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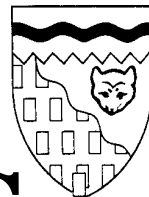
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NORTHWEST
TERRITORIES

1996-97



BUDGET ADDRESS

Budget Address

**The Honorable John Todd
Minister of Finance**

**Third Session of the Thirteenth
Legislative Assembly
of the Northwest Territories**

May 2, 1996

Government of the Northwest Territories

Mr. Speaker, today it is my pleasure to present the first budget of the 13th Legislative Assembly of the Northwest Territories.

This is not a "business-as-usual" budget but these are not "business as usual times."

It is no secret that our revenues are declining. This year alone, federal transfer payments will fall by almost \$90 million.

This government's ability to raise revenues through taxation is limited. We must reduce our expenditures. But let there be no mistake about the reason for these reductions, it is because of reduced transfer payments from the federal government.

Mr. Speaker, we have had to reconsider all government operations in light of these reductions to our transfer payments. In doing so, we have decided against making across-the-board cuts.

The budget reductions we have implemented are fair and equitably distributed, so all residents of the Northwest Territories share in the necessary changes. These changes will be far reaching. No one will be exempt and no one will be singled out.

Mr. Speaker, this is the bad news side of the budget, and as they say, "bad news travels fast."

OPPORTUNITIES

But today, I want to talk about opportunities. About how government funds will be invested to convert opportunities to jobs, about our plans to better utilize government revenues, and about a better life for all the people of the Northwest Territories.

This \$1.2 billion budget contains a great deal of good news which supports a new direction for government as we move toward the year 2000. This budget addresses expansion of the Northwest Territories economy, preparation of our people to meet this expansion, and continuing provision of essential programs and services that government is mandated to deliver.

This budget addresses investment opportunities and working in creative partnerships with communities, with aboriginal organizations and with business to provide jobs and build a brighter future for our residents.

Since the Government of the Northwest Territories first moved north thirty years ago, we have spent billions of dollars providing our residents with basic services and facilities. Our focus was on the development of infrastructure and services. Over the past three decades, we have established community governments, sophisticated education and health systems, and community infrastructure - from airports to arenas, to roads, to housing, and to water and waste systems.

Government funds have supported the development of small business, resource harvesting, tourism, and territorial and community organizations. This government, and this Legislative Assembly, have developed programs that ensure a basic standard of living for all northern residents.

For the past thirty years, the principal engine of economic growth in the North was government spending and this spending sustained our economy.

As a result, we now have much of the required infrastructure. Our communities have schools and services. Our system of airports, linking communities hundreds of kilometers apart, is second to none in the world. There is still much room for improvement. We will always need more facilities to keep up with our growth, but most of the basics are now in place.

Today, the Northwest Territories is poised for change. Many land claims have been settled and this has made it possible for aboriginal northerners to invest in growth opportunities and participate fully in the economy. There are economic opportunities in non-renewable resources. The mining

industry has never been so active in the North. There is a resurgence of activity in the oil and gas sector. There are opportunities in the renewable resource sector. Fur prices have leveled off and are beginning to show some improvement. There is potential in forestry, fisheries and in tourism.

Mr. Speaker, today, this government faces a new and critical challenge. Government must assume a new role in the development of our northern economy. As I said earlier, government, by itself, can no longer sustain economic growth. The onus for future economic growth must be shifted to the private sector, to aboriginal organizations and to communities, where it belongs.

But we can't stop spending on services. This government must and will continue to provide essential services to our people. Our first priority is the health of our communities. We must recognize that "a healthy society is a working society".

Mr. Speaker, this government will concentrate on building a sustainable economy. Working people and profitable companies pay taxes, and if we have more working people and more profitable companies in the Northwest Territories, we will generate more revenue - revenue required to deliver essential services and programs to our people.

Division

Mr. Speaker, we will be building this sustainable economy in a time of change - technological change, social change, economic change and political change. With change comes opportunity but we must manage the change process well. Division of the Northwest Territories is the major political change we **will** be facing during the term of this government.

We are committed to taking the actions necessary to ensure that the new Governments of both Nunavut and the Western Territory will be in place and functional by **April 1, 1999**. Considerable effort has been made toward this goal. Many outstanding issues remain, including organizational structure, training programs and additional **infrastructure**.

Division will happen. The Nunavut Implementation Commission, Nunavut Tunngavik Incorporated, every Nunavut community and this government are committed to division. However, the federal government must live up to its financial obligations in this matter. It must assist in the creation of two new financially healthy, viable territories. We intend to **continue** to press this matter with the federal government.

In the western Arctic, the Minister of Aboriginal Affairs, the Honorable Jim Antoine has scheduled regular meetings of the Aboriginal Summit and is working on protocol agreements between government and aboriginal organizations.

Aboriginal organizations must be our partners. Together we have to convince Ottawa to do what is right. This means the federal government must come clean on where it stands on aboriginal self government.

The political aspirations of the people in both new territories cannot be denied.

CREATIVE PARTNERSHIPS

Mr. Speaker, this budget offers the means for northerners to take advantage of the opportunities that change brings. It has its focus on the potential for our children and grandchildren. These opportunities are found not only in larger centres across the North, but in smaller communities, where unemployment is high and dependence on government is greatest.

How will we accomplish this, when we are faced with higher costs to operate this government, and fewer dollars to spend? One answer, provided in this budget, is what we term "creative partnerships" -- individuals, businesses, aboriginal organizations and all levels of government pooling resources to stimulate economic growth and job creation.

This government is committed to successfully initiating creative partnerships. Partnerships are already forming in some regions of the Northwest Territories. These alliances meet the needs of our people in a

more efficient manner, and as a result will reduce government expenditures.

Last month, the Honorable Stephen Kakfwi announced the creation of such a partnership in Keewatin. The Kivalliq Partners Program coordinates economic development programs and services delivered by an aboriginal development corporation, a business development program and our own Department of Economic Development and Tourism, and creates a one-stop shop for economic development programs in the region. This program illustrates how we can utilize our financial resources more effectively.

Mr. Speaker, this government will move aggressively to initiate new, far reaching, partnerships in sectors such as mining, telecommunications, utilities and financial services.

These types of partnerships give us more 'bang for the buck' while holding the line on territorial government spending.

PRIVATE SECTOR INVESTMENT

Bringing new dollars into the economy will also be a main objective of this government. We will be encouraging investment from industry, from the financial community, from the federal government and from our own residents. We plan to aggressively market the Northwest Territories as a developing, but stable environment for both small and large scale investment.

Mining

We would like to make it clear to the mining industry that the Northwest Territories is open for business. We want and need sustainable mineral development. We want to be partners in building this industry.

Mining has the potential to generate wealth in the Northwest Territories. Mining can provide badly needed jobs, in mines and in businesses throughout the economy. Our mineral potential stretches from the

Mackenzie Mountains near Fort Simpson to the northern reaches of Baffin Island. Our mineral resources are world class.

Mining follows exploration. Without the work of many of the junior exploration companies, there would be no diamond discovery in the Lac de Gras area, no gold finds across the Precambrian Shield, and no base metal finds in the Arctic.

Exploration is expensive. 1995 exploration expenditures in the Northwest Territories were the highest in Canada. In 1996, we expect exploration expenditures to exceed \$200 million.

Recently, northerners, and northern businesses, have begun to participate in exploration. But exploration is only worth the financial risk if companies can profitably develop what they discover.

At the Nunavut Mining Symposium last month, Bob Hickman of BHP Minerals said, "Mining companies go where they are welcome."

Mr. Speaker, mining companies are welcome here, if they are prepared to create jobs for northerners, use northern companies to supply goods and services and safeguard our environment.

Mining companies go where tax and regulatory regimes are stable, competitive and fair. We have the lowest personal and corporate tax rates in Canada, and we plan to use this advantage to encourage the orderly development of our mineral industry. Mr. Speaker, in this budget, we are not proposing any new taxes on the mining industry.

Since the cost of doing business is already higher in the North than almost anywhere else in the world, this government intends to work with industry to develop incentive programs that give us a competitive edge --- programs that would reward companies that make genuine efforts to contribute to our economy, form real and lasting partnerships with northern and aboriginal companies, and create jobs for our people.

We are prepared to sit down with industry and discuss the whole area of taxation, incentives and investment in infrastructure that will quicken the pace and expand the scope of mining development, and provide incremental benefits to the people of the Northwest Territories.

Mining can be the anchor of our economy for decades to come. It is clear from any objective analysis that the responsible development of our mineral resources represents the **single** most important opportunity that we have for sustainable economic growth.

Oil and Gas Industry

We will also pursue continuing investment from the oil and gas industry. Oil and gas activity is increasing in the western Arctic, particularly near Fort **Liard**. The exploration dollars flowing into this corner of the Northwest Territories are putting people to work, supporting the local economy, and giving new hope for prosperity. Further north in the **Sahtu**, oil and gas exploration is also putting people to work.

Business Investment Strategy

New investment in the Northwest Territories **will** not be limited to mining and oil and gas. The Government of the Northwest Territories will launch a new business investment strategy designed to bring money and jobs into the Northwest Territories.

Mr. Speaker, the Department of Finance has established an Investment Office, whose sole purpose is to attract new business investment to the Northwest Territories.

This office will identify investment opportunities and potential investors. It will work on attracting immigrant investment to the Northwest Territories. Residency in the North offers major tax advantages for private individuals and businesses. We intend to capitalize on this by actively marketing the Northwest Territories as a business environment offering a variety of opportunities, an eager workforce and high potential returns.

This Investment Office will rely on the assistance of **industry** leaders from across the country, people who know how the investment community works, and how to use our strengths to attract investment dollars to the “ Northwest Territories.

This Investment Office will work cooperatively with the Economic Advisory Panel announced by the Premier earlier this year.

Mr. Speaker, government alone can no longer meet the growing demands for services of our rapidly increasing population. We must build investor confidence in the Northwest Territories so that business will share in the risks and benefits of our growth. This government must lead the way. We must adjust our perspective where necessary, seek partners who will share our goals, and look outward to the private sector for the investment we need to sustain and improve our standard of living.

We project that new investment in the Northwest Territories from all sources, including government, will be \$425 million this year. It is our goal to greatly increase this level of investment by the year 1999, investment that will lead directly to increased revenues for the government and jobs for our residents.

GOVERNMENT INVESTMENTS

Although this government must continue to control spending and reduce its deficit, it cannot stop building for the future. Our aim, therefore, is to allocate part of our spending in this budget to investments and initiatives that will bring sustainable benefits now and for the future.

