiations and partnership agreements, action plans, and research.
- $200,000 to develop a system for measuring the health of an entire aquatic ecosystem in addition to water quality and quantity.
- $115,000 to develop tools to help protect each community's public water supply source.

We will invest an additional $791,000 to update and implement the *Species at Risk Act* and the *Wildlife Act* and related regulations. This will help us identify species at risk, protect habitats and put in place processes to help species recover. The end result will be more comprehensive legislation that is enforceable but respectful of Aboriginal treaty and harvesting rights.

The Budget includes almost $1.3 million in additional funding to continue work to develop and implement the *Land Use Framework* and to support the *Protected Area Strategy*. We want to ensure decisions about land management activities are consistent and are based on timely and accurate land information.

Climate change is a serious concern for the NWT and we are continuing to take action in this area. We have committed to invest $60 million over four years in energy conservation and alternative energy sources such as hydro, wind and biomass to replace the use of greenhouse gas-emitting diesel fuel where possible. The GNWT's *Greenhouse Gas Strategy* will require renewal in 2011. Work will begin in 2010, including consultation with the public, industry and other interested sectors, to renew the *Strategy*.

This Budget adds $100,000 to bring 2010-11 funding for the Climate Change Adaptation Plan to $350,000. This investment will fund further work on the geophysical permafrost survey so a Plan can be developed to help affected communities. This Budget also includes $264,000, financed by the Building Canada Plan, for further research on climate change.

The NWT's caribou populations are declining and measures necessary to protect the herds are having a serious impact on everyone dependent on this critical resource. We are continuing to invest in the work needed to monitor the caribou populations. This work will be undertaken through ongoing investments in the upcoming year.

Finally, in our ongoing efforts to drive our "Made in the NWT" scientific agenda, we are increasing funding in this Budget by $120,000 for the *Traditional Knowledge Implementation Strategy,* bringing the total to $300,000 for 2010-11.

## *Squeezing the Most Out of Our Revenues – Refocusing Government*

Mr. Speaker, there is nothing in our foreseeable future that would justify relaxing our diligence in controlling the growth in the GNWT's spending. Over the past two years we have kept a tight rein on expenditures through a combination of spending reductions and re-alignments. Maintaining this vigilance means looking for efficiencies and putting our dollars where they will be most effective. We need to look for creative new ways of doing our work and be open to new ideas. However, bringing about change in the way we operate often needs investment up front.

A key focus of this investment will be in support of our employees. A strong, capable and motivated workforce is essential for the GNWT to deliver the programs and services NWT residents have come to rely on. Last June we released *20/20: A Brilliant North – NWT Public Service Strategic Plan.* This Plan will guide the development of our public service over the next 10 years. Investments in 2010-11 will continue to implement the Plan with $1.5 million allocated in this Budget for training and development, diversity, health and wellness, performance management, intern and student employment, and marketing and recruitment.

The *Public Service Strategic Plan* applies to all orders of public service in the NWT. For this reason, we are proposing $1 million in this Budget to improve community capacity in providing community government administration and governance. This funding will be used for training and mentorship programs.

This Budget includes over $39 million to implement the provisions of the Collective Agreements negotiated in 2009-10. Maintaining competitive compensation helps us recruit and retain the people we need to deliver our programs.

Information technology can help us make government more efficient and help us deliver more and better services to the public, especially remote communities where direct access to government offices is not possible. The GNWT is working to achieve more effective use of new technologies. We will do this through:

- development of a *Knowledge Management Strategy* that will guide our investments in and use of information systems and technology;
- a $106,000 investment that will allow work to begin on a separate dedicated internet delivery system for the Department of Education, Culture and Employment to provide for more distance education and wider variety of courses and professional development for teachers;
- an additional $247,000 for expanded on-site lab and diagnostic imaging at the consolidated health clinics in Yellowknife. This will allow physicians and patients to get lab tests done at the clinics, for the first time, and get the results faster; and,
- a further $99,000 proposed for electronic medical records and imaging that will help increase the administrative efficiency of our health care system and increase the quality of patient care.