Community Economic Development

Although I have concentrated on large-scale investment, this government will not overlook the smaller sectors that make a substantial contribution to our economy. The Minister responsible for the amalgamation of the Departments of Energy, Mines and Petroleum Resources, Economic Development and Tourism, and Renewable Resources, the Honorable Stephen Kakfwi, will lead our investment in the economic growth of our communities.

To foster community economic development and small business growth, Mr. Kakfwi will be introducing a Community Initiatives Program worth \$5 million. With the expiration of the Economic Development Agreement,

this program is critical to the development of viable economies in our communities.

The objectives of the program are to diversify regional and local economies, to improve the competitive position of economic sectors, and to strengthen technical, entrepreneurial, business management and marketing skills through training. The results will be both short and long-term employment in our smaller communities. Every cent of this program, Mr. Speaker, will be invested in our communities.

Mr. Speaker, we will also continue to invest in the hunting and trapping industry. In the past few months, we have seen an increase in fur prices. The price of beaver pelts, for example, has increased more than thirty per cent between February and April of this year. There has been a small resurgence in the market for sealskins. At a recent auction more than a thousand pelts were sold, averaging almost \$23 per pelt. This price is well above the low point reached in the 1980s of \$8 per pelt.

This government will continue to support efforts to establish new markets for our furs. In addition to our efforts in Europe, we will be looking to open new doors in the rapidly expanding Asian market. We aim to return our fur industry to the status it once had, as an essential sector of our economy.

Education and Jobs

Mr. Speaker, the creation of jobs is a priority of this government. I have already spoken of new jobs in the mining industry, and in the oil and gas industry. To secure these jobs, keep them and advance in these and other fields, our labour force must be well trained and prepared for the employment opportunities of the coming decades. We want Northerners to be trained and ready to assume more management positions as our economy grows.

Under the leadership of the Minister of Education, Culture and Employment, the Honorable Charles Dent, we plan to reinvest \$6.2 million dollars this fiscal year in a series of initiatives to develop a skilled workforce. These initiatives include Investing in People, Labour

Force Planning and Development, technology investment, improving student achievement and increasing accessibility to secondary education.

Mortgage and Loan Company

Mr. Speaker, to make mortgage financing more accessible to northerners living in communities where there are presently no real estate markets, the government proposes to establish a Mortgage and Loan Company. This organization will actively seek opportunities to provide financing to prospective homeowners and housing developers, particularly in our smaller northern communities, where traditional bank financing may be more difficult to secure.

The government will make an initial equity investment in this Mortgage and Loan Company of up to \$5 million. Private investors will be sought to supplement the equity base of the company. As the company will be structured to qualify as a mortgage investment company, the government's and other investors' equity can be used to lever up to five times as many dollars to help meet our ongoing demand for housing across the North.

Accessible mortgage funds will increase home ownership across the North and help alleviate this government's heavy fiscal responsibility for providing housing. Stimulation of the housing sector, particularly in the smaller communities, will also create needed jobs in the construction industry.

In brief, a one time investment of \$5 million now, in a Mortgage and Loan fund, can save the government much more in years to come.

Digital Telecommunications Network

Turning to another area, northerners now want and need to be connected to the world. The Nunavut Implementation Commission, in *Footprints in New Snow*, has said, "The pathways of the future will be traveled electronically".

Today, technology exists that would allow a nurse in Clyde River to take X-rays that a doctor in Iqaluit or Montreal could view within minutes. It would be possible for students in Defre, to see and work with teachers in Fort Simpson or Tokyo, without leaving the classroom.

This technology is now available. We have undertaken studies to see how we can use the new technology in our own operations. By implementing this technology, the Departments of Education, Culture and Employment and Health and Social Services **will** become more efficient in their operations and will improve the delivery of their services. We are confident that many other cost-effective uses **will** be found, both in government and the private sector.

In the past, transportation was our main connection to opportunities. Today, many of our communities are connected by roads, and most are connected by regular air service, by telephones and fax machines.

Now we need faster connections to the people and businesses in northern, national and international markets. To take advantage of marketing, business, educational and health-related opportunities we will have to connect to the information highway. We must look outward and open this window on the world.

Mr. Speaker, the Government of the Northwest Territories is proposing a partnership to support the development of a comprehensive digital communications network to link **all** communities in the Northwest Territories. Portions of this new network will be operational in early 1997 and it will be completed by the end of 1998.

This technology will be available to our government, and to businesses and individuals on a cost-shared basis. It is important to emphasize that a guiding principle of this initiative is that all communities will be served so that even the smallest or most remote community will have access to the benefits that such a communications network can offer.

People in all of our communities will soon be able to communicate round the world via the Internet and World Wide Web. An elder in the **Baffin** will be able to talk to a university class in Japan. Trappers **will** be able to market their furs in Europe and Asia. And our children will be able to tell the world about the North.

This government does not intend to get into the telecommunications business. We do intend to work in partnership with interested firms who want to participate in designing, implementing and operating this Northern network.

The government will be issuing a Request for Proposals this month to obtain offers to deliver this new service. By using the government's communications requirements as a base for this proposal, we expect to generate a **multi-million** dollar investment by the private sector in the design and construction of a state-of-the-art system. The resulting private sector system will be available to all governments, aboriginal organizations, individuals and businesses in the north.

Northern Accord

Mr. Speaker, another important investment that this government will make is in the negotiation of a Northern Accord on minerals and oil and gas with the federal government. The Premier, the Honorable Don Morin, has spoken on many occasions of the importance for northerners to gain control over northern resources. We cannot continue to let our land and resources be managed and controlled from Ottawa.

Mr. Morin has just returned from Ottawa where he received a commitment from the Minister of Indian Affairs and Northern Development to conclude negotiations quickly on the transfer of this authority. We will be aggressively pursuing a speedy resolution of these negotiations so that northerners can take control of and maximize the benefits from non-renewable resource development.

Regulatory Review

Mr. Speaker, through its regulatory regime, a government safeguards many aspects of the environment, economy and society. Over time, many of these **regulations** may become cumbersome and outdated or result in costly overlap and duplication with regulatory regimes implemented by other levels of government.

Just recently, the **difficulty** in registering a new **small** business was brought to my attention. It seems that between municipal business licenses, territorial companies registration and Workers' Compensation Board requirements we have created a **costly** maze of red tape for small entrepreneurs.

To substantially reduce the regulatory burden that deters economic development, we will be initiating a comprehensive review of all territorial regulations to streamline and update the regulatory regime in the Northwest Territories, while, at the same time, ensuring that the public trust is protected.

Business Incentive Policy

Mr. Speaker, in addition to encouraging new investment, we also recognize the importance of maximizing the benefits of government spending on our economy. We have come a long way in our attempts to keep government spending, which helps to create northern jobs, in the North. But there is more work to be done in this area.

The Business Incentive Policy has been in place for many years. Over that period, the number of northern firms in the marketplace and the amount of government spending reaching these companies and their employees have increased significantly.

However, it is also recognized that this policy is not perfect. We are currently reviewing this Policy and are considering revisions that will ensure northern firms and their employees get the greatest benefit from government spending.

BALANCING THE BUDGET

Mr. Speaker, I have chosen to outline our opportunities and investment strategy before I present the **actual** budget figures. As Minister of Finance and the person responsible for the healthy fiscal position of this government, I believe the growth potential of the Northwest Territories

deserves as much attention as expenditure reductions. A successful growth strategy can help replace scarce government dollars.

A successful growth strategy will allow the private sector to drive economic expansion. Government's new role is to **facilitate**, not bankroll, economic development.

Mr. Speaker, although the budget I am presenting today is a deficit budget, I can see a bright future, **if** we work together to realize the economic and social potential of the Northwest Territories.

When this government took office last November, we were projecting a deficit for 1996-97 of over \$100 million. Reductions in transfer payments **from** the federal government, and growing expenditure demands led us to this position. One of the major challenges facing the Members of this Legislative Assembly was to restore the Government of the Northwest Territories to a position of fiscal health.

The situation became worse with each new forecast. As revenue projections fell and expenditure **needs** continued to rise, the deficit forecast grew to \$150 million. Without any action on our part to bring the deficit under control, this government would be more than \$600 million in debt by April 1, 1999.

Mr. Speaker, this is not an option. It is unfair to our children, and to the future governments of Nunavut and the Western Territory.

Mr. Speaker, this Legislative Assembly has taken action. We have made the tough decisions. Together, the measures announced over the last few months, and those announced today, will result in the 1996-97 deficit being reduced from a projected \$150 million, to \$43 million, and will lead to a balanced budget in 1997-98.

The 1996-97 budget calls for expenditures, including estimated supplementary appropriations and lapses, of \$1.211 billion. This is approximately \$70 million less than forecast expenditures for the 1995-96 fiscal year. Total revenues for 1996-97 are expected to be \$1.168 billion.

The net result for the 1996-97 fiscal year will be a \$43 million deficit, which will increase our accumulated deficit to \$85 million by the end of

this fiscal year. Eliminating the entire projected \$150 million deficit in one year would create too much hardship for the residents of the Northwest Territories. We must be serious about deficit reduction, but we must also be realistic.

This government has developed a realistic and responsible fiscal recovery plan. This plan has the Northwest Territories returning to a balanced budget as early in our government's mandate as possible, while protecting those most in need and supporting our fledgling northern economy. The fiscal recovery plan does not rely on tax increases to solve our problems. Instead, the plan **tackles** the root problem - that the government spends more than it takes in.

The plan calls for expenditure reductions of over \$100 million in 1996-97. Some of these reductions have been reallocated to the initiatives I have already mentioned. The remainder have been used to reduce our anticipated deficit to \$43 million.

Next year, further spending reductions will be necessary. Some of these reductions will be **re-allocated** to finance unavoidable growth in statutory expenditures, such as education and health, and the rest will be used to eliminate the remaining budget deficit and start to generate the small surpluses needed to pay down our accumulated deficit.

In our examination of government spending, we concluded that while everyone must share the burden of cost cutting, those most vulnerable must bear the smallest burden. We have tried to structure the reductions so that they impact those who can afford them most.

One example of this approach is in the area of wage and benefit reductions. Here, Members of the Legislative Assembly have led by example. We have taken a seven per cent cut in indemnities, and a very large reduction in pension benefits. This House has shown that no one is exempt from reductions.

The reductions also affect government employees. We recognize the contribution government employees have made over the years to this government and to the northern economy. However, government wages account for over thirty-five per cent of our total budget and employees

cannot be immune from the reductions that must be implemented to put our financial house in order.

This government has focused on protecting jobs to the extent possible. The number of jobs cut has been kept relatively low, and the number of staff laid off has been kept even lower. Through priority hiring, and enhanced severance pay, the impact of budget reductions on staff is further reduced.

Mr. Speaker, the government has looked hard at how it does business. We have moved to eliminate unnecessary administration and duplication. We have consolidated departments to increase the level of program integration. We have directed that government get out of areas best left to the private sector or to communities.

This government has identified services which could be privatized: management of government real estate assets, provision of computer systems and services, the government's role in the provision of petroleum products, in community resupply and in the management of the parks system.

Mr. Speaker, community governments are demanding greater authority and responsibility. A priority of this government will be to identify and eliminate legislative and other barriers to communities taking a more active role in running their own affairs.

Community Empowerment

The primary vehicle to make this happen is the Community Empowerment Initiative. This initiative is being led by the Minister of Municipal and Community Affairs, the Honorable Manitok Thompson.

Through this initiative the government is taking a hard look at how it does business. We have a great deal of government for a relatively small population. We spend too much money getting programs and services to our people. We need to better allocate scarce resources to where they do the most good, in our communities.

Communities have told us that they need to plan for their future in an integrated way, they need control over local resources, they need training

and **support so** that **local** people can **run** community programs and, most of all, they need the flexibility to utilize funding in a manner that best meets their needs.

We are committed to taking the bold action required to meet these needs through the Community Empowerment Initiative.

Community Wellness

Mr. Speaker, a fundamental cornerstone of Community Empowerment is Community Wellness. In order for communities to manage their own **affairs**, their residents must have control of the resources needed to come to grips with the many social problems that confront northern communities.

The **Minister** of Health and Social Services, the Honorable Kelvin Ng, will be identifying dedicated, ongoing funding to promote and enhance Community Wellness. This funding will be used initially to help communities develop their own plans for implementing wellness initiatives.

The Department of Health and Social Services, in conjunction with the Department of Municipal and Community Affairs and other departments, is developing a plan that will allow communities to take on responsibility for a full range of wellness programs and services currently managed by this government. This framework **will** be complete by June of this year.

The funding arrangements will provide flexibility, allowing communities to develop their own priorities for service delivery. Ideally, the funding for government programs and services will be managed through a single organization at the community level. This **will** promote consistency and ensure that services are linked and complementary to each other.

The Community Wellness Strategy will provide the framework for the development and delivery of social programs during the life of this government and leading up to division. By coordinating efforts across government we can deal with our fiscal realities and actually improve and make more relevant the programs and services required by people in their

communities. We need a holistic, integrated approach at every level and on every issue to begin to solve our social problems.

Mr. Speaker, another initiative where our limited resources will be put to good use is in Early Childhood Intervention. The Honorable Charles Dent has identified \$1 million to develop and implement a range of integrated early childhood intervention services in partnership with the Department of Health and Social Services. These services will ensure that children with potential problems receive the help and support they need to succeed in school. In other jurisdictions where these services are offered, the demonstrated long-term benefits include healthier **families**, fewer school drop-outs, fewer school failures, decreased social assistance costs and reduced costs for special education support in schools.

Community Justice

Another essential element of Community Wellness is the fundamental reform of the administration of justice. The way that we currently deliver “justice” in the communities is not working well. We need to develop solutions that ensure that local people are involved in making decisions about local problems. More specifically, we need to build the foundation necessary for ensuring that communities can take a lead role in resolving disputes and in addressing problems that result in community disorder.

Work has already begun to help communities take on an increased role in dispute resolution and restorative justice. We are committed to building on the work already done to ensure that we create effective partnerships between communities, government and all components of the justice system.

In the coming months, the Honorable Kelvin Ng will be providing more details about the proposed approach to moving decision making and resources out of the Department of Justice and into the hands of community decision makers. Mr. Speaker, to this end, we will be maintaining funding for community justice initiatives at 1995-96 levels.

The Department of Justice has also targeted \$600,000 to develop new approaches to community supervision of offenders. Community supervision is an alternative to incarceration. It allows communities to

become more involved in the design and delivery of corrections services and programs. In addition, this approach has the potential to help contain the escalating cost of incarceration.

The bottom line is that we simply cannot afford to do things the way we have in the past. Fortunately, our communities want to see a change in the way we address justice issues. We are optimistic about the prospects for positive reform that will help reduce the strain on our already overburdened justice system and reduce the level of crime, disorder and instability in our communities.

Mr. Speaker, all these programs will create new opportunities for the communities. They will help reduce government overhead, and at the same time, put people at the community level to work in jobs that give them management and budget control. Community leaders will have the opportunity to set priorities for programs and services. Instead of three or four government-assisted organizations in a community, there will be a single, more cost-effective agency that can serve as the centre for community wellness initiatives.

CONCLUSION

It has often been said, Mr. Speaker, that the best form of income support is a job. This simple adage sums up this government's approach to the 1996-97 budget. In this budget we are seeking not only to restore the government's fiscal health, we are outlining a vision and concrete steps for creating economic opportunities, so that northerners can either find jobs or make jobs.

The government does not have the resources to create more employment by increasing the size of our payroll. What we can and will do is create a climate that will encourage investment and job creation by others.

Mr. Speaker, this government can and will invest in economic growth, not by more public spending, but by developing partnerships with communities and the private sector to create employment today and sustainable opportunities for our children.

We are **proposing new** methods of accomplishing the tasks of government:

- through creative partnerships,
- through investment in opportunities, and
- through leveraging our limited government resources

to **build a new economy in** the Northwest Territories.

Mr. Speaker, we will encourage the flow of investment dollars to the Northwest Territories. We will support and participate in creative partnerships that solve northern problems and create wealth for **northerners. And we will review**, and where necessary update or change **our regulatory** and tax regimes, to ensure we obtain maximum benefit from new investments.

Mr. Speaker, thoughts of gloom and doom, and constant self-examination are not productive. If we need more revenue, and more housing, and more jobs, we have to set about creating our own opportunities. Those opportunities will be found by looking outward, by seeking creative new partners, by taking steps to get training, and by investing our resources in our own future.

I am convinced that the Northwest Territories offers more opportunities for its citizens than any other place in Canada. It is time to seize those opportunities.

Thank you, Mr. Speaker.

Appendix

Fiscal and Economic Review

FISCAL POSITION
(Thousands of Dollars)

	1992-93 ACTUALS	1993-94 ACTUALS	1994-95 ACTUALS	1996-96 REVISED ESTIMATES	1996-97 MAIN ESTIMATES
Budgetary Revenues	1,126,161	1,179,643	1,211,060	1,250,434	1,168,141
Recoveries of Prior Years'					
Expenditures	7,166	8,711	6,919	0	0
TOTAL REVENUES	1,133,327	1,188,354	1,217,979	1,250,434	1,168,141
O&M Expenditures	959,559	1,047,185	1,052,846	1,093,901	1,025,678
Capital Expenditures	167,833	176,481	191,537	215,324	194,313
Estimated Supplementary Appropriations less Lapses	0	0	0	(28,000)	(9,000)
TOTAL EXPENDITURES	1,127,392	1,223,666	1,244,383	1,281,225	1,210,991
SURPLUS (DEFICIT)	5,935	(35,312)	(26,404)	(30,791)	(42,850)
LOAN FUNDS AND OTHER ADJUSTMENTS	19,000	(1,000)	(5,000)	0	0
ACCUMULATED SURPLUS - CLOSING BALANCE	56,145	19,833	(11,571)	(42,362)	(85,212)

Source: 1996-97 Main Estimates
Public Accounts

REVENUE SUMMARY BY SOURCE
,(Thousands of Dollars)

	1992-93 ACTUALS	1993-94 ACTUALS	1994-95 ACTUALS	1995-96 REVISED ESTIMATES	1996-97 MAIN ESTIMATES
GRANT FROM CANADA	780,940	849,053	888,739	896,503	829,888
TAXATION REVENUE					
Personal Income Tax	62,391	66,213	61,103	65,564	64,679
Corporate Income Tax	53,604	28,058	23,408	27,734	25,952
Payroll Tax		7,843	11,770	11,991	12,135
Fuel Taxes	9,429	10,621	12,230	14,936	14,960
Tobacco Taxes	12,772	12,631	16,737	16,986	16,872
Property Taxes	6,331	5,284	5,605	6,839	6,918
Insurance Taxes	778	968	1,530	1,000	1,250
	<u>145,305</u>	<u>131,618</u>	<u>132,383</u>	<u>145,050</u>	<u>142,766</u>
GENERAL REVENUES					
Liquor Control System	14,379	15,396	15,036	16,937	15,949
Interest Income	11,716	7,331	7,576	4,550	6,591
Licenses, Fees, and Permits	6,369	7,756	8,184	10,303	10,782
Arctic Airports rentals and fees				3,734	2,931
	<u>32,464</u>	<u>30,483</u>	<u>30,796</u>	<u>35,524</u>	<u>36,253</u>
ESTABLISHED PROGRAMS FINANCING	26,235	22,209	22,657	21,340	0
OTHER TRANSFER PAYMENTS	103,834	102,223	92,643	103,286	103,715
RECOVERIES	44,560	52,768	50,761	48,731	55,519
TOTAL REVENUES	<u>1,133,338</u>	<u>1,188,354</u>	<u>1,217,979</u>	<u>1,250,434</u>	<u>1,168,141</u>

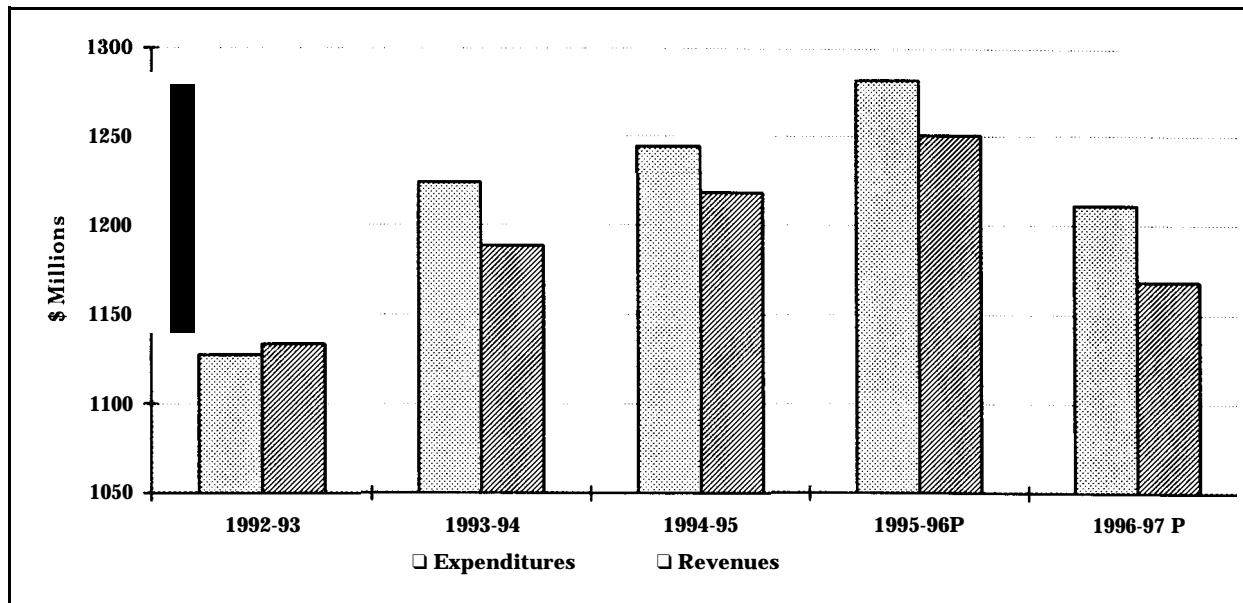
Source: 1996-97 Main Estimates
Public Accounts