The Budget includes $298,000 to implement our recently tabled science agenda that will allow the GNWT to better set the priorities and agenda for research activities carried out in the NWT and ensure that northern participation is increased as interest in the NWT by academic institutions and business continues to grow.

We continue to work to make the machinery of government as efficient and effective as possible. Last fall, we successfully replaced the GNWT's 28 year old financial information system with our System for Accountability and Management, or SAM. The next key component of our *Financial Renewal Strategy*, supported with an investment of $250,000 in this Budget, involves the implementation of shared financial administration and procurement services by April 2011. This will standardize practices and processes, consolidate specialized skills, knowledge and technology and allow departments to focus on program delivery by merging administrative support functions.

This Budget consolidates responsibility for GNWT-wide building maintenance and utility costs within the Department of Public Works and Services. Consolidation will permit better tracking of utility costs and consumption so that we can better manage the GNWT's energy needs, help in efforts to reduce our greenhouse gas emissions, and identify investment opportunities for the Government's Capital Asset Retrofit Program. It will help us standardize the operation and preventative maintenance of government buildings and will help us address our growing deferred maintenance challenge.

In 2009, the GNWT's Program Review Office led a comprehensive review of the government's approach to acquiring general purpose office space. The review concluded that the GNWT could achieve considerable long-term savings, as much as $100 million over 40 years, from acquiring new, owned spaced in Yellowknife. We will be seeking supplementary funding in 2009-10 to complete a planning study for rebalancing the portfolio of GNWT-owned and leased office space in Yellowknife. This initiative builds on the work that led to the decision to construct a government-owned office building in Inuvik.

The work to improve our relationship with our service delivery boards is continuing. We are looking at the barriers that limit service integration, we want to expand the use of inter-agency committees in communities, and work towards improving the accountability mechanisms between the GNWT and our boards. This improved accountability will include clearly defined roles and responsibilities and reporting mechanisms. This accountability work will lead to the development of standardized contribution agreements with existing boards by April 2011.

## *Stabilizing the Health Care System*

We must reduce the cost pressures in our health care system if it is to be sustainable. At $326 million, health and social service expenditures are 25 per cent of GNWT's operating budget, however, they make up over 30 per cent of the forced growth.

We are not alone in this concern. Every jurisdiction in Canada faces similar challenges with respect to health care costs, but we face some unique northern challenges. Change is no longer a choice. But change must be planned, managed and take a system-wide approach. We will maintain our primary focus on quality basic care and services. We will continue to build on our strengths, ensuring a territorial system that supports regional and community health and social service delivery and that is sustainable in the long term.

We are seeking to better address these challenges through the elements of the *Foundation for Change* plan. This system-wide approach is intended to address cost pressures while still ensuring that we are delivering the right health care services to the right people in the right way. The Department of Health and Social Services, with the Authorities, is formulating a plan to ensure dependable, equitable and timely access to health care, improve the well-being of NWT residents, and put the system on a sustainable, long-term footing. This is a daunting task. The approach will require a significant commitment by the government and health agencies and will include accountability improvements, such as stream-lined financial systems, and implementation of contribution agreements with the Authorities.

Changes to the way we deliver health care services in the NWT must be made in conjunction with reinforcing people’s personal responsibility for their own health, by eating a healthy diet, exercising, and not smoking or abusing alcohol. The alternative is to see ever-rising health care costs that erode our ability to invest in other, equally important, areas.

While we need to reduce the growth in health care expenditures, we recognize that we still have vital investments to make in our health care system. For example, this Budget proposes $530,000 for the Consolidated Primary Care Clinic in Yellowknife, $2 million to fund operational costs associated with the Territorial Dementia Facility in Yellowknife and $1.4 million for ongoing operational costs of the Territorial Supported Living Campus in Hay River.