EXPENDITURE SUMMARY BY PROGRAM
(Thousands of Dollars)

	1992-93	1993-94	1994-95	1996-96 REVISED	1996-97 MAIN
	ACTUALS	ACTUALS	ACTUALS	ESTIMATES	ESTIMATES
Legislative Assembly	14,020	17,669	11,738	9,771	9,414
Executive	57,916	64,954	87,845	85,025	65,484
NWT Housing Corporation	86,539	95,351	101,313	111,965	105,244
Finance	9,212	9,829	8,296	10,246	10,171
Justice	64,094	67,326	69,147	71,572	71,941
Safety and Public Services	6,360	6,587	7,046	7,422	6,879
Public Works and Services	138,085	138,828	114,544	113,743	98,643
Transportation	73,746	82,668	84,294	103,395	101,295
Renewable Resources	43,392	59,101	72,131	61,852	57,373
Municipal and Community Affairs	97,219	99,447	101,467	114,047	106,153
Health and Social Services	267,744	281,376	238,324	258,948	248,358
Energy, Mines, & Petroleum Resources	4,590	4,997	4,651	5,486	5,242
Economic Development and Tourism	46,815	42,781	46,632	44,338	38,994
Education, Culture and Employment	217,660	238,916	296,955	311,415	294,800
TOTAL O&M AND CAPITAL	1,127,392	1,209,830	1,244,383	1,309,225	1,219,991
Other Expenses		13,839			
Estimated Supplementary Appropriations					
Less Lapses				(28,000)	(9,000)
TOTAL EXPENDITURES	1,127,392	1,223,669	1,244,383	1,281,225	1,210,991

Source: 1996-97 Main Estimates
Public Accounts

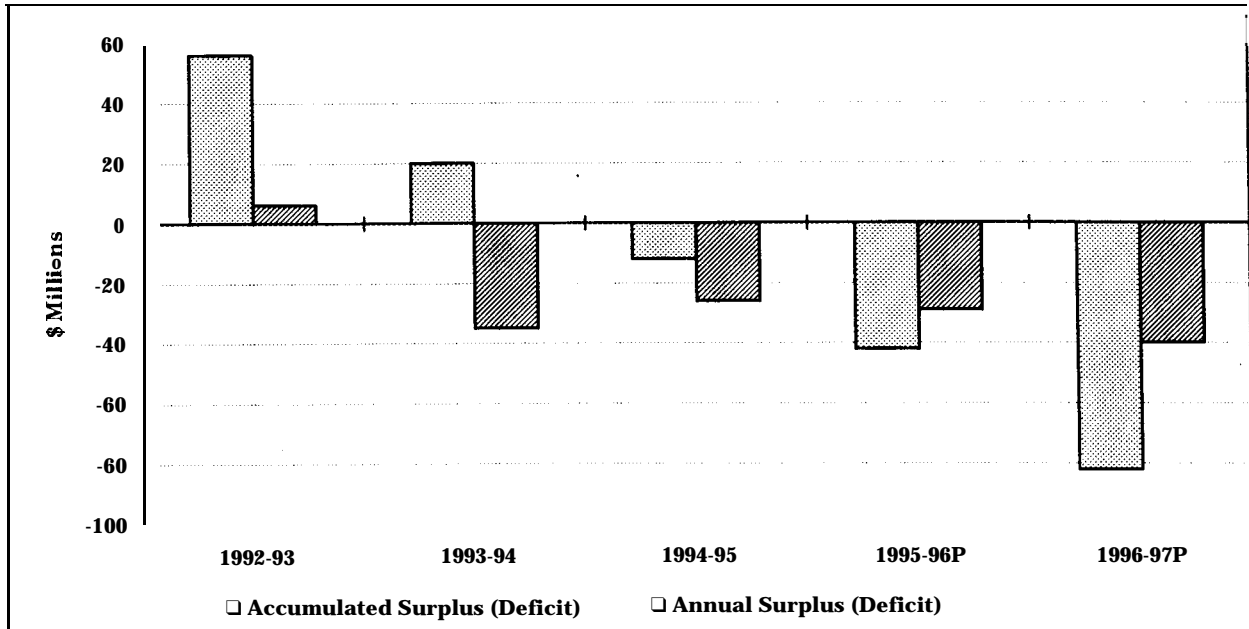
GOVERNMENT REVENUES AND EXPENDITURES



(P) Projected
Source: 1996-97 Main Estimates
Public Accounts

- . Government expenditures have exceeded revenues in three of the last four years and are expected to do so again in 1996-97.
- . Revenues are declining sharply in 1996-97, due mainly to the 5 per cent cut to the Formula Financing Agreement's Gross Expenditure Base, announced in the 1995 federal budget.
- . Expenditures cannot continue to exceed revenues. The 1996 Budget introduces a number of measures to control territorial spending.

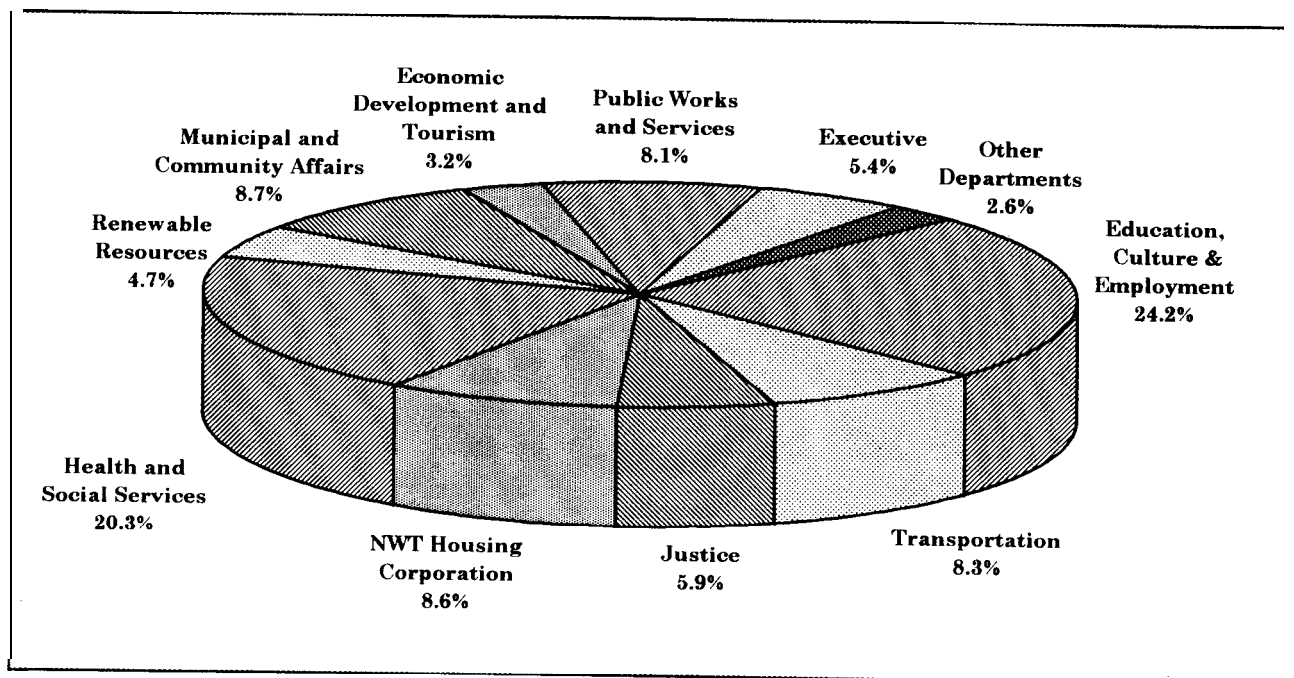
BUDGETARY BALANCES



(P) Projected
 Source: 1996-97 Main Estimates
 Public Accounts

- . In three out of the past four years, the Government of the Northwest Territories has run a deficit. A deficit of \$43 million is expected for 1996-97.
- In the past four years, the Government of the Northwest Territories has gone from a \$56 million accumulated surplus to a \$42 million net debt. The debt is forecast to increase to \$82 million in 1996-97, even with the government's efforts to reduce the deficit.
- . Large debts increase the amount of money that the Government of the Northwest Territories must devote to debt servicing charges. Higher interest charges constrain the government's ability to provide services to the public.

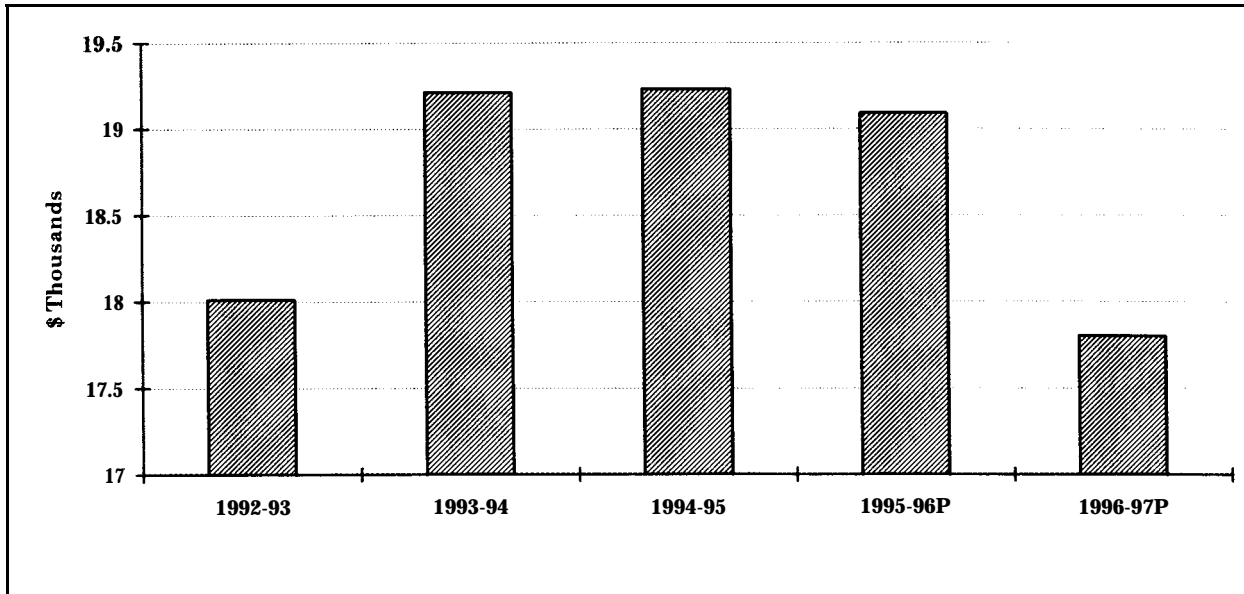
**GOVERNMENT EXPENDITURES BY DEPARTMENT
1996-97**



Source: 1996-97 Main Estimates

- The bulk of territorial spending is in the areas of education and health and social services. Between them, these areas account for nearly half of all territorial expenditures.
- “other Departments” includes the departments of Finance, Safety and Public Services, Energy, Mines and Petroleum Resources, and the Legislative Assembly.

GOVERNMENT EXPENDITURES PER CAPITA



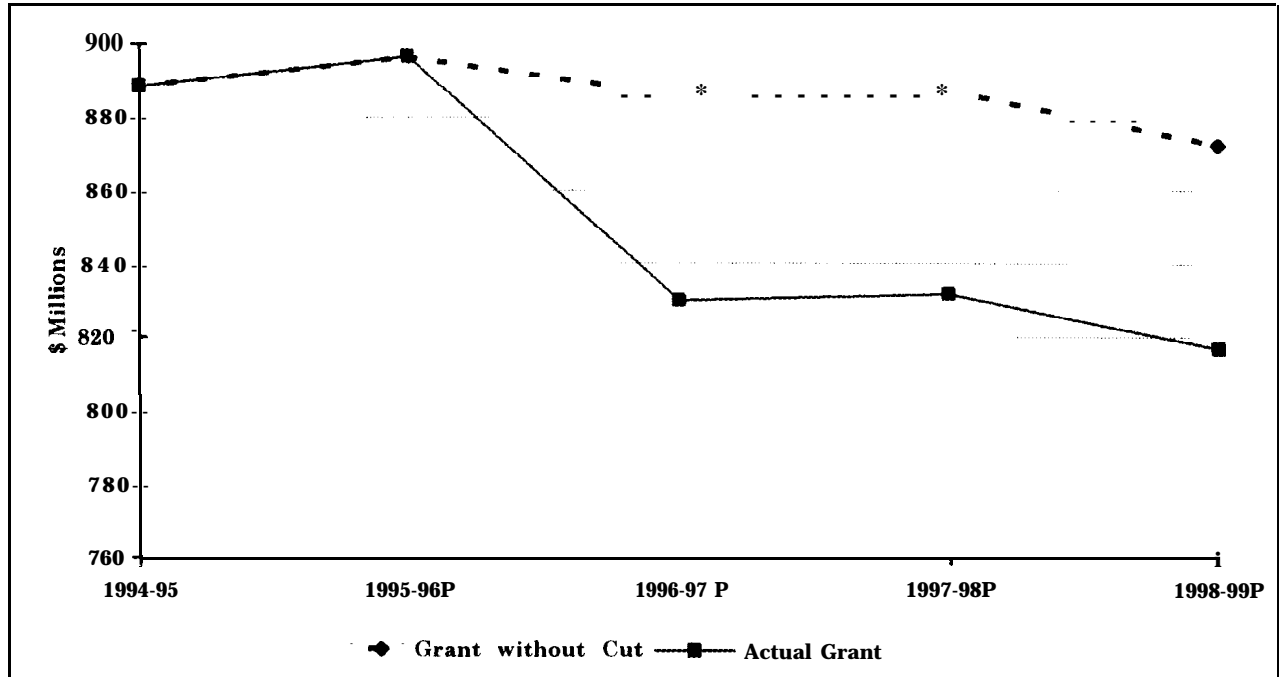
(P) Projected

* Expenditures per capita are shown net of program transfers

Source: Department of Finance

- . Expenditures by the Government of the Northwest Territories have grown in each of the past several years. In 1995-96 they were slightly more than \$19,000 for each person living in the Northwest Territories.
- . Expenditure restraint measures announced in the 1996-97 budget will result in expenditures per capita declining below the level in 1992-93.

EFFECT OF FEDERAL CUT ON FORMULA FINANCING GRANT

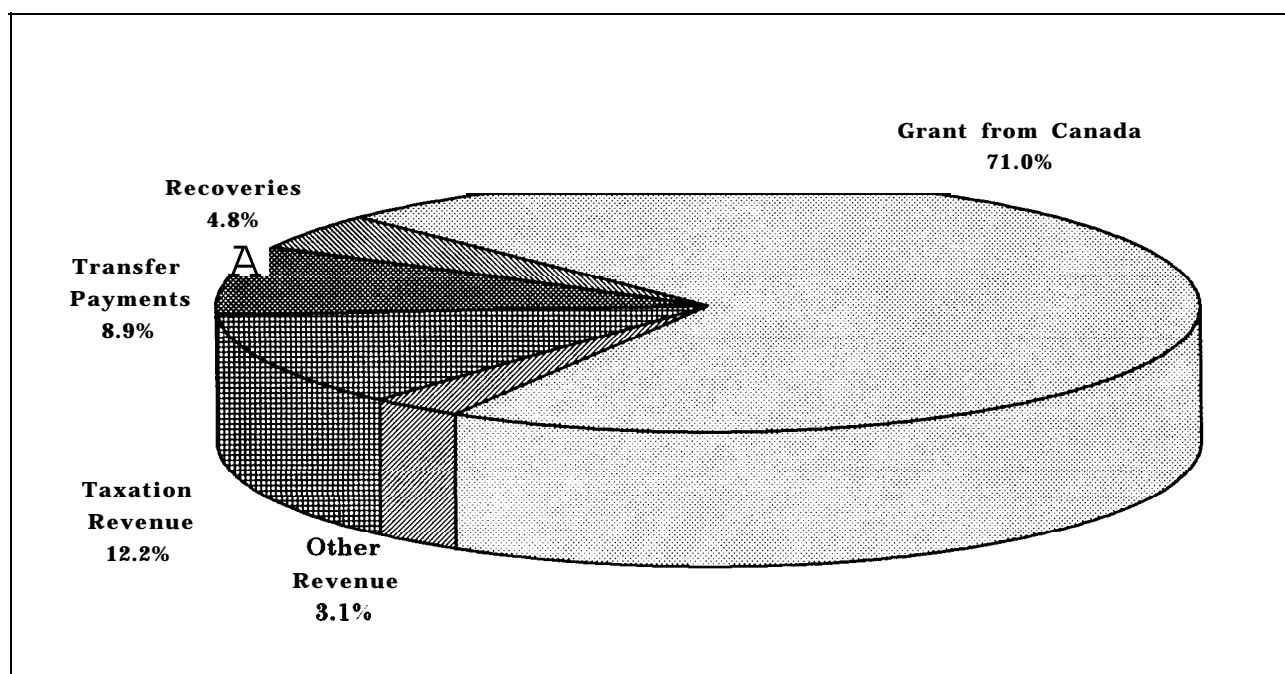


(P) Projected

Source: Department of Finance

- . In its 1995 budget, the federal government announced a cut of 5 per cent to the Formula Financing Agreement's Gross Expenditure Base in 1996-97.
- . The effect of this cut is to reduce the Grant by about \$60 million in 1996-97.
- . Because it is applied to the Gross Expenditure Base, the effect will carry forward to future years.
- . Because the Gross Expenditure Base is tied to the level of provincial and local government spending, the Grant would decline over the years 1996-97 to 1998-99 even in the absence of a federal cut.

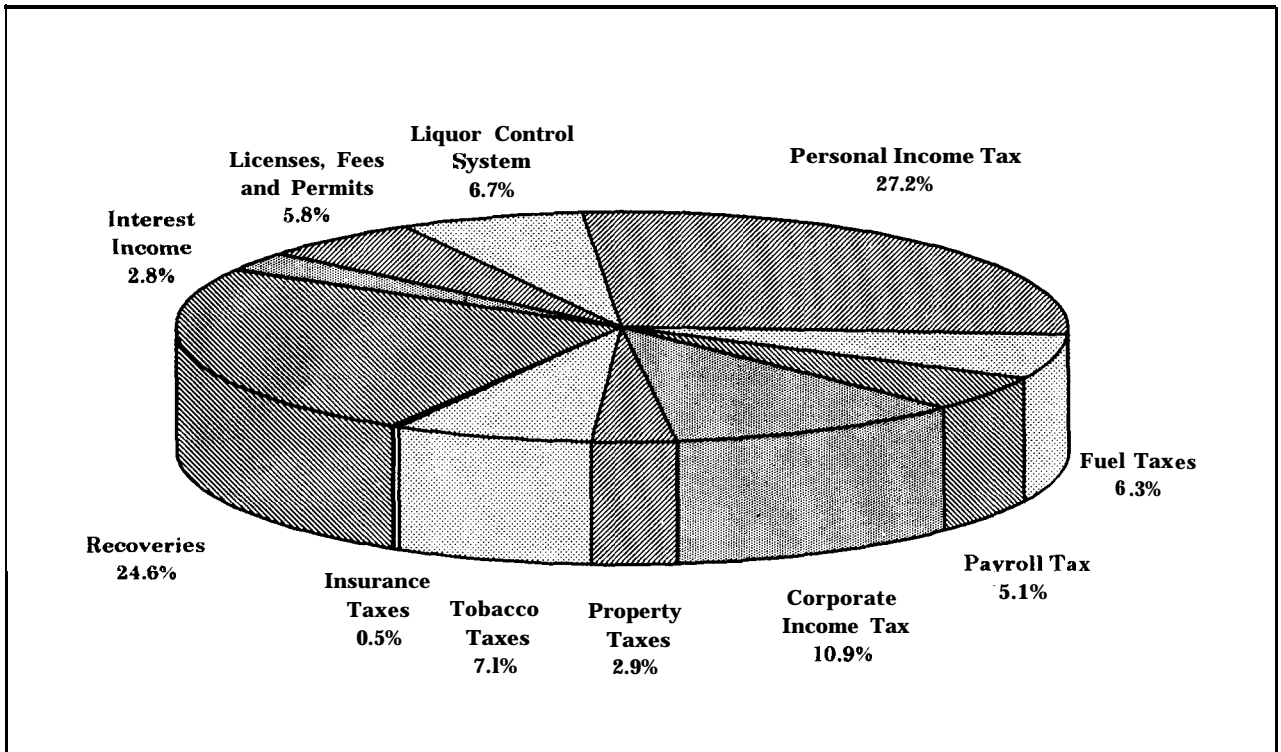
GOVERNMENT REVENUES BY SOURCE 1996-97



Source: 1996-97 Main Estimates

- The Grant from Canada under the Formula Financing Agreement constitutes the single largest source of revenue available to the Government of the Northwest Territories. In 1996-97, the Grant is forecast to be \$830 million, or 71.2 per cent of total revenues.
- . Between the Grant from Canada and other transfer payments, the Government of the Northwest Territories receives just over 80 per cent of its revenues from the Government of Canada.
- Because territorial own-source revenues are only 20 per cent of the total, the Government of the Northwest Territories has only a limited ability to control its deficit through revenue measures.