## Revenues

This Budget includes no new taxes. We are keenly aware that the economic recovery will be slow and do not want to jeopardize its progress. However, we need to ensure that our revenues do not lose ground. Therefore, effective April 1, 2010 we will be introducing policies to ensure that property tax rates, liquor mark-ups, and tobacco tax rates keep up with inflation. We intend to extend these policies to other fees charged for government services by April 1, 2011.

The GNWT must take a longer-term view of its tax policies. How revenues are raised can have significant consequences for individuals, families, and businesses. An approach that is not well thought out can hurt the economy, discourage investment, and even push people into leaving the territory. So it is important that we take a measured and balanced approach that is consistent with the NWT’s long-term vision and goals.

In October 2009 we held a second roundtable on these longer-term tax and fiscal issues and also invited the public to give us their ideas. We heard support for a long term focus on investments in our future as a territory, including support for proactive investments to encourage reduced fuel use and the exploration of cost-effective energy alternatives. We heard an openness to support changes in the tax mix to better balance the tax burden, provided there was a corresponding creative search for opportunities to diversify the NWT economy and address our high cost of living. These ideas will guide longer term work on the tax and fiscal structure of the NWT. Proposals for significant change to the NWT tax system will require considerable research and analysis and further consultation before any changes are brought forward and implemented. This work will be undertaken in the upcoming fiscal year.

## Looking Forward

Mr. Speaker, there are less than two years left in the mandate of this Legislative Assembly. We must ensure that the initiatives that we have already put in motion towards achieving our common vision have the resources and the commitment to get the work done.

One of the priorities of the 16th Legislative Assembly is to "work toward a common vision for the political development of the NWT." The challenges and opportunities of the North are receiving increasing national and international attention. We need to make it clear to all that discussions and decisions about the North need to be made in the North, by Northerners for Northerners. It is our collective responsibility to ensure Northern voices and interests are heard and recognized by those that do not live here. This Budget proposes one-time funding of $864,000 in 2010-11 to support the work of the Northern Leaders' Forum. This funding will be used for engagement with NWT residents, public consultations and research projects in the areas of capacity building and governance. Through the work of the Northern Leaders' Forum we hope to provide a unified Northern voice which clearly communicates our common vision to the federal government and other non-Northern decision makers, so we can successfully advance key priorities of Northern governments.

In this same regard, we need to continue to press for completion of an agreement in principle on devolution. While the resource revenues that are associated with a devolution agreement are important, we must not lose sight of the broader goal: to achieve the long overdue transfer of authority over our lands and resources from Ottawa to the North. Without this authority we have little power to influence or control NWT land management decisions. Over the past several months we have been working with the federal government to narrow the gaps and hope to soon be in a position to resume trilateral negotiations with Canada and the Aboriginal governments aimed at finalizing an agreement in principle.

The Budget includes $210,000 to advance devolution discussions and to continue work to finalize and implement land, resource and self government agreements.

During last fall's revenue consultations we heard from many respondents that the NWT needs a Heritage Fund in anticipation of achieving control over our non-renewable natural resources.

The NWT is blessed with a vast treasure of non-renewable resources. However, once these resources are taken out of the ground they are gone forever. Our challenge is to ensure that the transformation of our non-renewable resources to dollars provides a lasting legacy for NWT residents.

A Heritage Fund is a way to save for future generations. Before we establish a Fund, we need to determine how much to save and what form these savings should take. During this Session, I will be releasing a public discussion paper on the establishment of a NWT Heritage Fund. If there is broad consensus, I commit to introducing, for passage, legislation to create a Heritage Fund by the end of 16th Legislative Assembly.

Mr. Speaker, our government is focussed on ways that we can improve the delivery of housing programs and services to Northerners. As an important step in this process, we plan to make changes in the administration of the Public Housing program. We intend to move responsibility for income assessments back to the Local Housing Organizations. Moving responsibility for assessments back to Local Housing Organizations will improve client service while maintaining the need for fair and equitable treatment of clients. We will also increase the certainty of operating funding for Local Housing Organizations. Although not reflected in this Budget, formal proposals for change will be developed in consultation with Regular Members, with a view to implementation during the 2010-11 fiscal year.

We want to look for other opportunities to improve the way we deliver housing programs, including divesting a number of older units and looking for efficiencies in how we maintain our housing stock through improved linkages at the community level between Local Housing Organizations and the Department of Public Works and Services.

Mr. Speaker, the NWT has a significant infrastructure deficit. Only seven of our communities are connected by all season roads twelve months of the year. As a territory, we generate 225 kilotonnes of greenhouse gas emissions every year burning diesel fuel to generate electricity. Surveys of industry consistently report the lack of infrastructure as a deterrent to investment in our territory.

Addressing this deficit is a priority for this government, as it has been for previous governments, and will continue to be in the future. Three extraordinary projects are a priority:

First, the Deh Cho Bridge is the largest public infrastructure project undertaken in the NWT. When completed, it will ensure year-round highway access for half our territory's population. The project is 50 per cent complete, with the most difficult phase of construction out of the way. The bridge is now on track for a completion date in late 2011. We are committed to seeing this project through to a successful conclusion.

Second, the Taltson Hydro Expansion project is in the environmental review phase. If given regulatory approval, this project, once completed, could displace up to 100 million litres of diesel fuel a year, and reduce greenhouse gas emissions in the NWT by 15 per cent. With an estimated cost of more than $500 million, the project is beyond the capacity of this government to finance on our own. However, if the project gets regulatory approval, given its importance to our economy and to our environment, we must ensure that it goes ahead.

We have sought Canada's participation through federal infrastructure programs, but even if our requests are approved, additional financing will be needed. Therefore, we are prepared to look for partners with the fiscal resources to help us get this project built.

Third, the Mackenzie Valley Highway is an essential component of our vision for the NWT. Connecting all the communities of the Mackenzie Valley with an all-weather road would reduce living costs for residents and open up the rest of the Mackenzie Valley, where the current seasonal ice road access is unpredictable. Completion of the entire road between Wrigley and Tuktoyaktuk would cost an estimated $1.8 billion and therefore it will take time to see the project through to conclusion. However, progress has been, and continues to be, made. Over the last 10 years, $55 million has been invested by Canada and the GNWT in the construction of winter road bridges and the Tuktoyaktuk gravel access road.

Canada and the GNWT have been working together to assemble the information needed to plan construction of an all-weather road from Inuvik to Tuktoyaktuk. We are prepared to do our part to complete the Project Description Report for the entire length of the Mackenzie Valley and have already included $2 million in our current capital plan to begin this work. This Project Description Report is a critical piece that must be completed before any further development can take place. We are confident that Canada will partner with us in this important work. We must keep working toward our goal of an all-weather road from the Alberta border to the Arctic Ocean.

# Conclusion

Mr. Speaker, the GNWT recognized the need to put ourselves on a sound financial footing before the global financial crisis broke. Our preparations placed us in a good position to respond and we did so with a deliberate plan to be a source of stability for our economy during this very difficult time. We did this by maintaining our service levels and by making record investments in infrastructure. Our plan has not only lessened the impact of the slowdown on the NWT economy. It has also resulted in needed infrastructure that will benefit NWT residents and create a positive environment for future economic activity.

Mr. Speaker, we should be pleased with the work that has been started since this Assembly was elected. We are committed to ensure that the work is completed. This mid-point in our term provides an opportunity to check our course. This Budget seeks to ensure that the strategic initiatives started in previous budgets have sufficient resources to progress during the final two years of this Assembly.

We have had to make adjustments to our plans to respond to global economic events but we are confident that our actions have helped the NWT weather the economic storm. Furthermore, the opportunities we have seized during this period will pay dividends that will last far beyond the end of the 16$^{th}$ Assembly.

Mr. Speaker, our job is only half done. We have a plan, much work is underway but much work remains. We all must recommit our efforts and apply ourselves fully to complete the work this Legislative Assembly has laid out. We and the people we represent should expect no less.

Thank you, Mr. Speaker.