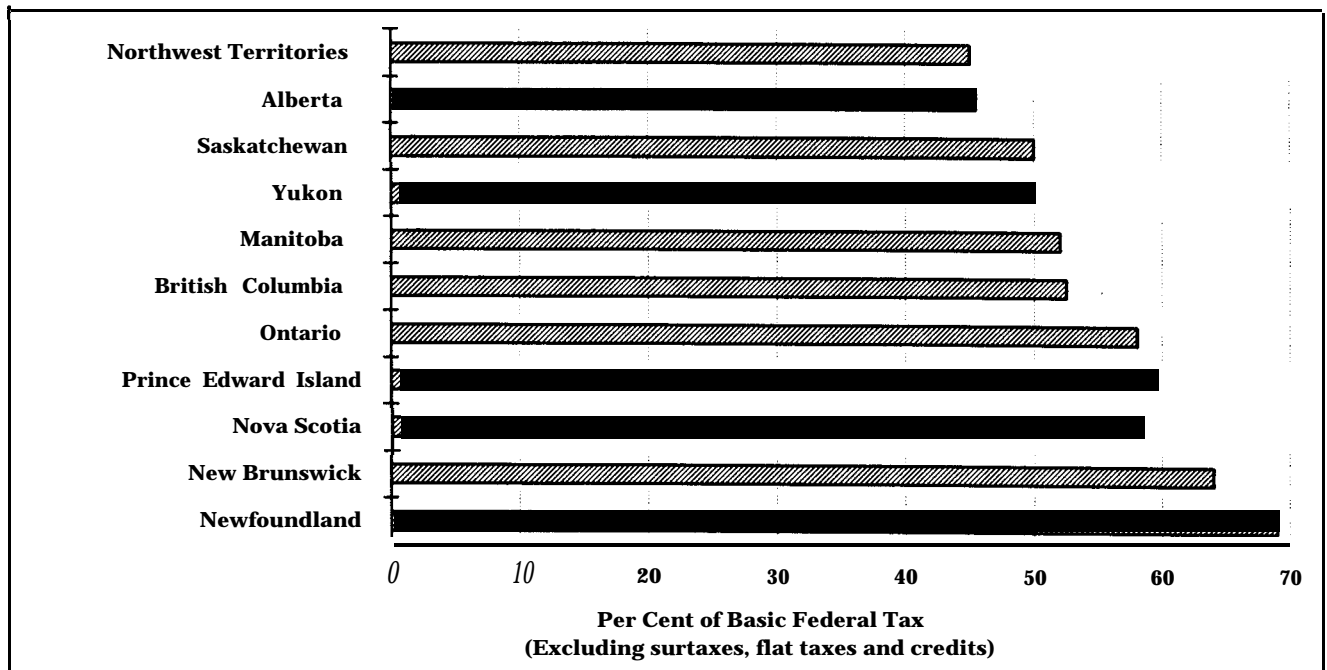
**GOVERNMENT OWN-SOURCE REVENUES
1996-97**



Source: 1996 -97 Main Estimates

- . Personal income tax is the largest own-source revenue. It is generally fairly stable.
- . Corporate income tax has been fairly stable over the past several years. However, it has been considerably more volatile in the past, reaching as high as 26 per cent of own-source revenues. The volatility stems from the fact that a large share of corporate income taxes are paid by a few major taxpayers in the mining, oil, and gas industries.
- . Recoveries include mainly rental income, sales of government assets, and sales of goods and services. Because they include the sale of capital assets, recoveries can vary widely from year to year. In 1996-97 they will comprise about 24.4 per cent of territorial own-source revenues, compared with 17.5 per cent in 1995-96.

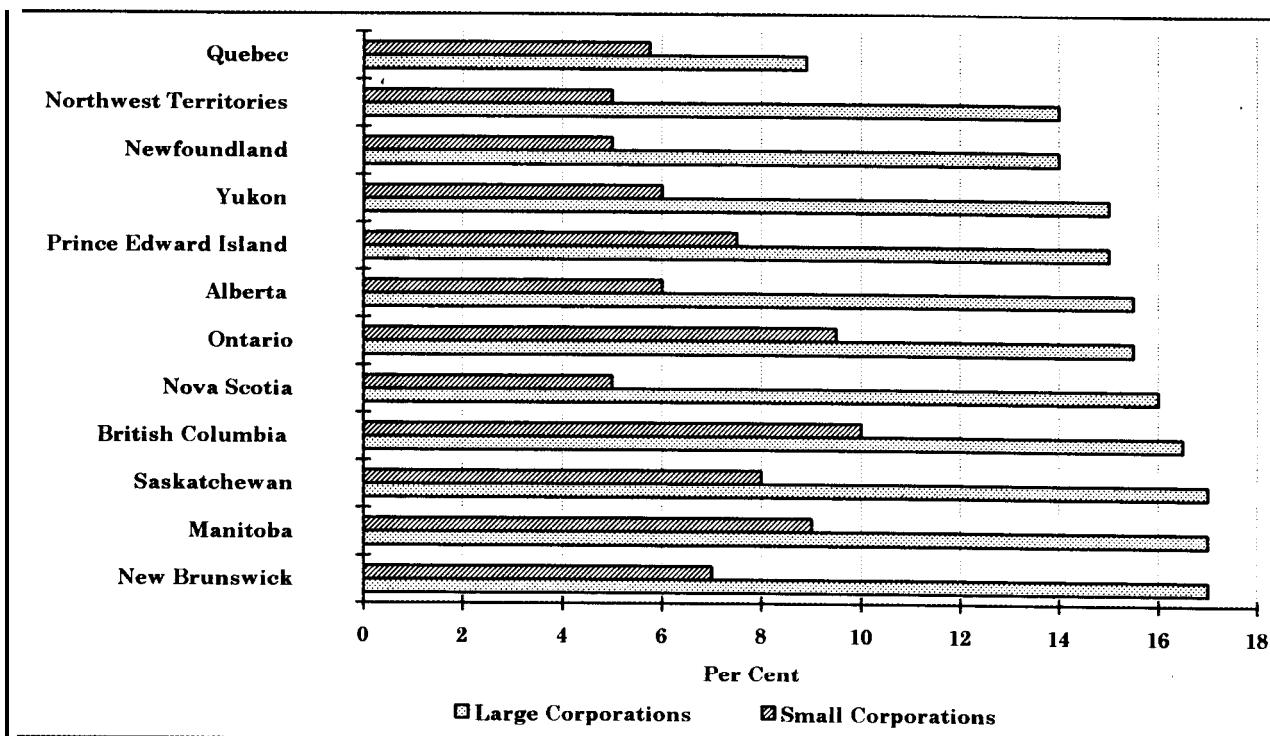
PERSONAL INCOME TAX RATES, APRIL 1996



Source: Department of Finance

- . The Northwest Territories has the lowest personal income tax rate of any province or territory in Canada nor does it impose any flat taxes or surtaxes.
- . Despite lower tax rates, Northwest Territories residents pay about the same percentage of their income in income taxes as other Canadians. Higher incomes are required in order to compensate for the higher cost of living. These higher incomes, combined with the progressive income tax, mean taxpayers pay a higher amount and a higher percentage of income in tax.
- . The Northwest Territories is one of three jurisdictions in Canada without a provincial/territorial sales tax.

CORPORATE INCOME TAX RATES, APRIL 1996



Source: Department of Finance

- . The Northwest Territories has a low corporate income tax rate.
- . The Northwest Territories has no corporate capital tax.
- The Northwest Territories continues to maintain a low and predictable taxation regime for corporations.
- . The Northwest Territories has the lowest income tax rate for small Canadian Controlled corporations in Canada.

PROVINCIAL AND TERRITORIAL TAX RATES
as of April 25, 1996

	Personal Income Tax	Retail Sales Tax	Fuel Tax			Tobacco Tax		Annual Health Care (q) \$	Payroll Tax (r) (??)	Corporate Income Tax		Capital Tax (s) (%)
			Gasoline Unleaded	Diesel	Aviation	Cigarettes	Tobacco			Small	Large	
	% of federal tax	%	¢/litre	¢/litre	¢/litre	\$/carton	¢/gram			(%)	(%)	(%)
Northwest Territories	45		10.5 (m)	8.9	1.0	24.80	9.20		1.00	5	14	
Yukon	50 (b)		6.2	7.2	1.1	16.40	2.92			6	15	
British Columbia	52.5 (c)	7	11.0	11.5	3.0	22.00	8.40	432/864		10	16.5	0.3/3.0
Alberta	45.5 (d)		9.0	9.0	5.0	14.00	4.00	408/816		6	15.5	0.0/2.0
Saskatchewan	50 (e)	9	15.0	15.0	3.5	16.00	5.30			8.0	17	0.6/3.25
Manitoba	52 (f)	7	11.5	10.9	4.2	16.00	5.30		2.25	9.0	17	0.3/3.0
Ontario	58 (g)	8	14.7	14.3	2.7	4.00	1.70		1.95	9.5	15.5	0.3/1.12
Quebec	N/A (h)	6.5	15.2	13.3	3.0	4.36	0.72		4.26	5.75	8.90	0.64/1.12
New Brunswick	64 (i)	11	10.7	13.7	2.5	6.60	2.48			7	17	0.0/3.0
Nova Scotia	58.5 (j)	11	13.5	15.4	0.8	9.88	3.89			5	16	0.0/3.0
Prince Edward Island	59.5 (k)	10	12.0	12.5	0.7	11.35	3.01			7.5	15	0.0/3.0
Newfoundland	69	12	16.5 (n)	16.5	0.7	20.56	6.85		2.00	5	14	0.0/3.0
Canadian Average (a)	55.3 (l)	7.0	13.6	13.1	3.0	8.85	3.00		1.91	7.9	14.1	0.3/1.7
Average incl sales tax			14.4 (o)	13.8		10.37 (p)	3.62 (p)					

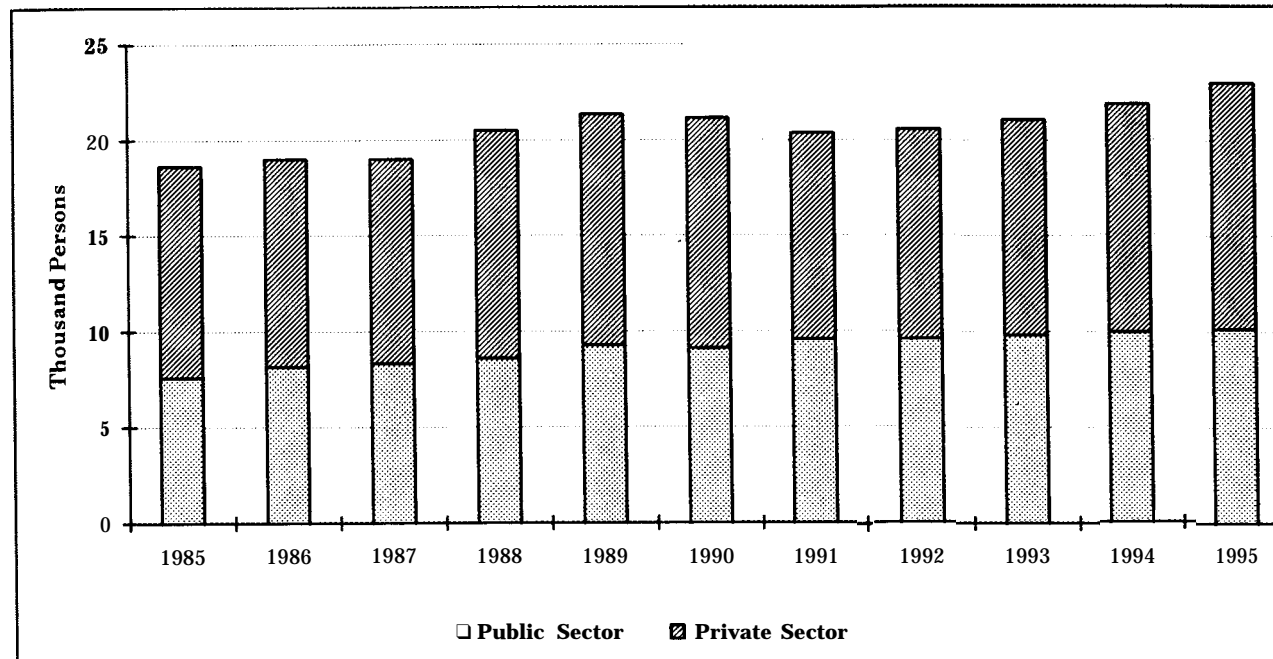
- (a) Average of all provincial and territorial rates, weighted by population
- (b) In addition, Yukon imposes a surtax of 5% of provincial tax over \$6,000.
- (c) In addition, B.C. imposes a surtax of 30% of provincial tax between \$5,300 and \$9,000 and 50% of tax over \$9,000, reduced by a credit of \$50 per dependant.
- (d) In addition, Alberta imposes a flat tax of 0.5% of taxable income and a surtax of 8% of provincial tax over \$3,500.
- (e) In addition, Saskatchewan imposes a flat tax of 2% of net income and a surtax of 15% of provincial tax over \$4,000.
An additional 10% surtax is applied to the aggregate of an individual's basic Saskatchewan tax and flat tax. The surtax is reduced by \$150 for single taxpayers and \$30 for those with dependants.
- (f) In addition, Manitoba imposes a flat tax of 2% of net income and a surtax of 2% of net income over \$30,000 with additional offsets for the taxpayer and dependants.
- (g) In addition, Ontario imposes a surtax of 20% of provincial tax between \$5,500 and \$8,000, and 30% of tax over \$8,000.
- (h) Quebec levies a personal income tax directly against taxable income.
- (i) New Brunswick imposes a surtax of 8% of provincial tax over \$13,500.
- (j) Nova Scotia imposes a surtax of 20% of provincial tax between \$7,000 and \$10,500 and 30% on tax over \$10,500. Nova Scotia will lower its rate to 57.5% of federal tax in
- (k) Prince Edward Island imposes a surtax of 10% of provincial tax over \$12,500.
- (l) 55.3% is the weighted average of the basic rate in the nine provinces and two territories which have tax collection agreements with the federal government. The average effective rate (total provincial/territorial tax, including surtaxes, flat taxes, and credits, as a percentage of basic federal tax) for all twelve jurisdictions is 60.6%.
- (m) A lower rate of 6.3 cents applies to communities not served by the highway system in the Northwest Territories.
- (n) Lower rates apply to remote areas of the province.
- (o) Quebec applies sales tax to fuel
- (p) Average includes provincial sales taxes of Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Newfoundland applicable to sales of tobacco.
- (q) Rates shown for health care premiums are for single individuals and families of three or more.
- (r) Rates shown are for payrolls over \$400,000.
- (s) Rates shown for capital tax are for large corporations and for financial institutions in the order shown. The bases are different for different type of companies.

NORTHWEST TERRITORIES ECONOMIC INDICATORS: 1991-1995

INDICATOR	1991	1992	1993	1994	1995
Final Domestic Demand (Mil. of 1986 \$)	1,978	1,980	2,018	2,003	n/a
(% Change)	-3.9	0.1	1.9	-0.7	
Total Investment (Mil. of 1986 \$)	411	378	397	428	n/a
(% Change)	-25.7	-8.0	5.0	7.8	
Consumer Expenditures (Mil. of 1986 \$)	620	636	645	663	n/a
(% Change)	0.5	2.6	1.4	2.8	
Government Expenditures (Mil. of 1986 \$)	947	966	976	912	n/a
(% Change)	2.8	2.0	1.0	-6.6	
Employment (000's)	20.3	20.5	20.9	21.9	23.2
(% Change)	-3.7	0.8	2.1	4.3	6.1
Avg. Weekly Earnings (\$)	705.8	715.0	705.5	704.4	706.5
(% Change)	6.0	1.3	-1.3	-0.2	0.3
CPI (Yellowknife)	123.2	124.5	126.6	128.9	132.6
(% Change)	6.5	1.1	1.7	1.8	2.9

Source: Statistics Canada

Employment - PUBLIC AND PRIVATE SECTORS, m

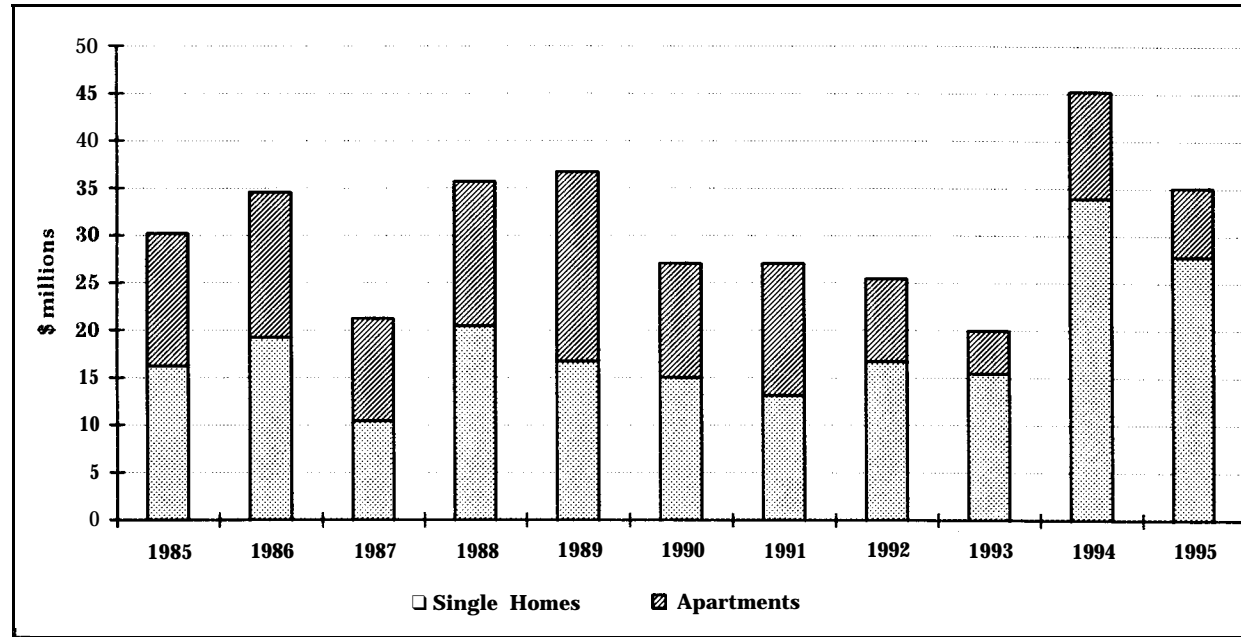


Source: Statistics Canada, Survey of Employment, Payroll and Hours

Public Sector: Public Administration, Education and Related Services, Health and Social Services

- . Most of the employment growth in the last four years has come from the private sector.
- . After experiencing strong growth in the 1980's, public sector employment has stabilized.
- . Construction of a diamond mine would create an additional 900 private sector jobs in 1997 and a further 100 jobs in 1999.

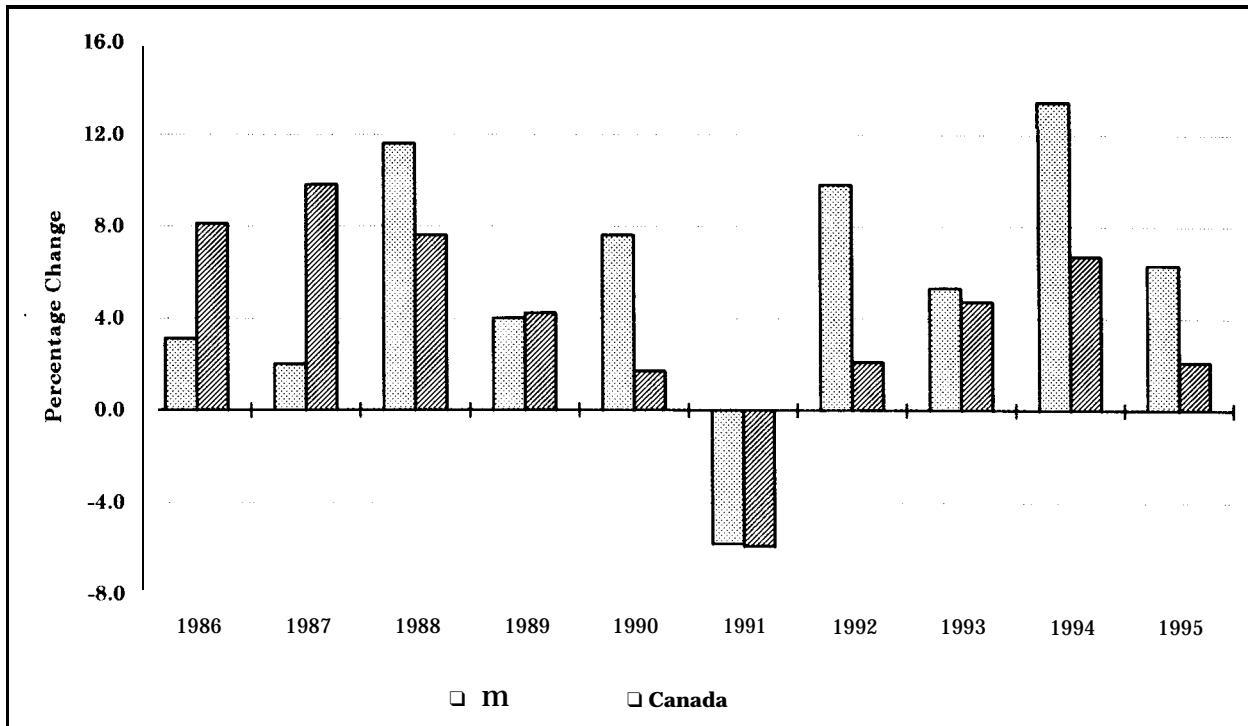
NEW HOUSING CONSTRUCTION, NWT



Source: Statistics Canada

- The value of new housing construction rebounded in 1994 and remained strong in 1995, after four years of decline. This has occurred despite a reduction in the delivery of new social housing units as a result of CMHC funding cutbacks.
- Most of the construction was in the single homes category. Apartment construction continues to be weak.

RETAIL TRADE GROWTH

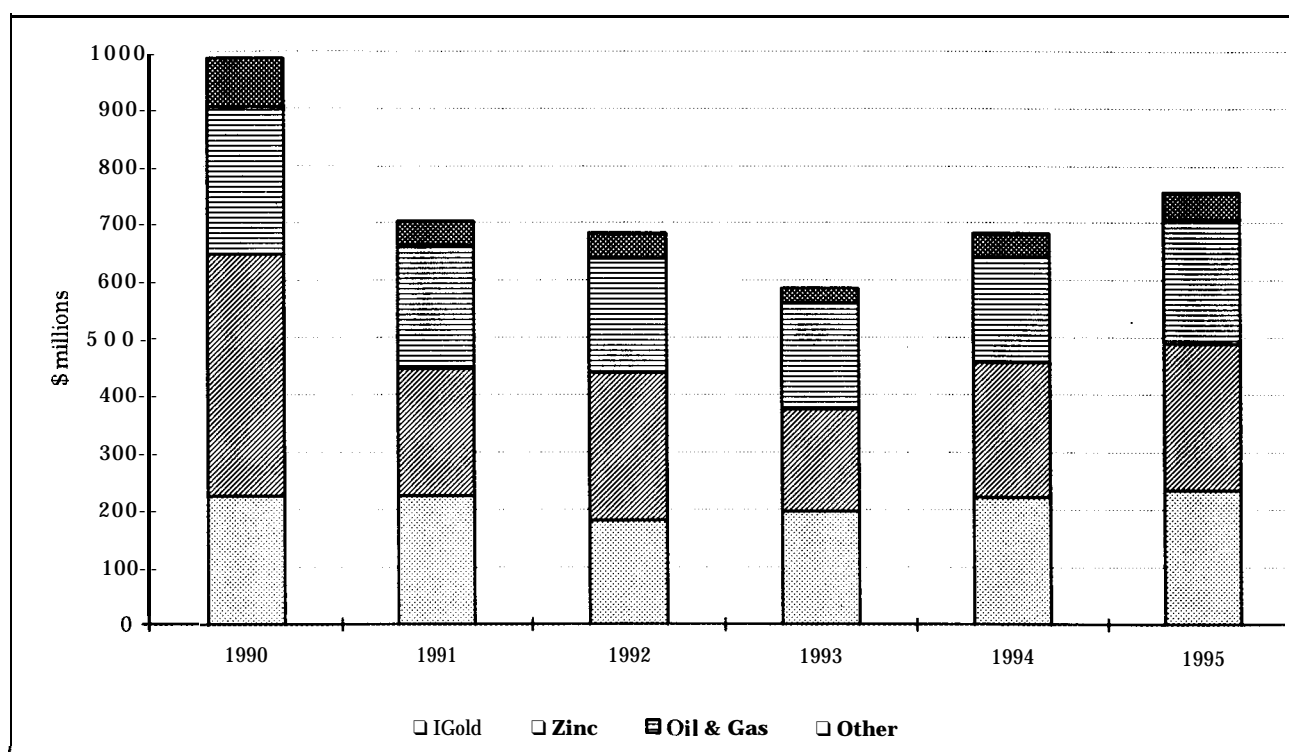


Source: Statistics Canada

- Forthelast four years, retail trade growth has been significantly higher in the Northwest Territories than in the rest of Canada.
- Job growth in the last three years has increased disposable incomes and consumer confidence.
- Retail industry expansion has enabled consumers to make a larger proportion of their purchases within the Northwest Territories.

Note: Starting in 1991, federal retail sales taxes were excluded from retail sales figures. It does not indicate an actual fall in sales.

VALUE OF MINERAL PRODUCTION, NWT

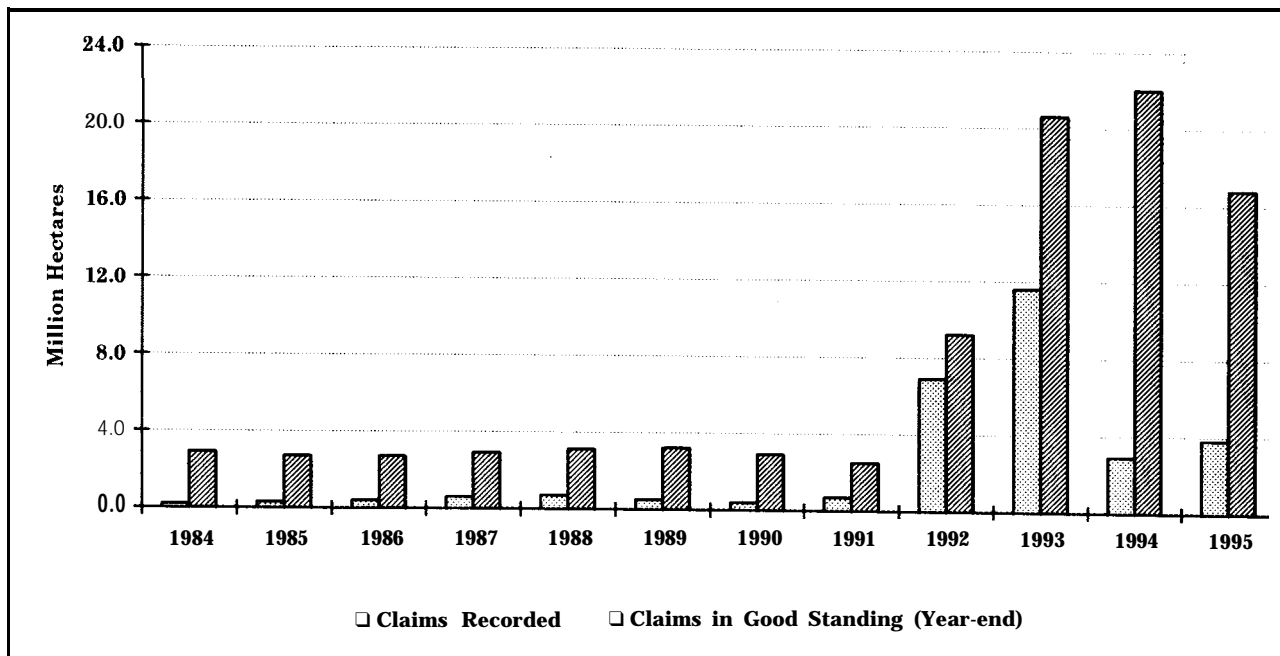


Source: Statistics Canada

Recent increases in the value of production are mainly due to higher world prices for metals and oil and gas.

- Production levels for gold and oil and gas have remained fairly stable from year to year.
- Zinc production levels fell sharply in 1991 following the closure of the Pine Point mine, and fell again in 1993. Since then, production levels and prices have improved.
- Most existing mines are in their mature phase of operation. If future increases in Northwest Territories production are to be sustained, new mines will have to be developed.
- If construction of a diamond mine begins in 1997, it would probably begin production in about 1999 and operate at full capacity by about 2002. At full capacity, production is projected to reach \$500 million per year.

MINING EXPLORATION, NWT



Source: Statistics Canada

- Claims recorded increased to 3.9 million hectares in 1995. Claims in good standing were 16.8 million hectares. Most of the increase was spurred by the potential for diamonds.
- Estimated exploration expenditures in the Northwest Territories for 1995 amounted to \$190 million - higher than in any other Canadian province or territory. Natural Resources Canada expects 1996 expenditures to reach \$220 million.
- The Lac de Gras diamond project is at an advanced stage of exploration. The BHP-Diamet proposal is being reviewed by the federal Environmental Assessment Review Panel. The Panel has recently concluded its public hearings. It is expected to report its findings and make recommendations by the end of June 1996.
- There are a number of other promising diamond and gold projects in the North Slave region, some of which are in an advanced stage of exploration.